

A.I.D. EVALUATION SUMMARY - PART I

PD-ABI-213

XD

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.  
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

ISA 87327

A. Reporting A.I.D. Unit: Mission or AID/W Office (ES# _____) <u>NE/ME</u>		B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>9</u>		C. Evaluation Timing Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>	
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)					
Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
HNE 0159-G-00-3003-00	KAI: AGRICULTURAL DEVELOPMENT AND EXPORT PROGRAM IN GAZA AND THE WEST BANK		3/31/94	\$694,500	\$694,500

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director		Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required			
1. Extend the KAI Grant by 1 month (March 1/94 to 3/31/94)		T. Beans FA/OP	3/1/94
2. Where possible, address specific ag export promotion opportunities through the Small Business Support Project		Contractor being selected	Mobilization 7/94
3. a. Identify and track agriculture-related activities planned or being carried out by PVOs and donors. b. Determine what ag activities USAID should support. c. Determine if USAID should design a WB/G ag project.		a. MSI with NE/ME  b. NE/ME-Regional Initiatives  c. "	4 - 8/94  8/94 9/94
4. Incorporate evaluation recommendations in all future WB/G project designs.		NE/ME-Regional Initiatives	TBD
5. Project contractor should be competitively selected.		NE/ME, FA/OP	TBD

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation:				(Month)	(Day)	(Year)
				1	19	94
G. Approvals of Evaluation Summary And Action Decisions:						
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director		
	Dorothy Young	Leo Kramer	NA	Fredrick Machmer		
Signature						
Date	4-11-94			4-12-94		

a

**ABSTRACT**

H. Evaluation Abstract (Do not exceed the space provided)

The evaluation team's overall assessment is that the Grant Program is appropriate in concept and offers some innovative ideas that have kindled new interest in exporting, but that the implementation of actual exporting has proved to be quite constrained which has harmed the Program's effectiveness. In terms of facilitating actual exports, the Grantee has assisted directly in the export of some 53.8 tons through December 1993 compared to a target figure of some 38,988 tons.

**Program Strengths**

- trouble shooting with export transportation and security issues through Israel on those individual exports which were facilitated through Grantee assistance;
- active export promotion efforts with European and North American buyers; and
- identification of high-potential export candidates in Gaza and the West Bank.

**Program Weaknesses**

- inability to meet export performance targets established in the Grant Agreement;
- low technology transfer in the areas of picking, packing, quality control, export regulations, etc;
- lack of clarity of Grantee's role vis-a-vis suppliers, and limited transmission of relevant information about the final export transactions to the beneficiaries (prices, terms of agreement, provision of subsidy, etc); and
- no recruitment of full-time field staff in Gaza and West Bank which has reduced contact and interaction with the target beneficiaries.

**COSTS**

**1. Evaluation Costs**

Name	1. Evaluation Team	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Peter Boone		SRI			
Ophelia Yeung		SRI			
Mohammed Al-Halees		Consultant-Gaza	77	\$52,252	PD&S (0159.26)
Mansour Kalfeh		Consultant- West Bank			

2. Mission/Office Professional Staff  
 Person-Days (Estimate) 15

3. Borrower/Grantee Professional  
 Staff Person-Days (Estimate) meetings: 2

response: 15 - 20

b

**A.I.D. EVALUATION SUMMARY - PART II**

**S U M M A R Y**

**J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)**

Address the following items:

- |  |                             |
|--|-----------------------------|
| • Purpose of evaluation and methodology used     | • Principal recommendations |
| • Purpose of activity(ies) evaluated             | • Lessons learned           |
| • Findings and conclusions (relate to questions) |                             |

Mission or Office:

Date This Summary Prepared:

Title And Date Of Full Evaluation Report:

NE/ME/WB/G

2- 15- 94

Agricultural Development & Export Program in Gaza and the West Bank

**Purpose of Evaluation/Methodology**

Purpose

The objectives of the evaluation are to assess:

- Grantee fulfillment of objectives and achievement of targets as specified in the Grant Agreement Program Description and the KAI unsolicited proposal;
- The effectiveness of the Grantee in promoting the exports of Palestinian agricultural produce from Grant start-up until present; and
- Criteria in determining future AID support under this Grant and of export-promotion activities in general.

Methodology

The principal documents against which the evaluation team measured Grantee performance are the Grant Agreement and the KAI Unsolicited Proposal. The Grant Agreement specifies that the Program Description from the Grant Agreement takes precedence over the Grantee proposal in the event of inconsistency.

The Program Description of the Grant Agreement and the unsolicited proposal provide the objectives, inputs, and implementation approach for the Grant Program. The key elements of Program Design (i.e. objectives, indicators, targets, baseline assumptions, etc.) are critical factors which provide the basis upon which this evaluation is carried out.

Within this framework, the evaluation team utilized the following evaluation steps consistent with AID Handbook 3 Chapter 12 on Project Evaluation:

1. Define baseline targets, assumptions, and objectives.
2. Assess changes in project setting.
3. Gather information and data on progress.
4. Compare progress with objectives and targets.
5. Explain results.

C

**Purpose of Evaluation/Methodology** (Continued)

In order to gather the information required by the Scope of Work, the evaluation team conducted extensive interviews with the Grantee at KAI's Washington office.

The evaluation team also prepared interview questionnaires for both suppliers of produce and overseas buyers involved in transactions facilitated by KAI. The questionnaires ask straightforward questions about the role of KAI in facilitating exports.

The evaluation team also interviewed key policymakers and program administrators in both the Israeli Government and the Civil Administration in both Gaza and West Bank. These interviews were undertaken to find out about policy and procedural impacts the Grantee may have had in facilitating direct exports, or in indirectly facilitating exports through policy or procedural changes brought about by the Grantee.

**Purpose of the Activity Being Evaluated**

Based on the KAI unsolicited proposal AID prepared a program description for an 18 month Grant program. The principal objective of the Grant program as stated in the program description of the Grant Agreement was to help increase exports of produce from Gaza and the West Bank through:

1. Facilitating sales arrangements between suppliers in the West Bank and Gaza and buyers in the United States, Europe, the Middle East and Japan.
2. Advising suppliers on the appropriate ways to collect, package, and transport produce; and
3. Assuring that suppliers are able to satisfy Israeli export regulations.

**Findings and Conclusions**

The evaluation team's overall assessment is that the Grant Program is appropriate in concept and offers some innovative ideas that have kindled new interest in exporting, but that the implementation of actual exporting has proved to be quite constrained which has harmed the Program's effectiveness.

In terms of facilitating actual exports, the Grantee has assisted in the export of some 53.8 tons through December 1993 compared to a target figure of some 38,988 tons for same time period, thus achieving approximately 0.14 percent of its target.

**Findings and Conclusions (Continued)**

The areas where the Grantee achieved the most progress were in:

- trouble shooting with export transportation and security issues through Israel on those individual exports which were facilitated through Grantee assistance;
- active export promotion efforts with European and North American buyers;
- identification of high-potential export candidates in Gaza and the West Bank; and
- entrepreneurial approach to encouraging exports and transactions from Gaza and the West Bank which generated strong awareness of the program.

The principal areas where the Grantee showed the least progress were in:

- inability to meet export performance targets established in the Grant Agreement;
- low technology transfer in the areas of picking, packing, quality control, export regulations, etc;
- lack of clarity of Grantee's role vis-a-vis suppliers, and limited transmission of relevant information about the final export transactions to the beneficiaries (prices, terms of agreement, provision of subsidy, etc); and
- no recruitment of full-time field staff in Gaza and West Bank which has reduced contact and interaction with the target beneficiaries.

**Principal Recommendations**

Based on the information gathered during program evaluation and the lessons learned, the evaluation team has identified a set of suggestions or recommendations for USAID in its planning of future export promotion activities in Gaza and the West Bank:

- Begin the program with realistic goals and objectives with regard to export targets. This could be achieved by a more complete program design process which could begin with baseline estimates of current exports.

**Principal Recommendations (Continued)**

- Once realistic, quantifiable targets have been set by both parties, those quantitative targets will remain the principal criteria against which program success can be measured.
- Work more closely with the Palestinian growers/suppliers in the design of the program to determine from them what their greatest needs are for export expansion.
- Maintain emphasis on export transactions, as well as contact with overseas buyers, but place more emphasis on working directly through Gaza/West Bank growers, cooperatives, or packing houses as the export agents themselves.
- Attempt to negotiate and establish export procedures with Israeli authorities that would apply to all Palestinian exporters, not just facilitate individual shipments.
- Provide detailed market information on prices in overseas markets such as Europe, North America, and the Middle East to suppliers and growers.
- Undertake a detailed analysis of the economics of exporting for various crops, in different markets and for different seasons of the year.
- Transmit detailed information to the suppliers about the terms and conditions of final sales, prices, and level of subsidy, if it is used.
- Provide clear and transparent identification of subsidies if they are used, along with limits on subsidy levels for each transaction with a view of gradually eliminating subsidies. This will serve as an effective screen for the identification of crops, growers, and markets with greatest market viability and potential.
- Provide technical assistance to growers, packers and exporters in the areas of picking, packing, grading, quality control, and export procedures.
- Prepare training manuals in these technical areas and organize seminars for these same groups to disseminate this information to program beneficiaries.

**Lessons Learned**

This program was designed in the context of a situation in which USAID did not have a formal Mission or presence in the Gaza and the West Bank. With a limited USAID presence in the area and the complex political situation, the Grant Program has encountered greater management challenges than an average USAID grant or project. In addition, the Grant Program was a non-traditional, transaction-oriented activity fully implemented by a private, for-profit firm.

The evaluation team believes that for this type of activity, it would be useful for USAID to adopt a management approach that balances implementation autonomy with accountability on the part of the Grantee. In the KAI Program, USAID could allow the Grantee maximum flexibility in implementing program activities within the confines (such as approved budget) of the Grant Program. At the same time, USAID can hold the Grantee responsible for meeting Grant objectives and targets developed by the Grantee and specified in the Grant Agreement, without any obligations to satisfy requests for additional funding, particularly those submitted in an ad hoc fashion.

Turning to overall management of programs of this type, there is a clear need for AID and prospective grantees to establish more effective program management structures. Increasingly AID will be required to conduct development assistance activities with fewer staff resources and in-country Missions. The experience of this program is therefore highly relevant.

Programs of this type (new concept, difficult operating environment, absence of full AID Mission, etc.) are by definition experimental in nature, and should be approached and managed as such. Experimentation requires flexibility, which implies the need to make adjustments within the framework of the original grant. However, this in turn requires clearly understood processes for effecting changes in approach.

The evaluation team strongly recommends that immediately upon (or prior to) implementation of programs of this kind, appropriate AID staff should meet intensively with grantees (particularly those with limited AID experience) to review comprehensively all rules, policies and procedures that should be followed by grantees. This will eliminate or at least reduce lack of knowledge which creates frictions and delays and frustrates both AID and grantees.

Finally, management relations and efforts will be improved by the introduction of a structure which provides greater grantee autonomy tied directly to greater grantee responsibility and accountability. A management structure which provides implementing organizations with more autonomy on routine matters, while at the same time holding them strictly accountable for activities and results, would improve performance and generate better program results.

## ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

### Attached are:

- the final evaluation report
- grantee remarks: Response, January 19, 1994 and Addendum Response, January 21, 1994

## COMMENTS

### L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

- The final evaluation report incorporates AID comments as well as those Grantee comments that correct statements of fact.
- This eighteen month grant supported a pilot activity. In general, while the project achievements were far short of those that the grantee presented in its proposal, the project did serve to underscore the difficulties the Palestinian have and will continue to have in competing in export markets.
- One the factors that contributed to the grantee's inability to reach project targets was its inexperience in the field of agricultural export. This same inexperience contributed to the setting of unrealistic project targets.
- This was an unusual grant in that it was with a for-profit firm. The firm had no previous experience working with USAID or the U.S. Government. This lack of familiarity with government procedures accounts, to some extent, for unusually heavy management burden that this grant placed on the Near East Bureau project manager, senior staff, and the Contract Officer.
- The grantee focussed on personal intervention to deliver services. This approach sacrificed some level of sustainability of services beyond the grant and also resulted in only modest transfer of information and technology.
- The project was implemented during a transition period in Palestinian - Israeli relations. The expectation is that new trade regulations will be negotiated that will give Palestinian producers easier access to external markets including the Israeli market. A changed Palestinian-Israeli and regional political and economic relationship will diminish the need for the middle man services provided by the grantee.

XD-ABT-213-A

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**EVALUATION OF THE AGRICULTURAL  
DEVELOPMENT AND EXPORT  
PROGRAM IN GAZA AND  
THE WEST BANK**

**FINAL REPORT**

**U.S. Agency for International Development**

**Prepared for: Bureau for Near East, Office of Middle East**

**Prepared by: SRI International**

**Sponsored by: Private Enterprise Development  
Support Project III  
Contract No. PCE-0026-Q-00-3031-00  
Delivery Order No. 1  
Prime Contractor: Coopers & Lybrand**

**February 2, 1994**

**Coopers  
& Lybrand**

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**EVALUATION OF THE AGRICULTURAL  
DEVELOPMENT AND EXPORT  
PROGRAM IN GAZA AND  
THE WEST BANK**

**FINAL REPORT**

**U.S. Agency for International Development**

**Prepared for: Bureau for Near East, Office of Middle East**

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**Sponsored by: Private Enterprise Development  
Support Project III  
Contract No. PCE-0026-Q-00-3031-00  
Delivery Order No. 1  
Prime Contractor: Coopers & Lybrand**

**February 2, 1994**

## **EXECUTIVE SUMMARY**

The evaluation team's overall assessment is that the Grant Program is appropriate in concept and offers some innovative ideas that have kindled new interest in exporting, but that the implementation of actual exporting has proved to be quite constrained, and as a result not been very effective.

The concept and objectives of assisting Palestinian exports of fresh produce are fundamentally sound, according to the evaluation team. The program concept and objectives were essentially developed by the Grantee through its Unsolicited Proposal of February 1992.

The underlying assumptions of the proposal were that good quality surplus production was available for export and higher-value commercial markets were available in Europe and North America, provided a few constraints could be lifted. These constraints related mainly to security, transport, and monopoly pricing and buying practices. The fundamental assumption of the proposal was that once these hurdles were overcome and direct marketing initiatives were undertaken, commercial exporting of produce to high-value markets would be technically and economically feasible.

In terms of meeting quantitative export targets and transferring knowledge to beneficiaries, the program has not been successful. The Grantee has assisted in the export of some 53.8 tons through December 1993 compared to a target figure of some 38,988 tons for same time period. Thus the Grantee only achieved some 0.14 percent of the export targets set in the Grant Agreement. Even if the Grantee substantially accelerates export performance in the next three months, it is highly unlikely that it will come close to meeting export targets for the overall program.

The Grantee has also stated in its quarterly reports to have been indirectly involved in the export of some 16,486 additional tons of exports through facilitating security changes and other procedural changes. The evaluation team could not verify this impact through interviews with exporters, importers or Israeli Government Officials.

West Bank/Gaza suppliers have received about \$60,127 in export revenue to date through the project, including subsidies paid by other agencies. Leaving out subsidies, the gross farmgate value of production to date is only \$14,535.<sup>1</sup> This compares with a financial cost of the Program to date of \$563,000 in USAID cash grant disbursements.

The Grantee's inability to meet export targets had its root in the original program design, as it has now become evident that the original export targets were vastly optimistic. Both the

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<sup>1</sup> See Table 4.4 of this report for a breakdown of subsidies used for exporting under this Program and their source.

**Grantee and USAID would in principle share responsibility for the setting of the original targets, as they were both parties to the signing of the Grant Agreement (Program Description) which established the targets.**

**The specific choice of the approach that could be used by the Grantee in facilitating exports i.e., consulting advice, versus brokering (middle man role), versus direct buying and handling was not specified in the Grant Agreement.<sup>2</sup> Flexibility was given to the Grantee to determine its most productive role as the implementing agent charged with a mission of facilitating exports in a constrained environment. Many of the suppliers considered the Grantee to be acting as a middle man for them, and one of the outcomes of this type of relationship has been that suppliers have not been completely informed about the terms of sales, final purchase prices, cost of transport, or use of subsidies in their export transactions. As a result, many of the suppliers have not learned as much from the experience as they could have, had they been completely apprised of this information and been more directly involved in transactions with the buyers.**

**While overall success in meeting quantitative program targets has not been achieved by the Grantee, the areas where the Grantee achieved the most progress were in:**

- ◆ trouble shooting with export transportation and security issues through Israel on those individual exports which were facilitated through Grantee assistance;**
- ◆ active export promotion efforts with European and North American buyers;**
- ◆ identification of high-potential export candidates in Gaza and the West Bank; and**
- ◆ entrepreneurial approach to encouraging exports and transactions from Gaza and the West Bank which generated strong awareness of the program.**

**The principal areas where the Grantee showed the least progress were in:**

- ◆ inability to meet export performance targets established in the Grant Agreement;**
- ◆ low technology transfer in the areas of picking, packing, quality control, export regulations, etc;**
- ◆ lack of clarity of Grantee's role vis-a-vis suppliers, and limited transmission of relevant information about the final export transactions to the beneficiaries (prices, terms of agreement, provision of subsidy, etc);**

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<sup>2</sup> **The actual export facilitating role of the Grantee was not specified in the Grant Agreement. These are merely examples of different approaches which could achieve this goal.**

- ◆ **no recruitment of full-time field staff in Gaza and West Bank which has reduced contact and interaction with the target beneficiaries; and**
- ◆ **extensive focus on administrative constraints with USAID, instead of solving problems to the best of their ability, within the resources provided in the Grant Agreement.**

**The level of exports achieved is an indication that the magnitude of constraints to exporting may be greater than was originally thought during program design. The evaluation team is of the opinion that constraints in the areas of quality improvement, packing and grading techniques, production cost reductions, and access to market information are formidable and probably need to be addressed over the longer term if USAID's export assistance is to have an important impact in Gaza and West Bank.**

# **EVALUATION OF THE AGRICULTURAL DEVELOPMENT AND EXPORT PROGRAM IN GAZA AND THE WEST BANK**

## **I. INTRODUCTION**

### **A. Purpose of Evaluation**

USAID requested that SRI International conduct a performance evaluation of the Kramer Associates Inc. (KAI) Grant program "Agricultural Development and Export in Gaza and the West Bank". The Grant Agreement is HNE 0159-G 00 3003 00. The Grant Agreement anticipated that "an evaluation of the effectiveness and impact of the activity" would take place at the end of the Grant period.

As set forth in the Scope of Work (see Annex 1), the objectives of the evaluation are to assess:

- ◆ Grantee fulfillment of objectives and achievement of targets as specified in the Grant Agreement Program Description and the KAI unsolicited proposal;
- ◆ The effectiveness of the Grantee in promoting the exports of Palestinian agricultural produce from Grant start-up until present; and
- ◆ Criteria in determining future USAID support under this Grant and of export-promotion activities in general.

In order to address the last objective, the evaluation team has been asked to:

- ◆ Suggest how future assistance in export promotion comports with the larger USAID strategy for promoting private sector development and with planned activities such as the Private Sector Support Project;
- ◆ Report on what impact changes in the political climate are likely to have on Palestinian exporters and therefore their future needs for assistance; and
- ◆ Recommend what USAID can do to improve its management of marketing and export-oriented activities in the West Bank and Gaza Strip under this Grant or in future activities.

## **B. Evaluation Methodology**

### **Evaluation Approach**

The principal documents against which the evaluation team measured Grantee performance are the Grant Agreement and the KAI unsolicited proposal. The Grant Agreement specifies that the Program Description from the Grant Agreement takes precedence over the Grantee proposal in the event of inconsistency.

The Program Description of the Grant Agreement and the unsolicited proposal provide the objectives, inputs, and implementation approach for the Grant Program. The key elements of Program Design (i.e. objectives, indicators, targets, baseline assumptions, etc.) are critical factors which provide the basis upon which this evaluation is carried out.

Within this framework, the evaluation team utilizes the following evaluation steps consistent with USAID Handbook 3 Chapter 12 on Project Evaluation:

1. Define baseline targets, assumptions, and objectives.
2. Assess changes in project setting.
3. Gather information and data on progress.
4. Compare progress with objectives and targets.
5. Explain results.

### **Interviews and Interview Questionnaires**

In order to gather the information required by the Scope of Work, the evaluation team conducted extensive interviews with Mr. Leo Kramer (Project Director) and Ms. Anita Kramer (Assistant Project Director) on November 22, 1993; November 24, 1993; and December 20, 1993 at KAI's Washington office.<sup>3</sup> In addition, Mr. Leo Kramer initiated two telephone conversations with the evaluation team (while the evaluation team was conducting field visits in Israel) on December 3 and December 8, 1993 in order to provide further inputs to the evaluation.<sup>4</sup>

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<sup>3</sup> The evaluation team met with Mr. Leo Kramer and Ms. Anita Kramer in person for a total of 7.5 hours (a total of five hours of interviewing on November 22 and 24 and two and a half hours of interviewing on December 20) at the KAI office. Ms. Anita Kramer was present at all of the interviews while Mr. Leo Kramer participated in approximately five hours of in-person interviews with the evaluation team on these days.

<sup>4</sup> The evaluation team spoke with Mr. Leo Kramer for a total of one and a half hours during those two telephone conversations.

The evaluation team also prepared interview questionnaires (See Annex 2, 3 and 4) for both suppliers of produce and overseas buyers involved in transactions facilitated by KAI. The questionnaires ask straightforward questions about the role of KAI in facilitating exports.

For suppliers the questions focus on the quantity and terms of KAI export facilitation, the extent to which KAI provided assistance in improving quality control and packaging and arranging transportation, and the perceived benefits or problems in exporting through KAI.

For overseas buyers the questions focussed on the nature of the initial contact, problems encountered in the initial shipments, mode of transactions, and assessments of the quality of Occupied Territories produce vis-a-vis produce from competitor countries.

The evaluation team also interviewed key policymakers and program administrators in both the Israeli Government and the Civil Administration in both Gaza and West Bank. These interviews were undertaken to find out about policy and procedural impacts the Grantee may have had in facilitating direct exports, or in indirectly facilitating exports through policy or procedural changes brought about by the Grantee.

### **Sampling Technique**

The names and addresses of suppliers and importers with whom KAI has worked or with whom they are trying to facilitate exports were provided to the evaluation team by KAI before their visit to Israel and Gaza/West Bank in December 1993. (The names and addresses of these buyers and sellers are provided in Annex 5 of this report).

The sampling technique used by the evaluation team to interview suppliers was to interview 100 percent of the growers, cooperatives or packing houses from Gaza/West Bank that have exported through KAI. In addition, the evaluation team also interviewed 100 percent of the suppliers in the category "suppliers with whom we continue to work to find a means to satisfy their conditions of export."

On the buyer side, the evaluation team interviewed 100 percent of the importers who have received KAI facilitated produce thus far and one-third of importers whose names were provided by KAI on the list of importers contacted who were not interested in Gaza/West Bank produce.<sup>5</sup>

Policymakers and officials in the Civil Administration interviewed came from a list provided to the evaluation team by the Grantee.

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<sup>5</sup> The evaluation team was informed by KAI that the list of importers contacted by KAI who are not interested is a sample rather than an exhaustive list of all buyers contacted but not interested in buying.

## **II. PROGRAM DESIGN AND OBJECTIVES**

### **A. Program Conception and Origin**

The origin of the program was an unsolicited proposal from KAI to USAID dated February 1992. USAID authorized a Grant to KAI on August 20, 1992 and the Grant Agreement for \$594,000 (increased to \$694,500 by amendment effective September 1, 1993) was signed on November 20, 1992.

Evidently previous private business work in the region led the Grantee to identify the economic development needs in Gaza and the West Bank which could be met through increased exports and access to world markets. Evaluation team interviews with produce suppliers in December 1993 confirmed that Mr. Leo Kramer had been in the area discussing the possibility of exporting before the program began in 1991 and 1992.

The program was conceived of by the Grantee and the overall approach and objectives as stated in the Grant Agreement remained quite consistent with the unsolicited proposal. The only major difference between the unsolicited proposal and the Grant Agreement as observed by the evaluation team was the introduction of precise export targets in the program description of the Grant Agreement. These targets are identified and discussed in Section C below of this chapter.

### **B. Program Objectives**

Based on the KAI unsolicited proposal USAID prepared a program description for an 18 month Grant program. The principal objective of the Grant program as stated in the program description of the Grant Agreement was to help increase exports of produce from Gaza and the West Bank through:

1. Facilitating sales arrangements between suppliers in the West Bank and Gaza and buyers in the United States, Europe, the Middle East and Japan.
2. Advising suppliers on the appropriate ways to collect, package, and transport produce; and
3. Assuring that suppliers are able to satisfy Israeli export regulations.

Specific quantifiable targets were not set for activities 2 and 3 above. Therefore it is not entirely clear whether activities 2 and 3 were intended to be "inputs" to the overall objectives of exporting or program "objectives" in themselves. In evaluating program progress, the evaluation team decided to look at these two activities as inputs to the export objectives, but they

are such crucial inputs that progress in these two activities should be assessed and quantified where possible.

With respect to activity 1 above and to the overall objective of increasing exports, specific quantifiable targets were set in the Grant Agreement and are presented in Section C below.

In addition to the objectives as stated in the Grant Agreement, KAI's unsolicited proposal includes a Program Development schedule with a timetable and benchmarks:

1. Within three months of an agreement to proceed, KAI will have established the appropriate markets and will have had sufficient discussions with buyers to be in the process of consummating specific sales. KAI discussion with Israeli officials would have overcome security impediments and arrangements for transportation will have been completed.
2. Within six months of an agreement to proceed, actual sales would have been consummated.
3. Within nine months of an agreement to proceed, marketing and sales would continue and accelerate. A direct result of interaction between produce, marketing, and sales representatives would lead to upgrading and facilitating expansion of production to meet the market.
4. Within 12 months of agreement to proceed, marketing and sales activities would continue to accelerate. In addition, the process of joint ventures and transfer of technology transfer and know-how would accelerate. The potential for investments due to appropriate structuring, development and expansion of activities will increase pressure on the growing markets. The growing markets and sales will create new and positive resources for growth.

According to the unsolicited proposal, the net result of KAI sales and marketing will be to:

1. Develop a plan to export produce from the West Bank and Gaza;
2. Establish markets and create sales for their produce;
3. Assist the farmers in improving the quality of produce by contact with buyers;
4. Improve the system of collecting produce;
5. Improve packaging facilities by buyer specification and some cases provide packaging;

6. Overcome transportation problems;
7. Overcome other impediments;
8. Proceed with immediate sales and provide for longer term results;
9. Encourage production and marketing products other than fresh produce;
10. Create more jobs and more income; and
11. Expand the agricultural industry.

In addition to the above objectives, the Grantee proposed to increase employment by 10 percent (5,000 jobs) in the Occupied Territories through its program, and it also offered to change the terms of export sales from 100 percent consignment to minimum guaranteed prices and advance payments.

#### **C. Program Targets**

The export targets to be achieved by KAI are provided in Attachment 2 of the Grant agreement signed by USAID and KAI as follows:

##### **January 1993 through May 1993:**

- 5,000 to 10,000 tons of tomatoes
- 9,000 to 14,000 tons of valencia oranges
- 5,500 to 8,300 tons of cucumbers
- 125 to 250 tons of strawberries

##### **June 1993 to August 1993:**

- 2,000 to 4,000 tons of watermelons
- 500 to 1,000 tons of melons
- 4,300 to 6,500 tons of grapes
- 600 to 1,200 tons of figs

**750 to 1,500 tons of guava**

**500 to 1,000 tons of bananas**

**650 to 1,300 tons of lemons**

**September 1993 to December 1993:**

**4,000 to 6,000 tons of shamouti oranges**

**1,100 to 2,200 tons of grapefruits**

**2,100 to 4,300 tons of potatoes**

The evaluation team believes that some explanation/ interpretation of the Grant targets is required before an assessment of progress against targets can be made.

First, the origin of the export targets requires some explanation. The original Unsolicited Proposal from the Grantee did not contain specific export targets. However, the Grantee was requested by USAID in a letter dated March 26, 1992 to include specific benchmarks and targets for exports. The Grantee responded in a letter dated March 31, 1993 that they were willing to be judged by their benchmarks and they included the export targets which were eventually accepted by USAID<sup>6</sup>, and incorporated into the Grant Agreement (see targets above).

Second, since the Grant Agreement was signed with an approximate three-month lag from the original intended Grant start-up date of September 1, 1992, the evaluation team felt it is reasonable to apply a lag of three months to the export target figures in the absence of any particular events that could have reasonably led to a catching up in the three-month delay of start-up.

Third, the evaluation team also felt that a literal interpretation of individual product targets was not meaningful as the local supply and export demand for individual products can easily fluctuate -- completely outside of the Grant program's control. In addition, the value (per ton) of most of the produce targeted for export falls generally within the same price range (with the exception of a few higher-value crops such as strawberries). As a result, the evaluation team feels that aggregate export totals are much more useful. Consequently progress against aggregate export targets was used as the relevant measuring stick by the evaluation team.

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<sup>6</sup> Subsequent to the signing of the Grant Agreement, USAID asked the Grantee in two separate written correspondences (letter dated January 6, 1993 and memorandum dated January 12, 1993) if the Grantee wished to revise the Grant objectives. In a response memorandum to USAID dated January 14, 1993, the Grantee concluded that "regarding possible revision of objectives, after careful consideration and review, we have come to the conclusion that no revision is necessary at this time".

Fourth, product export targets contained a range for each product. The evaluation team used the mid-points of ranges as the most reliable best estimate of actual targets. For comparison the low end of the ranges were also used as minimum target levels within the Grant target framework.

Fifth, the export targets are viewed by the evaluation team (with hindsight) as overly optimistic. Total recorded fresh produce exported from Gaza in 1992/93 was 47,500 tons according to the Gaza Agricultural Department. Official exports from West Bank for the same time period were some 44,000. Therefore, the total target export targets for the KAI Grant for the period September 1992 through March 1993 would represent some 50 percent of the total export market for one growing season for the two areas. Achievement of such export levels appears to be very optimistic for an experimental Grant program in the first year of operation.

#### **D. Overall Program Design**

The Grant Agreement itself was very general in its terms of its assumptions, approach and specific role to be played by the Grantee in facilitating exports. It is possible that this was done intentionally to allow for more innovation and creativity on the part of the Grantee, given that USAID was working in constrained and relatively "untested waters".

The text of the Grant Agreement itself deals mainly with routine administrative procurement and reporting requirements of USAID. The only part of the Grant Agreement which provides any technical details is the Program Description (part of Scope of Work; see Annex 1 of this report) which focusses on Program Targets (see Section II.C above) and technical reporting requirements (see Section IV.A below). The methods to be used by the Grantee in facilitating exports i.e. direct buying and handling, consulting advice, brokering (middle man role) were not specified in the Grant Agreement.

Most of the key assumptions about the nature of the problem and the general approach to be taken by the Grantee were outlined in more detail in the Grantee's Unsolicited Proposal to USAID. The Grantee began with the assumption (page one Grant Proposal) that exporting existing agricultural produce will be one of the fastest ways that Palestinians will be able to expand employment and raise their standards of living. The Grantee proposed to demonstrate that exporting was possible, and that sales are possible at "market prices." The Grantee also endeavored to transfer know-how to the Palestinians so that "a commercially-effective marketing program will be self-supporting in the future."

Three main problems<sup>7</sup> identified by the Grantee to be tackled during Grant implementation were:

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<sup>7</sup> The underlying assumption which is diplomatically left unsaid (for understandable reasons) by the Grantee is that the Israeli authorities were responsible for these three major constraints to exporting from the Occupied Territories.

- ◆ interference with development;
- ◆ obstacles to transport; and
- ◆ receiving less than fair market price for their produce.

The implementation approach proposed by the Grantee was designed specifically to untangle these three problems. For example, the Grantee proposed in the Program Development (Section V) of the Unsolicited Proposal to "have sufficient discussions with Israeli officials to be assured that security impediments will not in any way be detrimental to the products or their movement... and that arrangements for transport will be consummated." Thus the security and transport impediments to Palestinian export which occur within Israel were to be resolved through discussions with high-level Israeli decisionmakers from the Ministries of Defense and Agriculture.

The third constraint mentioned above refers, according to the Grantee, to current market buying practices in Europe. Later in proposal (Section VII. Markets page 6) the Grantee offers to "guarantee that the Palestinians will receive the going market price just like anyone else" by offering a more market-oriented price is currently the main buyer of produce for export in the Occupied Territories).

A second set of problems identified by the Grantee relates to the poor image of Gaza/West Bank in the international community due to the Israeli/Palestinian conflict. In the proposal, the Grantee stated that the image of the areas did not encourage investment nor the reliability of export production and delivery. In order to overcome this constraint, the Grantee proposed that demonstrating that exports are possible would be one of the best ways to build confidence and thereby overcome this image problem.

The Grant proposal was also premised on an implicit assumption that Palestinian growers have little direct contact with overseas buyers from Europe and North America. In order to overcome this constraint, the Grantee (page 3) proposed bringing the sellers into direct contact with potential buyers and markets "so that buyers and producers will have a good exchange and develop long-term business relationships."

In its proposal, the Grantee did not claim to have extensive experience in agricultural exporting, nor to have expertise in agricultural packing and quality-control issues. The firm, rather, stressed its general knowledge in the field of international trade, marketing, business development, and corporate planning.

The proposal did not explicitly identify or propose to change other constraints to exporting such as quality improvement, packing and grading techniques, production cost reductions, or access to market information. The Grantee's proposal also did not attempt to address what is the baseline level of exports and the percentage of the export market that it would be facilitating, nor did it endeavor to accomplish this task during Grant implementation.

**The essential underlying assumptions of the proposal were that good quality surplus production was available for export and higher-value commercial markets were available in Europe and North America, provided a few constraints related to security, transportation, monopoly pricing and buying practices could be lifted. Once these hurdles were overcome, commercial exporting of produce to high value markets would be technically and economically feasible.**

**While the Grant Agreement and the Unsolicited Proposal did not anticipate the Israel-PLO Peace Accord signed in September 1993, the evaluation team is of the opinion that recent political changes are compatible with the objectives of the Grant to increase the economic self-sufficiency of Palestinians in West Bank and Gaza through assistance to their direct trade and investment activities.**

**The impact that the Peace Accord and ensuing political changes have had on the Grant setting discussed in the following chapter. The potential impact of the peace process on future USAID export promotion activities is assessed in Chapter V of this report.**

### **III. ASSESSING CHANGES IN THE PROJECT SETTING**

Consistent with USAID Handbook 3 Chapter 12 on Project Evaluation, the evaluation team first examined whether significant changes have occurred in the program setting that would have affected "project relevance, design or progress." Specifically, the evaluation team assessed whether changes in the political situation, economic environment, and infrastructure conditions have significantly affected the implementation of the Grant Program (either positively or negatively) during its first year of implementation, and whether the assumptions of the Grant are still valid in light of any significant changes which might have occurred.

#### **A. Political Changes**

Since the beginning of the Grant program's implementation, the political landscape of Gaza and West Bank has undertaken a positive and dramatic change. With the signing of the Peace Accord in Washington D.C. in September 1993, the withdrawal of Israeli troops and the emergence of a Palestinian state are imminent, although its realization is not without difficulties and delays.

While the three months since the signing of the Peace Accord have witnessed an escalation of violence in both Israel and the Occupied Territories, in the long term the Peace Accord promises prospects of political independence for Palestinians and peaceful coexistence with the State of Israel. Recent political changes also brought promises of economic independence and better prospects for direct trade and investment.

Overall, the evaluation team finds that recent political changes are compatible with the objectives of the Grant to increase the economic self-sufficiency of Palestinians in Gaza and the West Bank by assisting in their direct export of produce.

In the more specific context of Grant program implementation, recent political changes have not resulted in profound changes in the existing producer-export relationship between Palestinian farmers and AGREXCO. Palestinian farmers continued to sell the majority of their export-bound produce through AGREXCO and AGREXCO continued to exercise near monopsony power in the fresh produce export market in Gaza and the West Bank. However, it is likely that exporting through AGREXCO will be reduced significantly or eliminated completely when the Palestinian state eventually achieves full independence. (See Section V.D of this report.)

In terms of the logistics of exporting directly through Israeli ports and airports, the Peace Accord has not led to relaxation in security checks at the border or at ports and airports. Politically Gaza and the West Bank are still being administered by the Civil Administration until interim political arrangements are finalized. This means that Palestinian exporters still have to

fill out the proper forms, obtain necessary clearances and permits when they export through Israel ports and airports throughout implementation of the Grant program.

Overall, the Peace Accord has raised optimism among Palestinians about their economic prospects and has probably helped stimulate increasing interests among Palestinian farmers to look for alternatives to AGREXCO as an export channel. In this way it is likely that the Peace Accord has served as a positive net impact on program implementation.

## **B. Economic Environment**

On a macro level, the economic environment has not undergone any profound changes during the implementation of the Grant program. There has been no significant increase in agricultural investment, production or export from Gaza and the West Bank during the past year. There continue to be a dearth of Palestinian credit institutions to finance agricultural investment. Exports of produce from Gaza and the West Bank to Israel were still prohibited at the time of the evaluation. Access to overseas markets have not been increased by any new bilateral trade agreements or political changes, although these breakthroughs may be forthcoming in the near future.

However, several programs have been developed by the Civil Administration and the European Community over the past to assist in financing the export of produce from West Bank and Gaza. The Agricultural Office in Gaza has recently introduced a special program of incentives to encourage the export of tomatoes. Under this program, the Agricultural Office will automatically pay Gaza farmers \$300 for each ton of tomatoes exported, whether through AGREXCO or not.<sup>8</sup> The Agricultural Department has also recently established a special credit program to provide export financing for produce at a 7 percent rate.<sup>9</sup>

In addition, the Cooperation for Development International (CD) financed by the European Community has made available short term credit at six to eight percent for Palestinian produce exporters. CD is also cooperating with several private voluntary organizations including Cooperatives Development Program, Save the Children Foundation, and the Palestinian Trade Promotion Organization to promote export of new crops (such as green beans and zucchini) identified as having good market potential in Europe.

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<sup>8</sup> According to the Grantee no funds from this program have been disbursed yet to Palestinian farmers. The program is new and is being worked out.

<sup>9</sup> According to the Grantee the Israeli Government-sponsored grant program and loan program for Palestinian farmers were the outcome of on-going pressure from the Grantee. The Grantee's contribution to the establishment of those programs could not be confirmed by the evaluation team in interviews with Israeli Government officials. However the evaluation team believes that the Grantee has played a major role in securing funding from the Israeli Grant program to subsidize the export of melons and grapes from the West Bank.

### **C. Infrastructure**

The existing infrastructure for the production and export of produce in Gaza and West Bank is poor. The infrastructure situation has not changed markedly during program implementation. Since Gaza currently does not have its own port or airport, producers in the Occupied Territories have to rely on Israeli ports, airports, and container terminals for cargo handling and freight forwarding. Existing roads, telecommunications, and agricultural extension systems are also in desperate need of improvement, particularly in Gaza. According to the Palestinian Development Program developed by a PLO-directed group of Palestinian economists, some \$1.2 billion will be needed for investment in water and agriculture, and \$2.9 billion will be needed for infrastructure improvement between 1994 and 2000.<sup>10</sup>

In terms of business infrastructure, there is also a dearth of exporting intermediaries, promotion organizations and marketing services in Gaza and the West Bank. However, with the emergence of the Palestinian state, institution building in those areas is receiving increasing attention and will be incorporated as part of the larger economic development plan for the State of Palestine.<sup>11</sup> It is also likely that extension services in the areas of planning export-oriented agriculture, quality control, and packing will be increased with the inflow of foreign assistance and the emergence of Palestinian institutions.

### **D. Conclusion**

The most significant change in the project setting relates to the positive political development with the signing of the Peace Accord in September 1993. The evaluation team is of the opinion that those changes are compatible with the objectives of the Grant Program, and might have served to provide a net positive impact on program implementation by setting the stage for more Israeli-Palestinian cooperation, and helping to stimulate interest in direct exporting among farmers in Gaza and the West Bank. While the economic environment has not undergone profound changes, the emergence of several export credit programs are believed to have provided additional resources that could be leveraged by the Grantee in Program implementation. The evaluation team did not find any significant changes in the infrastructure condition that would have a significant impact on Program implementation.

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<sup>10</sup> See EIU Country Report 3rd Quarter 1993.

<sup>11</sup> In an interview with the evaluation team, Mr. Daoud Istanbuli spoke of initial plans for a Palestinian export marketing organization to deliver marketing services and export assistance. Such a central marketing agency will provide a presence and representation for Palestinian exporters in major export markets. Mr. Istanbuli is currently the Technical Director of the Technical and Advisory Committees on the Palestinian Team to the Peace Conference.

#### **IV. PROGRAM PROGRESS TO DATE**

##### **A. Program Management Performance**

The evaluation team was asked to address whether KAI is appropriately staffed in Washington and in West Bank and Gaza to achieve Grant objectives.

##### **Washington Management**

According to the organizational chart provided by KAI to USAID in April 1993, the Grant program is staffed by nine individuals in Washington.<sup>12</sup> They include Leo Kramer as the Project Director, Anita Kramer as the Assistance Project Director, five staff in marketing, research and sales, two (one full time and one part-time staff) in financial support, and one administrative assistant.

From discussions with KAI and field interviews, the evaluation teams finds that Leo Kramer and Anita Kramer are actively managing the Grant program. They are also heavily involved in corresponding with producers and buyers, and in arranging the shipment of produce. On the other hand, the evaluation team also finds that a substantive amount of management time has been spent on discussions and correspondence with USAID requesting additional Grant funding, which could possibly have distracted the KAI management from the implementation of the Grant program.

The evaluation team learned from interviews with KAI, producers, exporters and importers that Leo Kramer and Anita Kramer have been the major points of contact in their export and import transactions under the Grant program. Most of the importers interviewed could not recall communicating or dealing with other marketing, research and sales staff substantively. The evaluation team was not able to confirm whether any of the marketing and sales staff other than Leo and Anita Kramer were actively involved in export marketing under the program.<sup>13</sup> The growers and exporters in Gaza and the West Bank informed the evaluation team that they mostly dealt with Leo Kramer and occasionally with Anita Kramer.<sup>14</sup>

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<sup>12</sup> The evaluation team notes that USAID made requests to KAI to clarify the staffing responsibilities and levels of effort under the Grant Program. The organizational chart was provided by KAI to USAID in response to those requests. The Grantee later clarified to the evaluation team that three of individuals cited in the charted were utilized on an "as needed" basis only, while two others were engaged on a part-time basis.

<sup>13</sup> The evaluation team asked Ms. Anita Kramer specifically during the November 24, 1993 meeting who at KAI have been active in the implementation of the Grant Program and was told that it was basically Mr. Leo Kramer and Ms. Kramer herself.

<sup>14</sup> One importer has reportedly dealt with Ms. Angelica Olsson of KAI/London.

The evaluation team deduced from the interviews that KAI staff other than Leo Kramer and Anita Kramer working under the Grant program are probably more important in providing logistical, administrative, and financial management support instead of being actively involved in marketing and other liaison activities.<sup>15</sup> The evaluation team is in the view that while the Washington office is heavily staffed with five specialized marketing personnel, their contributions to the implementation of the Grant program are not very visible. It is possible that the export performance under the Grant could have been enhanced had these marketing experts been more actively involved in liaising with growers and importers.

In order to achieve its grant objectives, the Grantee offered in its Unsolicited Proposal to "develop a plan to export produce from the West Bank and Gaza." According to the evaluation team review of Grantee reports and other correspondence there is little evidence that a comprehensive strategy to promote exports was ever articulated by the Grantee. For example it is not clear exactly how suppliers were identified and targeted for assistance, what would be the most economically viable crops, and which were the most viable export markets. This lack of a detailed strategic plan may have hampered deeper penetration of viable crop export markets, and may explain in part why limited repeat orders have been achieved for the same crops or from the same suppliers under the Program.

### **Field Implementation**

According to the organizational chart provided by KAI, KAI has proposed to staff three individuals in the field, one in the West Bank, one in Gaza, and one in Israel to facilitate contact with producers. The evaluation team has interviewed all three field staff (in person or by telephone) during program evaluation.

From the interviews it is apparent to the evaluation team that all three individuals proposed by the Grantee have other responsibilities and therefore could not be intensively involved in the implementation of the Grant program.

Adeil Mohammed Bridgheeth, proposed by the Grantee as the West Bank Director, is also an employee (presumably full time) of the Agricultural Department of Jericho under the Civil Administration.<sup>16</sup> While Mr. Bridgheeth has provided logistical support and assistance in preparing appropriate documentation to the melon farmer and grape farmer in the West Bank who exported under the Grant program, he also has other responsibilities of providing extension services to other farmers in the Jericho area.

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<sup>15</sup> The evaluation team was informed by USAID that Mr. Rawlins Nesbit of KAI was involved in preparing billing vouchers. The exact role of the other KAI staff cannot be confirmed by USAID or the evaluation team.

<sup>16</sup> The evaluation team was informed by USAID that Mr. Briegheeth is included in KAI's vouchers at a monthly retainer fee of \$500.

The proposed Gaza Director, Kamal Al-Azaiza, is the Head of the Board of Directors of the Dier El-Balah Cooperative. As such, Mr. Al-Azaiza was involved in arranging the export of two tomato shipments to the United Kingdom. However, it is unclear to the evaluation team whether he facilitated the export of those shipments in the capacity of the Cooperative's Chairman, or as an employee of KAI, or both.<sup>17</sup> From interviews with other growers and exporters in Gaza, it appeared apparent that Mr. Al-Azaiza has not been actively involved in facilitating produce export from producers other than the Dier El-Balah Cooperative.

Giora Teltsch, the Israeli Facilitator proposed by the Grantee, is a transportation and agricultural consultant based in Haifa. The evaluation team learned from interviews with him and with producers in West Bank and Gaza that he has played a role in arranging transportation for many of the produce shipments, particularly from the West Bank. Mr. Teltsch has also arranged the appropriate cartons to be delivered to West Bank farmers for export packaging.

Leo Kramer has also been involved in the field implementation of the Grant program. In fact, several producers interviewed were in the opinion that Mr. Kramer was the only effective decisionmaker and facilitator of produce export under the Grant program. For example, most of the producers/cooperatives felt that Mr. Kramer is the only party with whom they can negotiate prices and terms of produce shipment. Mr. Kramer was also considered by several producers to have played an important trouble-shooting role in the cases when produce was held up at border checkpoints or security checks at ports or the airport. Since Mr. Kramer is based in Washington D.C., his contribution to export facilitation is hampered by the lack of his continuous presence in Gaza and the West Bank to interact with the growers and exporters.

It has also been expressed by at least one importer in Europe that communications between exporters, importers and KAI could have been more direct had the KAI office been located in Gaza and the West Bank.

Overall, the evaluation team finds that the management and staffing structure of KAI for achieving Grant objectives is overly concentrated in the Washington office and insufficient in the field, given the geographical focus of program activities.

### **Financial Management**

Since this is a technical evaluation and not a financial review or audit, the evaluation was not asked to examine in detail the financial performance of the Grantee. Therefore in this section the evaluation team only assesses the overall Grant budget and how it relates to technical implementation and the achievement of program objectives.

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<sup>17</sup> Until December 1993, Mr. Al-Azaiza has been included in vouchers submitted to USAID by KAI with monthly retainer fees of \$1,000.

The original Grant Agreement between KAI and USAID for \$594,500 was authorized by USAID August 20, 1992. The Grant amount was increased to \$694,500 by amendment effective September 1, 1993. The Grant was signed on November 20, 1993, however the Grantee was allowed to recover retroactive program expenditures for Grant start-up from September 1, 1992.

The estimated total cost of the Grant Program in the Grant Agreement as amended was \$ 1.19 million of which the Grantee and other donors were expected to contribute \$594,500 with both cash and in-kind contributions. In the original Grant allocation, the Grantee allocation and other donors contribution amounted to 50 percent of program costs. After the revised Grant allocation of \$694,500, the Grantee and other donors contribution requirement remained \$594,500.

The Grant budget of items reimbursable by USAID (original and amended) is provided in Table 4.1 below.

**Table 4.1**  
**Grant Budget**  
**(\$)**

<b>COST ITEMS</b>	<b>OBLIGATED AMOUNT</b>
<b>Original Budget</b>	
Salaries	440,625
Travel/Per Diem	80,500
Operational Costs	53,375
Legal Fees	<u>20,000</u>
<b>Subtotal</b>	<b>594,500</b>
<b>Amendment No. (01) Budget</b>	
Producers' Convention	50,000
Sample/Test Shipments	<u>50,000</u>
<b>Subtotal</b>	<b>100,000</b>
<b>TOTAL GRANT BUDGET</b>	<b>\$694,500</b>

Source: Grant Agreement and Amendment No. 01.

The above cost item categories for the Grantee reimbursable by USAID are consistent with Standard Provisions of the Grant set forth in Attachment 3 to the Grant, entitled "allowable costs". The Grant Agreement allows for adjustments in the line items amounts as "may be reasonably necessary for the attainment of program objectives".

According to USAID Grant officers and the Grantee, some \$563,000 in Grant disbursement had been made as of December 1, 1993. According to USAID Grant officers, the Grantee is drawing down on the Grant budget at a stream of about \$30,000 per month. At this drawdown pace, the Grantee is on pace to draw down close to 100 percent of the Grant Budget by the scheduled Grant completion date of March 1, 1994.

Section 1E.1 of the Grant Agreement specifies that financial reporting requirements shall be done in accordance with Standard Provisions of the Grant entitled "Payment-Cost Reimbursement" as shown in Attachment 3 of the Grant Agreement. Financial reports were to be submitted to USAID concurrently with the quarterly technical reports submitted to USAID. Since these financial reporting matters are considered outside the scope of the technical evaluation, neither Attachment 3 nor the periodic financial reports were provided to the evaluation team, and consequently no comments on them are made by the evaluation team.

## **Interaction with USAID**

A contract represents the most common normal legal relationship for the procurement of goods and services by USAID. Administration and use of contracts are regulated in some detail by the Federal and USAID Procurement Regulations. Grants, on the other hand, are used in cases where the "nature of the activity to be supported and the characteristics of the organization to be supported must justify the diminished level of managerial control which, under this policy determination, is to be retained by USAID in Grant relationships."<sup>18</sup> Grants therefore are normally subject to much less managerial control than contracts.

According to the information available to the evaluation team it appears that the degree of control exercised by USAID in the implementation of the Grant is, overall, consistent with control and monitoring requirements of USAID Handbook 13 and with the Grant Agreement (see Annex 1, Attachment 2 "Program Description" for the summary of reporting requirements for the Grantee). The Grant Agreement Program Description mainly set targets for facilitating exports and established reporting requirements on four quarterly technical reports along with four financial reports to be provided by the Grantee.

Few other controls or requirements were required of the Grantee for the implementation of the Grant as designed, other than standard per diem limits and other government financial requirements. In one case, the Grantee was not able to obtain in-country travel to the Occupied Territories. The travel request was not granted by USAID for security reasons and because the request shortly followed a recent trip to the area.

This apparent overall pliant program framework notwithstanding, according to the Grantee (See December 17 memorandum from KAI to SRI in Annex 6) numerous requests for assistance from USAID have not been responded to, or have been answered in an timely way. This according to the Grantee has made program implementation difficult.

A review of the Grantee's memorandum indicates to the evaluation team that the working relationship between USAID and the Grantee appears to involve a certain degree of friction between the two parties. Most of the interaction between USAID and the Grantee (other than scheduled reporting) appears to have been largely at the Grantee's initiative and not USAID'S. The summary of the program correspondence seems to reflect a sense of frustration from the Grantee in their dealings with USAID. From the Grantee's point of view, they believe they are not receiving optimal support from USAID for the Grant.

The summary memorandum indicates that at least ten requests (with 29 different items) had been directed from the Grantee to USAID from project start up until the date of the memorandum (December 17, 1993). The program evaluation team has observed that a significant number of these requests (six) involve submissions for additional funding from

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<sup>18</sup> See USAID Handbook 13 Page Number 1-5.

USAID beyond the level approved in the Grant Agreement.<sup>19</sup> The usual response to these requests for additional funding (according to the Grantee) in most cases was either no response or a negative response, although at least one request for additional funding for convention participation and for sample shipments was approved by USAID.

The time spent dealing with both the oral and written requests submitted by the Grantee to USAID appears to be substantial for both USAID and by the Grantee. Three or four different USAID officers have managed the Grant during implementation according to the Grantee. The average time spent managing this Grant by the USAID officers in charge has ranged from 25 to 60 percent. These officers also stated that rarely, if ever, have they received so many requests for additional funding/changes during the implementation of a year Grant or project of this size and duration. Considering that most of the USAID Grant officers have several other projects and Grants of equal or greater size to manage, USAID's management time requirements on this Grant appear to be substantial.

From the Grantee's point of view, they stated simply that their project was of utmost priority to them and it is not their fault or responsibility that USAID has many other important projects to manage. Also according to the Grantee, the lack of continuity among Grant management has led to delays in responses, repetition of communications and other implementation problems.

Some of the friction and apparent misunderstanding between the Grantee and USAID seems to stem from the different backgrounds and expectations of the two parties going into the Grant relationship. The evaluation team senses that the two different parties are coming from fairly different "corporate cultures". On the one hand, the Grantee had never worked on a project or Grant with USAID before. Most of the Grantee's background has been in international private business. On the other hand, many of the USAID Grant officers working on the Grant had not previously worked with private companies in their Grants and projects. Most of their projects were implemented by either non-government organizations (NGOs) or more traditional USAID contractors who are generally more familiar with USAID regulations and policies and with the general pace and rhythm of government activities.

### **Project Reporting**

The Grant Agreement specifies that KAI will assist USAID, through written reports, to better understand constraints and opportunities that exist in exporting produce from the Occupied Territories. Four written reports were to be submitted to provide specific information and details on actions taken to start up the Grant; obstacles encountered in implementation, how they

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<sup>19</sup> In addition to the six requests for funding mentioned, at least two additional requests involving additional USAID funding were made during program implementation. One was for a pre-fabricated housing project in the Occupied Territories and the other was for a feasibility study of an olive oil plant. While these ideas may have been creative in themselves, they were essentially outside of the Program's focus and may have served as a distraction away from direct program activities.

were overcome, further anticipated obstacles and how they would be addressed; financial data detailing expenditures<sup>20</sup>; and an analysis of progress towards achievement of export targets.

The evaluation team was asked by USAID to review reports received to date from KAI to assess their comprehensiveness and to provide suggestions on how they might be improved.

Four written reports have been submitted by KAI thus far: in November 1992; February 1993; June 1993; and September 1993. The first two reports were less comprehensive in scope, partly because the lack of completed transactions in the early stage of the Grant program. Interviews with USAID and KAI have revealed that over time and through increasing interactions between USAID and the Grantee, later reports submitted by KAI were more detailed and comprehensive.

### Grant Program Activities

The evaluation team finds that the June 1993 and September 1993 reports contain a considerable amount of detail on the volume of the produce shipped, the price paid by the importer, and the breakdown of delivery costs incurred in each shipment made. However, according to USAID the reports were not written in the format compatible with that specified by USAID. For example, the names, addresses, telephone and fax numbers for each producer and importer involved in the transactions were not listed in the reports.<sup>21</sup> Those two reports also provide one case study each on the daily activities involved in an export transaction, and stated the general achievements of the Grant Program.<sup>22</sup>

The above information notwithstanding, the evaluation team finds that the summary of the Grant activities provided in the reports was not entirely complete since it lacked details on the amount of subsidies required to complete each transaction. It was revealed to the evaluation team that subsidies from both Israeli and EC sources have been used in three transactions to compensate the farmers. For example, in the summary of the grape shipment to Paskalis made on July 15, 1993 (September 1993 report), it was reported that an Israeli Government Grant was used to cover the costs of farmers since the transaction actually incurred a loss. However the amount of the Israeli Grant was not provided by the Grantee in the technical reports. The

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<sup>20</sup> The evaluation team has not been asked by USAID to review the Grantee's financial reporting and was not provided with the data detailing expenditures under the Grant program.

<sup>21</sup> The information on the producers and importers is apparently available from KAI on request.

<sup>22</sup> Many of the general achievements claimed by the Grantee in the reports, other than the direct export volumes resulted from Grant Program facilitation, cannot be verified by the evaluation team.

evaluation team believes that it is important to reveal the amounts of subsidies used because large subsidies might indicate the lack of commercial viability of those transactions.<sup>23</sup>

### Constraints on Program Activities and Proposed Solutions

The reports identified several constraints to program activities, among which are political instability and relations with the Israeli Government, the lack of bridge financing for export shipment, the monopolistic power of AGREXCO, and the lack of trust among the Palestinians with regard to importers and intermediaries. The Grantee has so far focussed most attention on the lack of bridge financing, which the Grantee has suggested that USAID provide in numerous memoranda and discussions.

Bridge financing or export financing is currently available from several sources at lower than market rates from the EC and from the Civil Administration. The evaluation team has learned from producers, exporters and importers that the primary issue is not the lack of credit but the lack of guaranteed prices in the consignment markets and the risks of loss. Thus what is demanded by the producers and the exporters is not purely credit but price insurance or subsidies in case of a loss. The evaluation team felt that these issues could have been better clarified in the reports.<sup>24</sup>

### Program Progress

With regard to program progress, the evaluation team feels that the reports could be improved by stating the reasons for export targets missed.<sup>25</sup> It would have been useful for the Grantee to suggest revised targets to USAID given the realities of new constraints identified, and providing other suggestions on how to modify program activities (such as concentrating on

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<sup>23</sup> The evaluation team recognizes that subsidies are often used in pilot learning activities. But the level of subsidization can be very important. For example, while a 20 percent subsidy might be viewed as an investment in the learning process, a 100 percent subsidy is often an indication that a transaction is not commercially viable. Past experience of the evaluation team in designing and evaluating export promotion programs indicates that it is important for assistance programs to contain overall subsidy ceilings as well as build in phase-out mechanisms for such subsidies, otherwise they could distort the exporters' perception of the international market and encourage continued inefficiency.

<sup>24</sup> The Grantee has submitted repeated requests to USAID for funding to provide bridge financing to farmers in Gaza and the West Bank. The Grantee has cited the refusal of USAID to provide such additional funding as the major obstacle for exporting fresh produce under the Grant Program. Since the primary issue with the farmers appears to be guaranteed prices and not the lack of credit, the evaluation team is not certain that the provision of bridge financing by USAID is the most appropriate way to address it this problem. The evaluation team felt that the clarification between guaranteed prices and bridge financing should be better developed in the quarterly technical reports.

<sup>25</sup> The evaluation team notes that USAID has made several written requests to KAI for explanation for the targets missed, to which KAI did not adequately respond.

transferring learning and know-how) to satisfy program objectives if the original export targets set cannot be met.

In the sections titled "Know-How Transferred/Lessons Learned" in KAI's technical reports of June 1993 and September 1993, the Grantee made claims to the export knowledge transferred to farmers in Gaza and the West Bank.<sup>26</sup> However, the Grantee did not state in the reports who among the KAI staff facilitated the knowledge transfer and how it took place other than the fact that farmers automatically "learn by doing" in the export process.

#### Analysis of Viable Markets for Gaza/West Bank Produce

The topic of viable markets for Gaza/West Bank Produce was mentioned in the September 1993 report. The report listed a number of countries in Europe and North America as being viable markets without going into detailed analysis of current supply, demand, market and sourcing structure, and potential competition. The Grantee stated that issue of viable markets can be best addressed closer to the end of the Grant with the experience learned from the season 1993-94.

#### Recommendations on How to Improve Palestinian Marketing Capabilities

The Grantee only addressed this topic briefly in the September 1993 report. The Grantee suggested areas on which future marketing programs should focus, including proving opportunities for hands-on training to Palestinian producers and exporters. However the Grantee did not provide specific recommendations. The Grantee stated in the report that a comprehensive marketing assistance program will be provided in the next report.

### **B. Facilitating Buyer Contact**

#### Importers Who Bought Through KAI

##### Summary of Buying Transactions

The evaluation team interviewed all six importers who have received produce from Gaza and the West Bank under the Grant program. They include two importers in the United Kingdom, one in Copenhagen, one in Amsterdam, and two in the United States. The Grantee did not identify any importers in the Middle East who have received produce under the Grant program, therefore it is assumed that no substantive quantity of produce has been sold to buyers in the Middle East under the Grant program.

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<sup>26</sup> The knowledge transferred was described in statements such as "The farmers were, for the first time, in the position of determining the stage at which the tomatoes should be picked in order to arrive at the foreign destination with the appropriate color" (KAI quarterly technical report September 1993 p.25).

Most of the importers stated that their KAI point of contact was either Leo or Anita Kramer. One importer in the United Kingdom also had contact with Angelica Olsson of KAI/London.

The export transactions facilitated under the Grant program are summarized in Table 4.2 below. (For more details of each buying transaction, see Annex 3.)

**Table 4.2**  
**West Bank/Gaza Produce Received by Importers**  
**Under the Grant Program**

Name of Importer	Produce/Quantity Received*	Date of Shipment
Breiss & Co., U.K.	strawberries/two tons	March 1993
Paskalis Imports, U.K.	tomatoes/24 tons melons/8 tons grapes/15 tons	March-April 1993 July 1993 July 1993
Pepino Fr., Denmark	tomatoes/two tons	March 1993
Winding, Holland	grapes/10 boxes	July 1993
Procacci Bro., U.S.A.	tomatoes/a few cartons	Spring 1993
D'Arrigo Bro., U.S.A.	tomatoes/500 kg	March 1993

Source: Interviews with importers conducted by the evaluation team.

\* Estimates of the tonnages of produce received were obtained from interviews with importers. The slight discrepancies among the tonnage data supplied by the growers and buyers and those documented by the Grantee are probably the result of rounding of figures and the rejection of produce due to spoilage in route.

#### Terms of the Sales

Two of the importers interviewed (Pepino Frugt and Procacci Brothers) indicated that they only received small sample quantities which did not involve commercial sales. All four of the importers who received produce from Gaza and the West Bank in quantities larger than sample size (i.e. more than just a few boxes) paid the producers on a consignment basis. For

those consignment sales, the importer typically paid for the internal transportation and freight forwarding costs. In some cases the importers may pay for packing cartons as well. The importer sold the produce in the wholesale market and paid the producer the proceeds less costs and the importer's commission (ranging from six to eight percent).

All the importers interviewed indicated that the most common terms of sale for produce was by consignment, especially for new producers with whom importers and retailers did not have previous transactions. All the importers contended that due to the price volatility of the produce market (often a result of unstable supply), they are very reluctant to offer fixed prices or minimum price guarantee contracts to new producers. Thus it is common for new market entrants to bear those market risks at least until a longstanding supplier-importer relationship has been established.

The prevailing market practice of importers buying fresh produce on a consignment basis has been observed by the evaluation team as a major reason for the low volume of sales consummated under the Grant Program. Most of the farmers in Gaza and West Bank interviewed by the evaluation team have been reluctant to accept those terms of sale especially when they have not previously dealt with the importer. The fact that the Grantee by admission has limited experience in the exporting of fresh produce suggests to the evaluation team that the Grantee may not have anticipated the issue of consignment as an important export constraint in the Program design.

Three of the importers interviewed (Briess and Paskalis in London and Winding in Copenhagen) revealed that they frequently offer fixed prices to their suppliers. Winding, which sells primarily to independent grocers, usually offers fixed prices to suppliers with longstanding relationships. Winding determines the prices of produce based on market prices. Briess and Paskalis, which primarily sell to supermarket chains, often offer fixed prices to suppliers when fixed prices are offered by supermarket chains. Paskalis, for example, imports ten percent of its tomatoes and 70 percent of its grapes based on fixed prices. Fixed prices are mostly offered verbally, but also occasionally through written contracts. However, large buyers such as supermarkets only offer those terms when they have confidence in the reliability of the supplier.

Two other importers, Procacci Brothers (Philadelphia) and D'Arrigo Brothers (New York), indicated that they occasionally buy on fixed prices when certain produce is in short supply and when they know that the risks of resale are minimal.

#### Letters of Credit and Bank Guarantees

It has been expressed by many producers in Gaza and the West Bank that they would like to receive letters of credit or bank guarantees from importers which guarantees prices before they send their produce shipment. The evaluation team thus asked buyers if the producers' demand could be met under current market practices.

All the buyers interviewed agreed that opening letters of credit or providing bank guarantees is no longer a common practice in the fresh produce market in Europe and in North America, although some importers are willing to do so in some exceptions. Importers are reluctant to open letters of credit due to the volatility of the produce market and the risks of produce spoilage in route. Some importers indicated that they are willing to provide bank guarantees to the extent that they will fulfil their obligations to sell the produce and pay the producer/exporter the proceeds less costs, but not to guarantee a specific price for the produce on delivery, as was demanded by producers in Gaza and the West Bank in a few instances.

The current practice in the produce market of not providing letters of credit or bank guarantees at guaranteed prices before delivery is perceived by the evaluation team as a possible obstacle to consummating sale. This issue was also probably not foreseen by the Grantee in the Grant Program design.

#### Logistical Arrangements and Transportation Costs

For the trial commercial shipments of produce received by Briess, Paskalis, Pepino Frugt and Procacci Brothers, overseas freight was arranged by the Grantee, while inland freight from the port to the warehouse was usually arranged by the importer. Pepino, for example, arranged the trucking of tomatoes from Amsterdam to Copenhagen. The packing cartons, overseas and inland freight costs, storage and other handling costs were typically reimbursed by the importer. However, the costs incurred were deducted from the payment by the importer to the supplier after the produce was sold.

For the two sample shipments received by Winding and Procacci Brothers, the Grantee/producer arranged all transportation and paid the packing costs, cartons, freight costs and other handling charges.

#### Problems with Initial Shipments from Gaza and the West Bank

Mr. Costa of Briess (London) informed the evaluation team that the strawberries received from Gaza were satisfactory in both quality and packing. However, he had initially indicated interest in strawberries shipment in November 1992 when prices were high, but the first shipment did not arrive until March when prices were much lower. Thus Gaza has not yet proven to be a reliable source of supply of strawberries in terms of timely delivery.

Mr. Butler of Paskalis (London) said that the quality of both the grapes and tomatoes received from Gaza and West Bank was good and that the produce was well-received in the market. However, the quantity shortfalls in many of the tomato shipments have showed that Gazan suppliers cannot be relied on to deliver a specific quantity.

Mr. D'Arrigo of D'Arrigo (New York) indicated that the trial shipment of tomatoes received from Gaza was satisfactory in quality and packing, except for the unevenness of color

of the tomatoes within the same box, which resulted in lower selling price for the sample shipment.

Pepino Frugt (Copenhagen), Winding (Amsterdam) and Procacci Brothers Company (Philadelphia) all received sample shipments of overripe produce from Gaza and the West Bank. Mr. Poelstra of Winding indicated that the packing of the grapes he received from the West Bank did not meet market standards. The three importers thought that the substandard quality of the produce they received was probably the result of delays in shipment (could be security-related or due to logistical problems) and the lack of quality control in the picking, sorting, and packing process.<sup>27</sup>

The experience of those importers and their perception of the produce received from Gaza and the West Bank suggest to the evaluation team that the producers will benefit from additional training and technical assistance in quality control, technology and techniques in picking, sorting and packing, and in handling the logistics of transporting produce.<sup>28</sup>

#### Comparison Between Transactions with the Grantee and Standard Practices in the Business

Four of the importers interviewed indicated that the import transactions with Gaza and the West Bank facilitated by the Grantee were no different from the standard practice in working with new suppliers. Pepino Frugt informed the evaluation team that the transportation costs for the trial shipments of tomatoes were higher than usual because most large commercial shipments of tomatoes are transported by sea. Mr. Poelstra of Winding indicated that the transaction with the Grantee differed from his standard practice in that he usually deals directly with producers.<sup>29</sup>

#### Buying Prospects for Gaza and West Bank in the Future

Four of the importers interviewed are interested in future produce transactions from Gaza and the West Bank, including strawberries, tomatoes, eggplants and grapes.<sup>30</sup> Three (Briess,

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<sup>27</sup> The Grantee agreed that the substandard quality of the produce delivered was due to logistical reasons but did not specify them to the evaluation team. The reasons cited above were the ones perceived by the importers interviewed.

<sup>28</sup> The evaluation team notes that some of the training and technical assistance in those areas are being considered as components in the upcoming USAID Private Sector Support Project in West Bank and Gaza.

<sup>29</sup> For a discussion of the Grantee's role compared to standard practices in the business, see the section under heading The Role of the Grantee in Facilitating Export Transactions which follows.

<sup>30</sup> While Grant activities were primarily responsible for stimulating interest in Gaza and West Bank as a source of fresh produce among those importers, the evaluation team believes that those leads can be successfully pursued with or without the Grantee in the future.

Paskalis and Pepino) have plans to import from Gaza and the West Bank during the current season and were engaged in discussions with the Grantee at the time of the interview. All three indicated that they were only willing to import on a consignment basis and not on guaranteed prices to the suppliers. The reluctance of the importers to offer guaranteed prices, open letters of credit or provide bank guarantees appeared to have slowed down the process of consummating sales with Gaza and West Bank producers in the current season under the Grant program. Mr. D'Arrigo informed that evaluators that he is also interested in importing tomatoes from Gaza, but only on a consignment basis. At the time of the interview, Mr. D'Arrigo had not made concrete future plans to import from Gaza and the West Bank through the Grantee.

Winding and Procacci are not interested in importing from Gaza and the West Bank because they took the overripe conditions of the tomatoes they received in sample shipments as an indication that those suppliers were not ready to export directly to Europe. Mr. Poelstra of Winding added that given the oversupply and existing competition in the fresh produce market, he would only consider new suppliers if they can provide added value to the produce such as superior packaging and presentation.

#### Comparison Between Gaza/West Bank Produce with Those from Other Sources

The other countries from which the importers currently source their produce is presented in Table 4.3 below. Both Briess and Paskalis informed the evaluation team that the quality, color, packing and degree of ripeness of the West Bank and Gaza produce were excellent compared to those from other sources including AGREXCO. However, both Briess and Paskalis expressed that they cannot yet treat West Bank and Gaza as a reliable supplier based on their experience from the sample shipments such as delays and shipment shortfalls. Mr. Costa of Briess indicated that he would like to have one whole season to test out the reliability of the suppliers from West Bank and Gaza.

Four other importers considered the quality of the trial or sample shipment they received to be lower than that of the other suppliers. Pepino Frugt and Procacci Brothers both received tomatoes which were overripe. D'Arrigo received tomatoes of uneven colors in the same box even though the overall quality of the tomatoes was satisfactory. Winding related that the grapes received from the West Bank were overripe and not well packaged compared to grapes from other sources.

Most of the importers interviewed agreed that problems with produce quality and reliability of suppliers in Gaza and the West Bank could be the result of transportation delays, logistical problems, and the lack of quality control in the picking, sorting and packing process.

**Table 4.3**

**Other Sources of Supply of Produce  
for the Importers Interviewed**

<b>Importer</b>	<b>Produce</b>	<b>Sources</b>
Briess & Co.,	strawberries	Egypt, Israel, Australia, France, Holland, Kenya Mexico, U.S.A.
Paskalis Imports	tomatoes grapes strawberries	Spain Greece, Mexico, Chile Colombia
Pepino Frugt	tomatoes	Canary Islands, Holland, Morocco
Winding	grapes	Colombia, Venezuela, Malaysia, Thailand, Tahiti, Fiji, New Zealand, Australia
Procacci Bro.	tomatoes	all over the world, including Israel (through AGREXCO)
D'Arrigo Bro.	tomatoes	North Africa, Mexico, Caribbean, South America

**Source: Interviews with importers conducted by the evaluation team.**

**The Role of the Grantee in Facilitating Export Transactions**

Most of the importers interviewed stated that, in their opinion, the Grantee played the role typical of a broker in their import transactions from Gaza and the West Bank. Mr. D'Arrigo added that Leo Kramer also acted like a consultant to the producers. According to at least two importers, a broker, be it the Grantee or other parties, may be useful initially (for one to two growing seasons) for bringing together the producers and the buyers when suppliers are entering a new market. Several importers had the impression that Gaza and the West Bank producers who are not sufficiently organized and experienced with direct exporting at this point and therefore can benefit from the service of a broker. However, Mr. Pepino expressed the view that communications between the supplier and importer can be improved by having a broker based in Israel instead of in Washington.

Most importers interviewed noted that brokers for a particular source of supply are usually not needed indefinitely. Most of the importers had the general view that brokers often

add another layer of communication and costs to the transaction, so they eventually prefer to deal with the producers directly.

### **Importers Contacted By KAI Who Did Not Buy**

The evaluation team interviewed eight importers who chose not to receive commercial shipment of West Bank/Gaza produce through the Grantee. They include two from the United Kingdom, two from Germany, one from Sweden, two from Canada, and one from Saudi Arabia. Only the two importers from the United Kingdom interviewed could recall being contacted by the Grantee regarding importing produce from Gaza and the West Bank.<sup>31</sup> The other six importers were asked their general interest in importing produce from West Bank and Gaza. (For details of the interviews, see Annex 4.)

Mr. Olins of Poupart Limited (U.K.) was contacted by the Grantee by telephone. Mr. Olins explained that he was not interested in importing directly from Gaza and the West Bank because Poupart is currently one of the several wholesalers (panelists) for AGREXCO products in the U.K. market. Importing Gaza and West Bank produce from sources other than AGREXCO might jeopardize their current relationship with AGREXCO, according to Mr. Olins.

Mr. Sanchez of A1 Fruit (U.K.) was initially contacted by Leo Kramer about three years ago. Since then Mr. Sanchez has met with Mr. Kramer several times and spoken with Anita Kramer by telephone. While Mr. Sanchez has expressed interest in receiving sample shipments of citrus to the Grantee, the Grantee has not yet followed up with a sample shipment, according to Mr. Sanchez.<sup>32</sup> A1 Fruit currently imports a variety of citrus from Uruguay and other South American countries. Mr. Sanchez said that while he would be interested in West Bank and Gaza produce, he would not be willing to offer fixed prices to or open letters of credit for producers in Gaza and the West Bank until he has seen the quality of the produce and tested the reliability of delivery in several trial shipments.

Of the other six importers contacted, both importers in Germany interviewed are currently importing from Israel through AGREXCO. When asked about their interest in importing directly from Gaza and West Bank, Mr. Hainke of Hahl said currently he did not see a niche for West Bank/Gaza produce, while Mr. Hauffman of Frueco said he preferred to deal directly with producers and continue the current business ties with suppliers in Israel.

Gemini Food and Epiciers Unis Metro Richlieu in Canada, and Sydfrucktimporten AB in Sweden informed the evaluation team that they would consider importing from West Bank and

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<sup>31</sup> This does not imply that these importers were not contacted. Given the numbers of export inquiries each importer receives each year it is not surprising that in cases where no export materialized that the importer would not recall being contacted.

<sup>32</sup> The evaluation team deduced from the interview that the reason could be that the C.I.F. prices quoted by A1 Fruit were less competitive than prices quoted by other importers to the Grantee.

Gaza. However, they all expressed concern about the distance from the markets and potential transportation delays and delivery uncertainties.

Mr. Abdul-Aziz al Madi of Abdul-Aziz Al Madi Establishment for Trading in Saudi Arabia said he would consider importing from Gaza and the West Bank when the political relations between Saudi Arabia and the region improve.

### **C. Facilitating Grower Participation in Exporting**

#### **Previous Export Experience of KAI Assisted Suppliers in Gaza**

In Gaza the Grantee has directly assisted two cooperatives in exporting produce - Beit Lahia Cooperative and the Dier El-Balah Cooperative. Both cooperatives have had experience in directly exporting large quantities of produce in the past. Both of them have continued to export produce through AGREXCO while working with the Grantee. The exporting experience of the two cooperatives prior to working with KAI is described below.

In the season 1989-90, Beit Lahia has exported 34 tons of tomatoes and five tons of strawberries directly to the EC (Norway, Holland, France). In the season 1990-91, Beit Lahia exported 76 tons of tomatoes and seven tons of strawberries to the EC. Sales to the EC were mostly by consignment. Payments were made to Beit Lahia after the importer sold his products to retailers. Usually C.I.F. prices were paid for imported produce in the EC.

The Dier El-Balah Cooperative exported 800 tons of produce (tomatoes, chili peppers, eggplant, and potatoes) to the EC in the 1989-90 season, and 400 tons of produce each for the two seasons in 1990-92. Sales were mainly made by consignment, facilitated by an agent who received commission for transferring produce and payments. Since cash payments were provided to the farmers upon delivery of their produce to the Cooperative, the Cooperative took the risks and underwrote losses which resulted from some of those sales.

For those direct export sales, quality control and packaging were the responsibility of the Cooperatives. Transportation from the Cooperatives to the port was usually arranged by the Cooperatives. The necessary documentation and permits were prepared by the Cooperatives. Transportation from the port to the final destinations was sometimes arranged by the importer.

For both Beit Lahia and Dier El-Balah, the experience of exporting directly to the EC has been mixed. While both Coops would like to diversify their markets, both have had negative experiences of being cheated by buyers, or have had produce spoiled in route or due to security-related delays (and sometimes suspected tampering) at the port. Since sales to the EC are mainly done on a consignment bases, those incidents have resulted in non-payments to the Coop which took significant losses. Thus, they are wary of exposing the farmers to the risks related to direct exporting in the near future, unless some type of price and payment guarantee from the buyer or the agent could be arranged.

### **Experience of Suppliers in Gaza with KAI Facilitation of Sales**

In Gaza, KAI has facilitated the export of two tons of strawberries to the U.K. by the Beit Lahia Cooperative and the export of 25.5 tons of tomatoes by the Dier El-Balah Cooperative. KAI has also arranged the shipment of small quantities of produce as samples from the two cooperatives, including 12 shipments of samples from the Dier El-Balah Cooperative. Beit Lahia received \$7,500 for the strawberries (including the price of packing materials) and Dier El-Balah received \$25,500 for their tomatoes.

Both Coops are currently exporting most of their produce through AGREXCO due to the certainty of payment, which is immediate upon delivery of produce, despite AGREXCO's relatively low prices compared to exporting directly. In the case of exporting through AGREXCO, the Coops do the picking, sorting and packaging. AGREXCO handles all marketing for produce and arranges transportation.

Compared to exporting through AGREXCO, Beit Lahia and Dier El-Balah received higher prices for their produce from exporting through KAI. Farmers from both Coops reported to be satisfied with the price their received. In the case of the Dier El-Balah tomato export, however, it is unclear whether subsidies were necessary to finance those sales. In that export shipment, a "bridge loan" of \$30,000 from the EC-financed Cooperation for Development International (CD) was used to finance the sale. The loan has not yet been paid back (see interview for Dier El-Balah for more details).

In terms of pricing, AGREXCO announces weekly prices for strawberries during the growing season and pays that price to growers or cooperatives within ten days of delivery. At the end of the season, if final sales prices are favorable, AGREXCO offers an additional rebate to growers. For tomatoes, AGREXCO has a quota of 300 tons of purchases per season from Gaza. For the purchases of tomatoes, a fixed price is offered to growers, but unlike strawberries no rebate is provided at the end of the season. Compared to AGREXCO, it was reported that KAI has been more reluctant to guarantee prices.

Compared to direct export in the past, exporting through KAI in both cases has provided the buyer with prompt payments for their produce. In the case of the strawberry export by Beit Lahia, a letter of credit was opened by the Leumi Bank by KAI on behalf of the Coop, and payment was immediate upon delivery of the appropriate documents to the bank. The letter of credit was the first and only one ever opened for Beit Lahia to finance export.

In the case of the tomato export by Dier Balah, KAI was able to obtain bridge financing for \$30,000 for the coop from CD. Funds were intended to be used as short term export financing, to pay for packing materials, packaging and transportation. Such bridge financing has not been used in Dier El-Balah's past direct exporting.

In addition, the cooperatives did not have to identify overseas buyers in the export transaction facilitated by KAI. Overseas marketing was conducted by KAI on behalf of the

cooperatives. The Grantee also facilitated quicker movement of produce across checkpoints and through security checks at the port, presumably due to the Grantee's good connections with the Israeli authorities. Transportation and freight forwarding was arranged by KAI.

Overall, the biggest advantage of exporting through KAI for the two Coops at present is to experiment with exporting channels other than AGREXCO. Neither one has exported outside of AGREXCO during the previous and the current crop seasons other than through the Grantee. Thus, despite the small size of the shipments compared to the total current export volume by the Coops, those shipments have important symbolic value, and might have rekindled interest among cooperatives in finding export channels outside of AGREXCO.

#### **Previous Export Experience of KAI Assisted Suppliers in West Bank**

In the West Bank KAI has facilitated exports for three farmers as of December 1993. One farmer exported seedless grapes through KAI, another one exported melons, and a third one exported eggplants.

The three farmers have exported the same produce directly to Jordan in the past, mainly to the wholesale market. They have also exported different products through AGREXCO. None of the three farmers has sold directly or through an intermediary to EC other than through AGREXCO. While exporting directly to Jordan usually fetched C.I.F. prices terms, exporting through KAI or through AGREXCO fetched F.O.B prices terms.

#### **Experience of Suppliers in West Bank with KAI Facilitation of Sales**

In the West Bank, the Grantee has facilitated export from three individual growers. The three farmers in the West Bank were contacted by KAI through the Agricultural Department of Jericho. One farmer exported 16 tons of grapes in 10 shipments, another farmer exported a total of 8.3 tons of melons in two shipments, and a third farmer exported two tons of eggplants, all to the U.K.

The grape farmer received three payments, including two separate payments of NIS 25,000 (US\$9,000) each, and one of US\$4,017. The evaluation team learned from Mr. Teltsch and Mr. Leo Kramer that the two shekel payments came from an Israeli government export assistance fund (Grant funding) administered by the Agricultural Department in West Bank. The dollar payment was paid by KAI.

The melon farmer received NIS 7,200 (US\$2,592) for his first shipment and \$1,985 for his second shipment. The evaluation team learned subsequent to the melon farmer interview from Mr. Teltsch and Mr. Kramer that as in the case of the grapes export, the shekel payment also came from the Israeli government export assistance fund. The team also learned from the same sources that the second payment in US\$ was made by KAI (presumably from proceeds from export sale net of transport costs and the commission to the importer).

According to the Grantee, the eggplant farmer received \$530 per ton for his shipment in December 1993. As the transaction was taking place at the time of the evaluation, the study team did not have detailed information as to whether the eggplant farmer only received market prices or some form of subsidy as well.<sup>33</sup>

Both grape and melon farmers were pleased to find new export markets for their products. However, the price paid for the produce was critical to both farmers. The grape farmer was dissatisfied with the total sum paid to him, which he claimed was below that fetched by nearby Israeli producers who shipped comparable produce around the same time. On the other hand, the melon farmer was pleased with the price he was paid, since it was about 50 percent higher than the AGREXCO price at that time. In both cases, the farmer was not aware of the exact sources of his payments (whether it came from export proceeds or subsidies or a combination of both).

### Findings from the West Bank and Gaza Export Experience With or Without KAI

According to suppliers who exported through KAI, currently there is a limited supply of services similar to those provided by KAI in those areas. While some growers have worked with export intermediaries, they generally view agents or middlemen as ineffective, unreliable and unable to guarantee sales or payment, unless the middleman is part of the family or a close associate.

The larger exporters (whom KAI contacted but have not exported through KAI) interviewed by the evaluation team expressed the view that intermediaries often cut into the already thin export margin. According to those growers who have exported to Jordan, agents are usually paid a six percent commission for receiving the produce, selling them at the wholesale market and transferring payment immediately to the exporter. Those who have used an agent in previous export to the EC have said that a five percent commission for marketing and facilitating sales is common.

Most growers and exporters interviewed are willing to pay for KAI-like services, the benefits of which are to identify new markets for produce and the possibility of obtaining prices better than those offered by AGREXCO. However, all the growers and exporters interviewed by the evaluation team strongly insist that prices and payments should be guaranteed. Growers demand guaranteed prices because AGREXCO currently pays pre-export guaranteed (previously agreed) prices to farmers for a limited number of crops in both Gaza and the West Bank, usually within ten days of delivery.

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<sup>33</sup> According to the Grantee, more than 13 tons of eggplants have been exported by the same farmer, and 30 tons by other farmers by the time of the interview. However, the Grantee did not specify the degree of his involvement in those shipments, nor did the farmers interviewed acknowledge the Grantee's contribution to export shipments other than those reported by the evaluation team.

Since export sales especially to the EC are mostly done on a consignment basis, the guaranteed price and payment terms demanded by the Gaza/West Bank suppliers will be difficult to meet from the point of view of the export intermediary. The evaluation team understands that those terms could not be met by KAI in most export transactions facilitated or discussed under the Grant Program. The failure to reach agreement on the terms of payment has been expressed by several growers and exporters as an obstacle to export through KAI.<sup>34</sup>

### **Satisfaction of Export Regulations**

Exporting from Gaza and the West Bank through Israel requires a host of permits, documentation, certificates of origins etc. The two Coops in Gaza -- Beit Lahia and Dier El-Bə'ah -- are both familiar with export procedures and regulations from previous experience in exporting directly or through AGREXCO.

Representatives from the two Coops told the evaluation team that for the shipments they sent through KAI, they prepared the necessary documents to satisfy Israeli export regulations without requiring much assistance from KAI. However, both Coops added that the Grantee was helpful in expediting the process of moving the produce through checkpoints and security checks at the port due to his good connections with the Israeli authorities.

The individual farmers in West Bank who worked with the Grantee were less familiar with export procedures and regulations. For the shipments of grapes and melons, the necessary export documentation and permits were prepared by Adel Briegheeth of the Agricultural Department of Jericho. The three farmers were not involved in the process. However, one of the farmers was aware that the Agricultural Department and KAI have intervened effectively when the produce was held up at one of the checkpoints to facilitate movement of the produce to the port without too much delay (See the following section).

Overall, the Grantee assured that three producers in Gaza and two producers in the West Bank were able to satisfy Israeli export regulations thus far. In the strict sense of the Grant Agreement, the Grantee met this requirement.

However the number of suppliers meeting the export procedures and the amount of new learning were both very limited. Due to the small number of export transactions that have taken place under the Grant Program, especially among growers who have not previously exported directly, relatively few producers, if any, in the territories have benefited from the learning process of meeting Israeli export regulations however. The three West Bank exporters reported

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<sup>34</sup> The reluctance of the Grantee to guarantee prices and payments is not a reflection of the Grantee's own assertion of these terms, but merely reflects current overseas practices of buying on consignment. The evaluation team believes that the payment terms insisted on by the farmers is due to part to the suppliers' lack of knowledge of market practices as well as their reluctance to bear risks associated with export transactions. This in turns points to the need for educating growers and exporters in buying practices, price negotiation, and other aspects of export transactions.

not learning at all, while the two Gaza cooperatives reported that they already knew these requirements.

### **Changing Policy/Procedural Constraints**

Exporting produce from Gaza and West Bank currently requires burdensome proofs that the produce will not be sold in the Israeli markets. The evaluation team learned that Mr. Kramer has held several discussions with the Ministry of Agriculture of the Civil Administration as well as with the Israeli Defense Department regarding easing procedural constraints on produce export from the territories. However, those discussions have not yet yielded concrete changes in export policies and procedures for Gaza and West Bank producers. While easing those policy/procedural constraints is not an explicit goal in the Grant program, it would have been useful and beneficial for all growers in the territories had the Grantee's efforts in doing so effected changes.

According to Mr. Giora Teltsch who has worked with KAI in export facilitation, KAI and associates have worked with the Jericho Chamber of Commerce to print the first EUR-1 form (Movement Certificate) for produce entering the EC, certifying that their origin is West Bank instead of Israel. Considering that all previous exports to the EC had utilized Israeli forms, this can be viewed as a significant step in facilitating future direct export of produce to the EC from the West Bank.

Overall, the Grantee's contribution towards export facilitation with regard to policy and procedural constraints is mostly in the area of trouble shooting when difficulties and delays occurred in individual shipments. Growers have confirmed that the KAI and associates have been responsive and effective in dealing with the Israeli authorities when difficulties arose. It is possible but cannot be confirmed if such positive intervention has resulted in establishing precedents which will benefit future direct export transactions in the absence of KAI.

### **Overcoming Credit Constraints to Exporting**

Since many overseas produce markets (North America, EC) are conducted primarily on a consignment basis, producers do not usually receive payments for their shipment until their produce is finally sold by the importers/wholesalers. Thus, bridge financing has been raised by the Grantee as an issue affecting the willingness and ability of West Bank/Gaza producers to engage in exporting.

The evaluation team found that there are currently two major sources of export credit for producers in the territories. The Civil Administration has established a credit system through the Ministry of Agriculture to provide export financing in Gaza and the West Bank. Interested producers can obtain export financing from the Hapoalim Bank. Based on positive recommendations from the Civil Administration Department of Agriculture, this bank will provides short-term export credit at an interest rate of seven percent. The evaluation team learned from the Civil Administration that since those funds can only be borrowed directly by

producers in Gaza and West Bank, KAI could not access those funds on behalf of Palestinian producers.

Many suppliers interviewed stated that even at 7 percent interest rate in nominal terms (compared to shekel inflation of about 10 - 12 percent) they were reluctant to borrow. Many of the packers said that they consider a reasonable nominal interest rate to be zero to two percent.

In addition, the Cooperation for Development International (CD) has also made available export financing credit at six percent (dollar indexed) from EC funds. Those funds are meant to finance the packaging and transportation of the produce to the final market. The Grantee has acted as a guarantor in one credit transaction with CD to finance the exporting of tomatoes from Gaza.

The evaluation team has learned from Dr. Terry Lacey of CD that Palestinian producers have been reluctant to access the CD funds because the interest rate is considered too high. While some producers cited religious beliefs as reasons for reluctance to borrow on interest, discussions with growers and exporters have revealed that they are generally unwilling to borrow to finance exporting transactions in which sales, prices and payment cannot be assured.

Most of the producers and exporters interviewed did not cite bridge financing *per se* as a major constraint. They are mostly concerned with obtaining guarantees of prices and payment. From the point of view of many growers and cooperatives, exporting directly or through an intermediary does not provide sufficient security compared to exporting through AGREXCO, which guarantees prices and assures payments within ten days after delivery for a limited number of crops.

Many growers feel that they are already taking significant risks in the crop growing process and hence want to minimize risks associated with export transactions. In addition, many growers and exporters have had negative experiences and incurred losses in past direct export especially to the EC. Thus they often demand terms similar to those currently offered by AGREXCO i.e. assured sales and guaranteed prices, which in many cases could not be obtained by the Grantee on their behalf from importers. Exporters interviewed admitted that they could not usually obtain letters of credit under those terms from importers directly on their own either.

Exporters who have not exported through KAI did not cite bridge financing as a major export constraint, although most indicated that they would be more willing to borrow to finance export had interest rates been more favorable.

### **Transfer of Technology and Know-how**

The Grant Agreement specifies that the Grantee will advise suppliers on the appropriate ways to collect, package and transport produce. The evaluation team was asked to assess the success of the assistance delivered to suppliers in those areas.

Interviews with Beit Lahia and Dier El-Balah indicated that since two cooperatives were already familiar with the picking and packing techniques required for produce export, they did not require much assistance from KAI in those areas.

For the three main export transactions in the West Bank, a KAI representative (Mr. Giora Teltsch) visited the farmers to inform them of the produce color and size specifications, degree of ripeness, and picking and packing techniques to meet the requirements of the export market. Packing boxes were purchased by the importer and the delivery of packing boxes to the farmers was arranged by Mr. Teltsch.

Picking, packing and quality control were carried out in the farms. For the grape export from the West Bank, KAI arranged for a Palestinian expert to supervise the picking, sorting and packing process for several days. According to the Grantee, KAI's West Bank representative (presumably Mr. Briegheeth) and an agronomist (presumably Mr. Teltsch) were also present. However, the grape farmer only learned later after he had incurred a loss that he would have to modify planting and picking techniques to improve efficiency for future export transactions.

The evaluation team was not informed of any extensive supervision by the Grantee or its associates in the picking and packing process for the melon and eggplant export. The melon farmer indicated that he has not received direct feedback from KAI as to whether the picking and packing techniques and quality control in his farm should be improved or modified in the future.

Beit Lahia and Dier El-Balah in Gaza have worked with KAI and associates to arrange internal transport of produce. Freight forwarding was arranged by Giora Teltsch of KAI. It is likely that some degree of learning has occurred as those were the only export shipments arranged outside of AGREXCO to the EC in the past two years.

The three farmers in the West Bank were not involved in arranging the transportation of their produce both from their farm to the port and freight forwarding. Thus, very little transfer of knowledge in transporting produce has resulted from those three transactions.<sup>35</sup>

One beneficiary of knowledge transfer is Mr. Adel Briegheeth of the Agricultural Department of Jericho. Mr. Briegheeth was involved in preparing the necessary documentation and facilitating the transport of produce from the West Bank farmers to the port. Mr. Briegheeth indicated he has learned from the process and will be able to assist West Bank farmers better in the future.

Overall, the transfer of technology and know-how was limited to the five producers who exported through KAI. There is little evidence that other producers in Gaza and the West Bank have learned from the process. The evaluation has not found evidence that the growers who

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<sup>35</sup> According to the Grantee, the West Bank farmers were not very interested in getting involved in arranging transport of the produce, due in part to their preoccupation with the picking and packing process.

have worked with KAI or others have used the knowledge transferred under the Grant program to undertake other export transactions without KAI.

**D. Achievement of Export Targets**

According to the evaluation survey findings, the total exports directly facilitated by KAI and the export value generated from Grant start-up through mid-December 1993 were as follows:

**Table 4.4**

**TOTAL EXPORTS AND EXPORT VALUE GENERATED BY KAI  
(START-UP THROUGH MID-DECEMBER 1993)**

<b>PRODUCT TONNAGE</b>	<b>EXPORT VALUE (US\$)</b>	<b>SOURCE OF COMPENSATION</b>
16 tons of grapes	22,017	\$18,000 from Israeli export assistance fund; \$4,017 from KAI
8.3 tons of melons	4,550	\$2,592 from Israeli export assistance fund; \$1,958 from KAI
25.5 tons of tomatoes	25,000	\$30,000 from EC bridge loan
2 tons of eggplants	1060	importer
2 tons of strawberries	7,500	importer
<b>Total= 53.8 tons</b>	<b>\$60,127</b>	<b>\$45,592 from subsidies \$14,535 from importers</b>

In total the KAI program directly facilitated the export of 53.8 tons of produce valued at US\$60,127. Table 4.5 compares this performance to the export targets specified in the Grant Agreement program description. The table demonstrates that not only has the Grantee fallen far short of achieving overall export targets for tonnage, it has also not come close to meeting targets in every single product category.

In the quarterly technical reports submitted by KAI to USAID in June 1993 and September 1993, KAI also claimed to have been responsible for the export of 16,188 tons of oranges, 40 tons of strawberries, 75 tons of tomatoes, 27 tons of grapes, and 156 tons of bananas (a total of 16,486 tons) through indirect "involvement."<sup>36</sup> These exports would be over and above the direct exports verified by the evaluation team in Table 4.5. However, the study team could not verify the Grantee's involvement in facilitating those sales in our interviews with the producers and exporters in Gaza and the West Bank.<sup>37</sup> The evaluation team also could not verify from interviews with Israeli Government officials that the Grantee achieved any policy or procedural changes that would have systematically benefited all direct export of produce from Gaza and the West Bank.

As shown in Table 4.5, the export total of 53.8 tons<sup>38</sup> achieved by the KAI project represents only 0.14 percent of the target exports of 38,988 tons<sup>39</sup> set in the Grant Agreement for the implementation period January to August 1993. Using the more conservative bottom of the range target numbers the Grantees' exports would represent 0.18 percent of targets for the same time period. Even if the Grantee substantially accelerates export performance in the three months until scheduled program completion it is unlikely that they will come close to meeting export targets.

A much more conservative export target could be set in hindsight in the range of 600 to 1000 tons. This level is consistent with export targets set for projects in the area with similar

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<sup>36</sup> It remains unclear to the evaluation team how the Grantee arrived at those figures and what types of indirect facilitation the Grantee has contributed to those export sales that have already been taking place.

<sup>37</sup> None of the producers and exporters interviewed by the evaluation team attributed any of their direct export to KAI's involvement other than those directly facilitated by KAI. Neither one of the citrus exporters, for example, gave acknowledgement that their current large volumes of export to Jordan was attributed to the Grantee's involvement. The evaluation team interviewed all of the producers and exporters identified by KAI as having been involved in the Grant Program.

<sup>38</sup> Breaking out the tonnage that the Grantee facilitated without the use of subsidies, only 4 tons were exported (see the last two transactions in Table 4.4).

<sup>39</sup> Using mid-point target numbers and using the targets set through August 1993 (instead of December) for a three month delay in project start-up.

levels of funding<sup>40</sup>. If the target set had been in this more modest range, the Grantee would have achieved some 8 percent of targets for the period to date.

Table 4.5

<b>ACHIEVEMENT OF EXPORT TARGETS</b>		
<b>PRODUCE</b>	<b>EXPORT TARGET SPECIFIED IN GRANT AGREEMENT (tons)</b>	<b>ACTUAL TONNAGE EXPORTED (tons)<sup>41</sup></b>
<b>JANUARY 93 - MAY 93</b>		
Tomatoes	5,000 - 10,000	25.5
Valencia Oranges	9,000 - 14,000	
Cucumbers	5,500 - 8,300	
Strawberries	125 - 250	2
<b>JUNE 93 - AUGUST 93</b>		
Watermelons	2,000 - 4,000	
Melons	500 - 1,000	8.3
Grapes	4,300 - 6,500	16
Figs	600 - 1,200	
Guava	750 - 1,500	
Bananas	500 - 1,000	
Lemons	650 - 1,300	
Eggplants	-----	2.0
<b>TOTAL</b>	<b>38,988<sup>42</sup></b>	<b>53.8</b>

Source: Grant Agreement and Program Evaluation Team

<sup>40</sup> For example the new crops export assistance line of credit funded by CD in Gaza has an export target of 600 tons of produce. The total funding made available by CD for this project is \$600,000 but the net cost of the project should be lower since \$600,000 is the total funding available for loans. Net of loan repayment the total cost will be lower than \$600,000.

<sup>41</sup> Through December 1993.

<sup>42</sup> Using mid-points and targets set through August 1993 to compensate for three month delay in project start-up.

## **E. Beneficiary Impact**

### **Supplier Participation**

Following the Grant Agreement and the Unsolicited Proposal, the intended program beneficiaries are the growers and packers responsible for the production of fruits and vegetables which were to be exported under the Grant program. As the discussion above on achievement of export targets demonstrates, there was a relatively small number of growers and packers who directly benefited from program exports. There was a total of five different commercial export transactions which took place under the program -- of modest level in size -- from five different growers/suppliers.

The degree of interest of growers/packers who participated in export transactions ranged from moderate to high. However, the two growers who expressed the highest level of interest in future exports under the program also benefitted in their export transaction from a subsidy/grant from other sources, which may well have artificially boosted their potential interest or expectations from exporting under the program. A lower subsidy element or lack of subsidy altogether might have been required from a methodological standpoint to gain a purer picture of what the real interest of the beneficiaries would be under market or near-market conditions.

The number of farm workers who benefited from the program exports ranged from 3 to 15 per export shipment, but the majority of these workers were laborers employed on a very short-term basis for a few days of picking, grading or packing. No substantial long-term employment impact was evident for the program to date. Although an exact employment impact measurement can not be made from available data, it is estimated by the evaluation team to be less than 50 and this is only part-time employment for a limited number of days for each export order. It is very clear to the evaluation team that the number of jobs created by the Grant Program is far below the 5,000 jobs target established in the Unsolicited Proposal.

The Grantee objective of accelerating joint ventures<sup>43</sup> within 12 months has also not been accomplished, according to evaluation team findings. The Grantee activity and accomplishments and the in-person evaluation interviews did not identify any joint ventures which occurred as a result of the Grant Program.

### **Benefit Incidence**

A formal cost-benefit analysis was not included as part of the Scope of Work of the evaluation. However, given the relatively manageable size of the data set required to estimate approximate costs and benefits of the program, an "order of magnitude" benefit-cost assessment was conducted by the program evaluation team. The evaluation team feels that such an

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<sup>43</sup> See Unsolicited Proposal Section V Part D on page 5.

assessment is relevant and applicable since the greatest justification for the Grant program in the Unsolicited Proposal was the direct and quantifiable economic impact that export transactions would have on program beneficiaries.

The gross costs to the Grant program<sup>44</sup> which are easily identifiable are the costs of USAID Grant cash contributions under the program. As of December 1, 1993 these costs were \$563,000.

The gross benefits to the program are the value of export production which was facilitated under the Grant program.<sup>45</sup> As of December 1993, some 53.8 tons of produce had been exported through the program. No additional tonnage for exports that might take place in the future are included for the benefit-cost estimate to date.<sup>46</sup> The gross farmgate financial value of this export production (including subsidies) was \$60,127. The gross farmgate economic value of production (excluding the subsidies) was \$14,535.

The net financial cost-benefit ratio derived from the above numbers (through December 1993) is 0.11. This ratio suggests financial benefits that are not nearly as high as the financial costs of the project (i.e. for every dollar of financial cost there has been 11 cents of financial benefit to the beneficiaries).

Leaving out the subsidies from the benefit stream, but leaving the cost stream unchanged, provides an estimate of the approximate net economic benefit-cost ratio of the program. This calculation results in an economic benefit-cost ratio of 0.026. One way of interpreting this result is that for every dollar of economic cost to the program, the program has gained 2.6 cents of economic benefit.

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<sup>44</sup> These estimates exclude the incremental farm production and grading costs from the incremental cost of exporting under the program. These costs are real but are not easily identifiable. In addition to those costs which are not included, the Grantee may have incurred additional financial costs (overhead, fringe benefits) beyond USAID'S contribution, however these costs are also not easily identifiable and are not included here. Consequently the benefit-cost ratio in this "order of magnitude" assessment becomes a measure of the returns to USAID resources employed in the program, not a return to total resources employed.

<sup>45</sup> For simplicity purposes the total value of exports not the incremental export value was used as the program benefit. In the absence of the Grant program, some percentage of the export value of the crop (probably about 50 percent) could have been obtained in local markets. Most of the program export orders came after the planting decision had already been made, therefore for most transactions one cannot say that the export production in the program was entirely incremental.

<sup>46</sup> The stream of benefits included in this analysis does not include any exports that the Grantee might be facilitating between the dates of December 20 1993 to March 1 1994 (Grant completion date) nor does it include any incremental exports the Grantee may encourage through demonstration or through making the initial contact and then later not being involved in the direct export.

Generally an economic benefit-cost ratio of 1 or higher is considered necessary to make a project viable.<sup>47</sup> Thus, the estimated economic returns for the first 14 months of the program do not suggest a net benefit which is close to sufficient to justify the economic cost of the program.

### **Export Learning**

Since the direct benefits to export assessed above are quite limited in scope, the evaluation team also assessed indirect benefits to determine whether these non-quantifiable benefits would improve the overall net project impact assessment. In some projects indirect benefits such as technology transfer or institutional development help offset low direct economic benefits.

As the part C of Section IV above explained, the overall export learning and transfer of knowledge under the project has been relatively limited according to evaluation team findings.

There are several reasons why the learning and technology transfer have been limited. One of the reasons is logistics. The two most active staff members of KAI under the Grant program (see Section IV part A) are located in Washington DC. Since the majority of their time has been spent at their headquarters, the opportunities for supplier learning through frequent in-person contact have been limited by the geographic space between Gaza/West Bank and the United States.

A second factor limiting the learning process was the fact that the Grantee by admission had very limited background in the exporting of fresh produce. This fact by definition confined the amount of technology transfer that could take place in the areas picking, packing, quality control, and complying with export paperwork and regulations. The main KAI staff member who assisted in this area was Giora Teltsch and he undertook many of these responsibilities on three separate export transactions from the West Bank.

The only other significant learning opportunity came from Gaza/West Bank suppliers participation in a Producers' Convention in Washington. The West Bank/Gaza suppliers' participation in this convention was initiated by the Grantee. The evaluation team interviewed four out of the nine participants at the convention. Two out of the four participants interviewed expressed an extensive appreciation of the information provided at the conference. The information learned dealt with trends and market developments in the North American and European fresh produce markets. The other two expressed limited learning or difficulties understanding because of language barriers.

A third factor which might have limited the transfer of technology was approach taken by the Grantee set forth in the Unsolicited Proposal and confirmed to the evaluation team by

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<sup>47</sup> See Economic Analysis of Agricultural Projects by J. Price Gittinger, page 345.

suppliers during the interviews. This approach taken allowed the Grantee to take on somewhat of a brokerage or "middle man" role in export transactions, at least according to the perception of suppliers.<sup>48</sup>

There are potential positive and negative implications of this perceived role. The positive side is that for some suppliers the Grantee seems to help generate additional entrepreneurial spirit. A negative side of the same perceived role is that some of the suppliers appeared to not fully understand the nature of their relationship nor the details of each transaction. Whether the perceived role had a not positive or negative effect on the overall program is unclear. However what is clear is that role and approach did not promote a maximum of information transfer and learning, as many suppliers felt that they were basically in a business-negotiations relationship with the Grantee.

### **Indirect Impact**

The indirect impact of the Grant program on exporting activities in general is difficult to measure, as only anecdotal information is available in this area. On the positive side, the evaluation team feels that the Grant's basic objectives of facilitating exports of fresh produce are fundamentally sound. Moreover, the Grantee's focus on exporting seems to have generated additional interest in promoting direct exporting, although difficult to quantify, with other organizations such as the EC, CDP, CD and the Agricultural Departments in West Bank and Gaza. Most of these organizations accelerated their export promotion programs over the past year. The evaluation team feels that the Grantee is probably partially responsible for this increased interest.

Another positive indirect impact that the Grantee has achieved is the direct contacts made by the Grantee to actual and potential sellers on behalf of Palestinian growers. The number of sample shipments and marketing inquiring may in the future open the door to Palestinian exporting opportunities with or without the Grantee.

A third possible indirect impact was the enthusiasm generated in suppliers with whom the Grantee directly worked. This enthusiasm was apparent in two or three of the suppliers with whom the evaluation team met. While the actual levels of exports were largely symbolic, the demonstration effect may have some positive benefit for future exporting, with or without the Grantee.

In terms of security arrangements and facilitation of transport, the Grantee's progress to date has mainly been restricted to the trouble shooting when difficulties occurred in individual

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<sup>48</sup> Although the Grantee did not specify his role in facilitating export transactions in the Grant Agreement with USAID and may not have specifically referred to himself as a "broker" to producers and importers, he has been perceived as such by many suppliers and importers interviewed. For example, the Grantee was described by one supplier as a "merchant."

shipments. It is possible, but cannot be confirmed, that such positive intervention has resulted in establishing precedents that will benefit direct export transactions.

In terms of meeting its objective of shifting the buying practices from 100 percent consignment to minimum guaranteed prices and advance payments the Grantee has been largely unable to fulfill this requirement. As explained elsewhere in this document (See Chapter Sections B and C and Annexes 2 and 3), virtually all of the exports to date under the Program have been negotiated on a consignment basis with the importer. This is not a fault of the Grantee ~~per se~~ but is a reflection of the general market practices for fresh fruits and vegetable buying in Europe and North America. Of the exports realized by the Grantee, prices have not been guaranteed in advance but typically have been determined after the consignment sales. This buying practice, if continued, could make it difficult for the Grantee to compete with AGREXCO which offers guaranteed prices or advance payments for all of its purchases in Gaza and West Bank.

## **V. LESSONS LEARNED AND FUTURE RECOMMENDATIONS FOR USAID**

### **A. Overall Assessment of the Grant Program**

The evaluation team's overall assessment is that the Grant Program is appropriate in concept and offers some innovative ideas that have kindled new interest in exporting, but that the implementation of actual exporting has proved to be quite constrained, and as a result not been very effective.

The concept and objectives of assisting Palestinian exports of fresh produce are fundamentally sound, according to the evaluation team. The program concept and objectives were essentially developed by the Grantee through its Unsolicited Proposal of February 1992.

The underlying assumptions of the proposal were that good quality surplus production was available for export and higher-value commercial markets were available in Europe and North America, provided a few constraints could be lifted. These constraints related mainly to security, transport, and monopoly pricing and buying practices. The fundamental assumption of the proposal was that once these hurdles were overcome, commercial exporting of produce to high-value markets would be technically and economically feasible.

In terms of facilitating actual exports, the Grantee has assisted in the export of some 53.8 tons through December 1993 compared to a target figure of some 38,988 tons for same time period. Thus the Grantee only achieved some 0.14 percent of the export targets set in the Grant Agreement. Even if the Grantee substantially accelerates export performance in the next three months, it is highly unlikely that it will come close to meeting export targets for the overall program.

West Bank/Gaza suppliers have received about \$60,127 in export revenue to date through the project, including subsidies paid by other agencies. This compares with a financial cost of the project to date of \$563,000 in USAID cash grant disbursements.

The Grantee's inability to meet export targets had its root in the original program design, as it has now become evident that the original export targets were vastly optimistic. Both the Grantee and USAID would in principle share responsibility for the setting of the original targets, as they were both parties to the signing of the Grant Agreement (Program Description) which established the targets.

The level of exports achieved is an indication that the magnitude of constraints to exporting may be greater than was originally thought during program design. The evaluation team is of the opinion that constraints in the areas of quality improvement, packing and grading techniques, production cost reductions, and access to market information are formidable and probably need to be addressed over the longer term if USAID's export assistance is to have an important impact in Gaza and West Bank.

**The approach that could be used by the Grantee in facilitating exports -- such as direct buying and handling, consulting advice, brokering (middle man role) -- was not specified in the Grant Agreement. Flexibility was given to the Grantee to determine its most productive role as the implementing agent charged with a mission of facilitating exports in a constrained environment. Many of the suppliers considered the Grantee to be acting as a middle man for them, and one of the outcomes of this type of relationship has been that suppliers have not been completely informed about the terms of sales, final purchase prices, cost of transport, or use of subsidies in their export transactions. As a result, many of the suppliers have not learned as much from the experience as they could have, had they been completely apprised of this information and been more directly involved with transactions with the buyers.**

**While overall success in meeting quantitative program targets has not been achieved by the Grantee, the areas where the Grantee achieved the most progress were in:**

- ◆ **trouble shooting with export transportation and security issues through Israel on those individual exports which were facilitated through Grantee assistance;**
- ◆ **active export promotion efforts with European and North American buyers;**
- ◆ **identification of high-potential export candidates in Gaza and the West Bank; and**
- ◆ **entrepreneurial approach to encouraging exports and transactions from Gaza and the West Bank which generated strong awareness of the program.**

**The principal areas where the Grantee showed the least progress were in:**

- ◆ **inability to meet export performance targets established in the Grant Agreement;**
- ◆ **low technology transfer in the areas of picking, packing, quality control, export regulations, etc;**
- ◆ **lack of clarity of Grantee's role vis-a-vis suppliers, and limited transmission of relevant information about the final export transactions to the beneficiaries (prices, terms of agreement, provision of subsidy, etc);**
- ◆ **no recruitment of full-time field staff in Gaza and West Bank which has reduced contact and interaction with the target beneficiaries; and**
- ◆ **extensive focus on administrative constraints with USAID, instead of solving problems to the best of their ability, within the resources provided in the Grant Agreement.**

## **B. USAID Management of the KAI Program and Programs of This Kind**

The evaluation team has been asked by USAID to examine the lessons learned from its management of this activity. This program was designed in the context of a situation in which USAID did not have a formal Mission or presence in the Gaza and the West Bank. The program setting also entailed potentially sensitive political and strategic issues for the U.S. government. With a limited USAID presence in the area and the complex political situation, the Grant Program has encountered greater management challenges than an average USAID grant or project. In addition, the Grant Program was a non-traditional, transaction-oriented activity fully implemented by a private, for-profit firm. The unusual program setting and design, and the Grantee's lack of experience and knowledge of USAID procedures and requirements have caused a heavier than average management burden for USAID.

The evaluation team believes that for this type of activity, it would be useful for USAID to adopt a management approach that balances implementation autonomy with accountability on the part of the Grantee. In the KAI Program, USAID could allow the Grantee maximum flexibility in implementing program activities within the confines (such as approved budget) of the Grant Program. At the same time, USAID can hold the Grantee responsible for meeting Grant objectives and targets developed by the Grantee and specified in the Grant Agreement, without any obligations to satisfy requests for additional funding, particularly those submitted in an ad hoc fashion. The evaluation team believes that such ad hoc requests for additional funding may have distracted the Grantee from implementing activities that could be accomplished without additional funding, and also represented an undesired management burden to USAID.

Tuning to overall management of programs of this type, there is a clear need for USAID and prospective grantees to establish more effective program management structures. Increasingly USAID will be required to conduct development assistance activities with fewer staff resources and in-country Missions. The experience of this program is therefore highly relevant.

Programs of this type (new concept, difficult operating environment, absence of full USAID Mission, etc.) are by definition experimental in nature, and should be approached and managed as such. Experimentation requires flexibility, which implies the need to add, eliminate or adapt tasks and components within the framework of the original grant. However, this in turn requires clearly understood processes for effecting changes in approach.

The evaluation team strongly recommends that immediately upon (or prior to) implementation of programs of this kind, appropriate USAID staff should meet intensively with grantees (particularly those with limited USAID experience) to review comprehensively all rules, policies and procedures that should be followed by grantees. This will eliminate or at least reduce lack of knowledge which creates frictions and delays and frustrates both USAID and grantees.

Finally, management relations and efforts will be improved by the introduction of a structure which provides greater grantee autonomy tied directly to greater grantee responsibility and accountability. In many programs, far too much time and effort is expended on "bureaucratic" issues such as approvals, task revisions, incremental budget changes and other matters. The USAID process for dealing with these operational issues is burdensome and time consuming. A management structure which provides implementing organizations with more autonomy on routine matters, while at the same time holding them strictly accountable for activities and results, would improve performance and generate better program results.

### **C. Coordination with Other USAID Grantees**

Other USAID grantees (such as ANERA and ACDI) active in agricultural development in Gaza and the West Bank mainly focus on providing "from the ground up" training, technology transfer and extension services to Palestinian growers. The KAI grant programs activities currently are not closely coordinated with activities of other USAID grantees. Since the KAI program is primarily transactions-based, it can complement other activities by sharing its experience in developing entrepreneurial and marketing skills through joint workshops, seminars or conferences.

The evaluation team also learned that an export program to promote new crops has been recently initiated by a consortium of private voluntary organizations including a few current USAID grantees. Since this new activity and the KAI program share the common goal of increasing direct produce export from Gaza and the West Bank, KAI and other USAID grantees should be encouraged to increase communication on their ongoing activities regarding the lessons learned from their experiences.

### **D. Future Export Promotion Activities**

Based on the information gathered during program evaluation and the lessons learned, the evaluation team has identified a set of suggestions or recommendations for USAID in its planning of future export promotion activities in Gaza and the West Bank.

The first suggestion is based on the direct recommendation from the Director of Technical and Advisory Committees for the Palestinian Team to the Peace Conference. His recommendation was transmitted during an interview with the evaluation team. According to the Director, while the emphasis of the KAI export grant (transactions, active contacts with buyers, removing security and transport constraints on the Israeli side) may have been appropriate during the past year, the new events relating to Gaza and Jericho autonomy should lead to a different approach in 1994.

According to the Director, the new situation would call for stronger focus on institution building with the relevant new Palestinian organizations responsible for export promotion and

agricultural development. In addition, according to Mr. Istanbuli, the new situation would suggest a greater emphasis on training and technology transfer. Such a program would focus more clearly on the specific technical needs of Palestinian exporters and would encourage their direct involvement in such activities.

In addition to the recommendation from the Director of the Technical and Advisory Committees, the SRI evaluation team would like to add the following points of emphasis for future agricultural export activities in Gaza and West Bank<sup>49</sup>:

- ◆ Begin the program with realistic goals and objectives with regard to export targets. This could be achieved by a more complete program design process which could begin with baseline estimates of current exports.
- ◆ Once realistic, quantifiable targets have been set by both parties, those quantitative targets will remain the principal criteria against which program success can be measured.
- ◆ Work more closely with the Palestinian growers/suppliers in the design of the program to determine from them what their greatest needs are for export expansion.
- ◆ Maintain emphasis on export transactions, as well as contact with overseas buyers, but place more emphasis on working directly through Gaza/West Bank growers, cooperatives, or packing houses as the export agents themselves.
- ◆ Attempt to negotiate and establish export procedures with Israeli authorities that would apply to all Palestinian exporters, not just facilitate individual shipments.
- ◆ Provide detailed market information on prices in overseas markets such as Europe, North America, and the Middle East to suppliers and growers.
- ◆ Undertake a detailed analysis of the economics of exporting for various crops, in different markets and for different seasons of the year.
- ◆ Transmit detailed information to the suppliers about the terms and conditions of final sales, prices, and level of subsidy, if it is used.
- ◆ Provide clear and transparent identification of subsidies if they are used, along with limits on subsidy levels for each transaction with a view of gradually

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<sup>49</sup> The evaluation team is of the opinion that a logical vehicle to undertake the types of agricultural export promotion activities recommended here will be under the auspices of the upcoming Private Sector Support Project sponsored by the Near East Bureau.

**eliminating subsidies. This will serve as a effective screen for the identification of crops, growers, and markets with greatest market viability and potential.**

- ◆ **Provide technical assistance to growers, packers and exporters in the areas of picking, packing, grading, quality control, and export procedures.**
- ◆ **Prepare training manuals in these technical areas and organize seminars for these same groups to disseminate this information to program beneficiaries.**

**It is the opinion of the evaluation team that through the implementation of this Grant and through related development activities with other grantees in the area, USAID has a much wider knowledge base of the constraints and opportunities related to exporting fresh produce from Gaza and West Bank. The knowledge gained from these activities should be of great assistance in the planning and implementation of future initiatives designed to promote agricultural exports from Gaza and West Bank.**

# ANNEXES

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**Program Description**

Over the eighteen month life of the grant, Kramer Associates Inc. will:

(1) help to increase the export of produce from Gaza and the West Bank by: facilitating sales arrangements between suppliers in the West Bank and Gaza and buyers in the United States, Europe, the Middle East, and Japan; advising suppliers on the appropriate collection, packaging, and transport of produce; and assuring that suppliers are able to satisfy Israeli export regulations. Specifically, Kramer Associates Inc. will:

(a) for the period January 1993 through May 1993 provide evidence that it has facilitated the export of 5,000 to 10,000 tons of tomatoes; 9,000 to 14,000 tons of valencia oranges; 5,500 to 8,300 tons of cucumbers; and 125 to 250 tons of strawberries or an explanation of why the targeted level of exports was not achievable.

(b) for the period June 1993 through August 1993 provide evidence that it has facilitated the export of 2,000 to 4,000 tons of watermelons; 500 to 1,000 tons of melons; 4,300 to 6,500 tons of grapes; 600 to 1,200 tons of figs; 750 to 1500 tons of guavas; 500 to 1,000 tons of bananas; and 650 to 1,300 tons of lemons or an explanation of why the targeted level of exports was not achievable

(c) for the period September 1993 through December 1993 provide evidence that it has facilitated the export of 4,000 to 6,000 tons of shamouti oranges; 1,100 to 2,200 tons of grapefruit; and 2,100 to 4,300 tons of potatoes or an explanation of why the targeted level of exports was not achievable.

(2) help AID to better understand the constraints and opportunities that exist in exporting produce from the Occupied Territories by documenting its experience. Specifically, Kramer Associates Inc. will provide the A.I.D. Near East Bureau Office of Middle East Affairs (NE/ME) with four written reports. The first report will be submitted three months after the date the grant has been signed and will: detail the actions Kramer Associates has taken to start-up the planned activities under the grant, describe any obstacles Kramer Associates has encountered in implementing its planned activities and how obstacles were/are being addressed, discuss actions planned and obstacles anticipated through the remainder of the grant period, and indicate accrued grant expenditures broken down into the categories of staff salary, consultant salary, staff travel, consultant travel, equipment, overhead, and other miscellaneous costs (with other miscellaneous costs to be identified in a separate line item any time a specific

cost in the category exceeds \$10,000). The three subsequent reports will be due one month after the three periods noted in (1)(a), (b), and (c) above, i.e., they will be due June 30, 1993; September 30, 1993; and January 30, 1994. Each of these three reports will indicate success against the identified export targets and provide explanations for any targets not achieved. Each report will also provide the following for the crops relevant to the reporting period:

(a) information related to the produce sold as a result of activity under the grant, i.e., information on the volume of each category of produce sold, the price at which it was sold, the cost of delivery to the buyer (broken down by element, e.g., packaging, transport, etc.) and the name, address, telephone number, and fax number of each participating producer cooperative or supplier and each participating buyer.

(b) a description of constraints encountered in facilitating sales arrangements between suppliers and buyers, and in delivering produce to the buyers; strengths and weaknesses observed in the collection, packaging, and transport of produce; and the experience in satisfying Israeli export and country-of-import regulations.

(c) an analysis of what the most viable produce exports are for Gaza and for the West Bank, and where the most receptive/profitable markets exist.

(d) recommendations as to actions AID can take to strengthen Palestinian marketing capabilities such as addressing input requirements, improving credit mechanisms, etc.

Like the first report, each of the three subsequent reports will also indicate accrued expenditures, broken down in the categories of staff salaries, consultant salaries, staff travel, consultant travel, equipment, overhead, and other miscellaneous costs (with other miscellaneous costs to be identified in a separate line item any time a specific cost in the category exceeds \$10,000). The expenditure reports will be submitted to both NE/ME and NE/DP/FB (Near East Bureau/ Office of Development Planning/ Division for Finance and Budget).

Activities under the grant will be monitored by AID staff as AID deems appropriate. Kramer Associates Inc. will cooperate with AID in an evaluation of the effectiveness and impact of the activity at the end of the grant period.

The grantee will covenant that, at any time it concludes that it cannot meet the grant objective of helping to increase the export of produce from Gaza and the West Bank, it will immediately advise A.I.D. of the reasons as to why the objectives cannot be met and of its plan to demobilize, including orderly termination of the agreement.

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**ANNEX 2**

**INTERVIEW QUESTIONNAIRE  
FOR GROWERS AND EXPORTERS**

# INTERVIEW QUESTIONNAIRES FOR GROWERS AND EXPORTERS

Name and address of grower/cooperative:

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1. Have you been assisted by KAI to export fruits or vegetables during the past year?

Yes \_\_\_\_\_ No \_\_\_\_\_

1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.

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1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.

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1.c If you answered yes to question 1, in your export with KAI who did the packaging, who arranged transportation?

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1.d In your export with KAI, did KAI (or his representatives) assist you to satisfy GOI export regulations and procedures?

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2. What are the perceived benefits of exporting through KAI?

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Are there any particular problems?

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**3. What are the general constraints to exporting fresh produce?**

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**4. Is credit a constraint to exporting? Was bridge financing necessary in your export through KAI?**

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**5. Have you exported produce directly (without an intermediary) in the past without KAI?**

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please describe the quantity, number of shipments, mode of payment, problems, etc.

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**6. Have you exported through another intermediary or broker in the past?**

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please describe the quantity, number of shipments, mode of payment, problems, etc.

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**7. If you answered yes to question 5 or 6, what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

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**8. Would you be interested in exporting through KAI in the future?**

Yes \_\_\_\_\_ No \_\_\_\_\_

**9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

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## INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 1**

**Date: December 2, 1993**

**Name and address of grower/cooperative:**

Ahmed Mamoud Saleh Fouquaha (grape farmer)

Fara, West Bank

Tel: 972-9-674-656

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**Yes**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

Mr. Fouquaha was approached by the Agricultural Department of Jericho to try exporting grapes through KAI.

A total of 16 tons of grapes was shipped to importer in U.K. The farmer received three payments:

NIS 25,000 in Sept 93

NIS 25,000 in early October

US\$4,017 in mid-October

The evaluation team later learned from the Grantee that the two shekel payments came from the Israeli Government while the dollar payment came from the Grantee, presumably from the proceeds of the sale.

**1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

Mr. Fouquaha was visited by Giora J. Teltsch (of KAI) who informed Mr. Fouquaha of the specifications of grapes, and picking and packing techniques to meet the requirements of the market. Mr. Teltsch also specified color requirements and degree of ripeness. Mr. Fouquaha said picking and packing was not supervised by KAI, but according to the Grantee a specialist named Nawaf El Khadir was hired by KAI for several days specifically to provide supervision and assistance in the process.

**1.c In your export with KAI who did the packaging, who arranged transportation?**

Packing boxes were provided by Mr. Giora Teltsch, but the transportation costs of the empty boxes to the farm was paid by Mr. Fouquaha. Packing was done on Mr. Fouquaha's farm.

Internal and external transportation was arranged by KAI and Mr. Briegheeth of the Agricultural Department of Jericho.

The packing boxes and transportation costs were paid by the importer.

**1.d In your export with KAI, did KAI (or his representatives) assist you to satisfy GOI export regulations and procedures?**

All necessary paper work was done by the Agricultural Dept. of Jericho and KAI agent. The farmer was not involved in preparing documentation.

**2. What are the perceived benefits of exporting through KAI?**

**Are there any particular problems?**

Mr. Fouquaha was not satisfied with the price he was paid for the grapes. According to Mr. Fouquaha, the same amount of grapes sold by a nearby Israeli settlement at that time fetched \$32,000.

According to Mr. Briegheeth of the Jericho Agricultural Coop, the payment was low because the grapes were shipped in 11 separate shipments, the small size of which significantly raised the unit cost of shipping the grapes. Mr. Briegheeth said he does not know the source of payment to Mr. Fouquaha (KAI or importer, etc.) According to Mr. Briegheeth, the small shipments were the result of the slow picking and packing process in Mr. Fouquaha's farm.

Subsequent to this interview, Mr. Leo Kramer and Mr. Teltsch clarified that the two payments in shekels came from an Israeli government export assistance fund (Grant funding) administered by the Agricultural Department in West Bank. The dollar payment was paid by Leo Kramer.

**3. What are the general constraints to exporting fresh produce?**

Security costs (which include filing proper papers, transport using Israeli trucks, security check, etc.). Security requirements often caused delays which significantly affect the quality of fresh produce when they arrive in the market. He doesn't have problems with credit because he has other property that he can collateralize.

- 4. Is credit a constraint to exporters? In your export through KAI was bridge financing used?**

Credit has not been a problem in this case. But farmer wanted f.o.b. prices to be guaranteed in advance or at the time of delivery.

- 5. Have you exported produce directly (without an intermediary) in the past without KAI?**

Mr. Fouquaha has not exported grapes in the past except to Jordan, where he has directly sold the wholesale market. He has exported squash and oranges through AGREXCO in the past. He said most other export agents seemed ineffective.

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

Mr. Fouquaha has received JD 0.5 per kilo when he sold to grapes to Jordan.

- 6. Have you exported through an intermediary or broker in the past?**

No, because no one seemed effective in facilitating export.

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

- 7. If you answered yes to question 5 or 6 what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

AGREXCO pays pre-export prices to farmers -- prices are agreed before exporting.

- 8. Would you be interested in exporting through KAI in the future?**

Yes, if the price issue of the previous shipment was resolved, and if he is guaranteed a "fair" price for his grapes next time.

- 9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

Mr. Fouquaha doesn't mind paying a commission if a good price and payment is guaranteed. Timing of payment, whether it is immediate, 30 or 60 days is not important compared to the certainty of payment and the price.

## INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 2**

**Date: December 2, 1993**

**Name and address of grower/cooperative:**

**Kalid Moustaga Abed Al-Razeek and Osama Abed Al-Razeek (melon farmers)**

**Fara, West Bank**

**Tel: 972-9-674-639**

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**Yes, in June 1993.**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

Messrs. Al-Razeek were approached by the Agricultural Department of Jericho to export trial shipments of melons through KAI. They have never met Leo Kramer, only the KAI employee (possibly Mr. Teltsch of Haifa). KAI made all the arrangements for exporting. The producer has no direct contact with the buyer.

A first shipment of 4 ton 300 kg was exported to UK. The growers (Al- Razeek brothers) were paid NIS 7,200 30 days after shipment. A second export of 4 tons was made at the end of June to the UK. The payment for the second export to the growers was \$1985 (The evaluation team subsequently learned from Leo Kramer and Mr. Teltsch that the first payment came from the Israeli government export assistance fund (Grant funding) administered by the Agricultural Department in West Bank. The team also learned from the same sources that the third payment in US\$ was made by KAI (presumably from proceeds from export sale net of transport costs).<sup>1</sup>

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<sup>1</sup> The Grantee informed the evaluation team that the melons were shipped in three shipments instead of two. According to the September 1993 technical report submitted by the Grantee, the total volume of the three melon shipments was 7.8 tons instead of the the 8.3 tons reported by the farmer.

- 1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

A KAI employee assisted in specifying size, quality, selection, picking and packing to fit market requirements. The farmer said he did not receive other direct technical assistance from KAI.<sup>2</sup> Farmer was familiar with exporting through AGREXCO and thus had a good idea of the quality control, packaging requirements needed for exporting.<sup>3</sup>

- 1.c In your export with KAI who did the packaging, who arranged transportation?**

Packaging was done on the farm, and internal and external transportation was arranged by KAI.

- 1.d In your exporting with KAI, did KAI (or his representatives) assist you to satisfy GOI export regulations and procedures?**

The necessary export documentation was arranged by the Agricultural Department of Jericho and by KAI. The farmer was not involved in the process of documentation preparation.

**2. What are the perceived benefits of exporting through KAI?**

Farmer received a price better than the AGREXCO price (about 50 percent), and was pleased.

**Are there any particular problems?**

The truck loaded with the produce was stopped at the checkpoint and denied entry by Israeli authorities. The truck was allowed to enter Israel to reach the port after a few (4) hours of intervention by the Agricultural Department of Jericho. The truck used was Palestinian.

**3. What are the general constraints to exporting fresh produce?**

Problems are mainly related to security.

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<sup>2</sup> According to the Grantee, Adel Briegheeth, Nawaf Khadir and Mr. Mohamad Mshmour (a technical expert) were present on several occasions to provide assistance in picking and packing.

<sup>3</sup> The Grantee claimed that the melon farmer has never exported through AGREXCO.

- 4. Is credit a constraint to exporters? In your export through KAI was bridge financing used?**

Farmer has access to credit. He can borrow against other assets, thus export financing is not a constraint. The only constraint is the lack of price and payment guarantee by buyers. The farmer does not know whether bridge financing has been used.

- 5. Have you exported produce directly (without an intermediary) in the past without KAI ?**

Farmer has sold to Jordan directly before. According to the interviewee, he has never exported through AGREXCO in the past (Note: evaluation team observed that this answer is not consistent with answer 1.c above and can postulate why this question was answered this way.)

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

- 6. Have you exported through an intermediary or broker in the past?**

No.

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

- 7. If you answered yes to question 5 or 6 what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

Produce to Jordan were mainly sold at auction in the wholesale market. The agent received 6% commission immediately. The Municipality received 2%

Prices from auctioning in the wholesale market might be low. Prices fetched: NIS 700/ton. The price paid by KAI was better.

- 8. Would you be interested in exporting through KAI in the future?**

Yes. The farmer has let the Department of Agriculture know his interest to be contacted again for exporting.

**9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

**As long as payment is guaranteed, farmer is willing to pay a commission to the agent in the future.**

## INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 3**

**Date: December 4, 1993**

**Name and address of grower/cooperative:**

**Beit Lahia Cooperative, Gaza**

**Rezik Abu Halima, Chairman**

**Saad Tarazi, Director**

**Ayesh Ileyyan, Zaher Tantech, Ahmed Khalil Al Zaanceen, Beit Hanoun**

**Tel: 972-7-821-535**

**Fax: 972-7-821-535**

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**Yes**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

**KAI first made contact with Beit Lahia over two years ago. Over the past two years, KAI has assisted Beit Lahia in sending small quantities (samples) of strawberries, eggplants, grapes and melons to new markets, especially in the EC.**

**Over the last season (92-93), KAI facilitated a shipment of two tons of strawberries to UK. Beit Lahia was paid \$7,500 for the two tons, which included the cost of \$0.50 per carton. KAI's assistance came mainly in the form of finding a new market, but also in facilitating quicker movement of products through checkpoints and airports (security checks).**

**1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

**Beit Lahia has been exporting over 70,000 tons per year of produce through AGREXCO and is familiar with all the quality control, picking and packing requirements for export. KAI assistance was not needed in this area.**

**1.c In your export with KAI who did the packaging, who arranged transportation?**

Freight forwarding was facilitated by Giora Teltsch, a KAI representative based in Haifa.

**1.d. In your export with KAI, did KAI (or his representative) assist you to satisfy GOI regulations and procedures?**

The necessary documents, permits, certificates of origins, were prepared by Beit Lahia without assistance from KAI.

**2. What are the perceived benefits of exporting through KAI?**

KAI seemed to have good connections with GOI and thus can facilitate movement of produce across the border and through the port. KAI also seemed to have good connections with buyers and importers and thus may find new markets for produce from Beit Lahia.

**Are there any particular problems?**

In the new shipments that are being discussed -- in two separate contracts between KAI and Beit Lahia, one for tomatoes (2,500 tons) one for strawberries (250 tons) financial guarantees are an issue according to cooperative representatives (see question #4).

**3. What are the general constraints to exporting fresh produce?**

Constraints are mainly security related. Another problem in exporting to the EC is the lack of market contacts in the EC to verify prices, delivery, sale, etc. Sale by consignment does not provide enough financial assurance to the growers.

**4. Is credit a constraint to exporters? Was bridge financing necessary in your export with KAI?**

For the shipment of two tons of strawberries, KAI opened a letter of credit at Bank Leumi (local Israeli commercial bank) for \$7,500.<sup>4</sup> Payment was received by Beit Lahia as soon as the shipping documents (bill of landing) were received by the bank.

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<sup>4</sup> The Grantee later clarified with the evaluation team that the LC was pursued, negotiated, and arranged but not opened by KAI.

For the two current contract orders, Beit Lahia has asked for an advance of \$20,000, which to the date of the interview has not been provided by KAI. Beit Lahia is awaiting the advance money before the growers will start picking.<sup>5</sup>

4. **Have you exported produce directly (without an intermediary) in the past without KAI?**

Yes, Beit Lahia has exported directly to EC between 198 since 1989.

If yes please describe the quantity, number of shipments, mode of payment, problems, etc.

For the season 1989-90, 34 tons of tomatoes and 5 tons strawberries were directly exported to EC. For the season 1990-91, 76 tons of tomatoes and 7 tons of strawberries were exported to EC. Most of the direct export shipments resulted in financial losses to Beit Lahia. The majority of the export shipments were made on a consignment basis. The cooperative feels that it has been cheated in the past by importers who reduced or refused payment based on claims of spoiled goods delivered.

6. **Have you exported through an intermediary or broker in the past?**

Yes, currently mainly through AGREXCO.

If yes please describe the quantity, number of shipments, mode of payment, problems, etc.

For strawberries, AGREXCO announces weekly prices during the growing season and pays that price to growers or cooperatives within 10 days of delivery. At the end of the season, if final sales prices are favorable, AGREXCO offers an additional rebate to growers. For tomatoes, AGREXCO has a quota of 300 tons of purchases per season from Gaza. For the purchases of tomatoes, a fixed price is offered to growers, but unlike strawberries no rebate is provided at the end of the season.

7. **If you answered yes to question 5 or 6 what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

AGREXCO offers guaranteed prices to growers, whereas KAI is more hesitant to guarantee prices.

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<sup>5</sup> The Grantee subsequently informed the evaluation team that a check was brought to Beit Lahia on November 15 1993, and was informed by the Cooperative that an advance is no longer necessary.

**8. Would you be interested in exporting through KAI in the future?**

**Yes, if prices are guaranteed.**

**9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

**Yes, if price and payment is guaranteed.**

# INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 4**

**Date: December 5, 1993**

**Name and address of grower/cooperative:**

**Dier El-Balah Cooperative**

**Gaza**

**Kamal Al-Azaiza, Had of Board f Directors**

**Tel: 972-7-831-154**

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**Yes**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

Dier El-Balah was approached by KAI directly. Over the past year, KAI has assisted Dier El-Balah in shipping 12 shipments of samples to the EC, and facilitated two shipments of tomatoes which totalled 25.5 tons to UK. A bridge financing payment of \$30,000 was made available by Terry Lacey of Cooperation for Development International (CD) to Dier Balah Cooperative to as pre-export finance. After the buyer was identified by KAI. Dier El-Balah received payment of \$25,500 for the shipment after the produce was sold in the UK. The difference of \$4,500 was paid back to Mr. Kramer. (See question #4).

**1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

Dier El-Balah has exported through AGREXCO and is thus familiar with the quality requirements for export. Dier El-Balah did not need assistance from KAI in this area.

**1.c If you answered yes to question 1, in your export with KAI who did the packaging, who arranged transportation?**

Packaging was done by Dier El-Balah. Transportation was arranged with KAI assistance.

**1.d In your export with KAI, did KAI (or his representatives) assist you to satisfy GOI export regulations and procedures?**

Dier El-Balah was familiar with GOI export regulations and procedures from previous export experience with AGREXCO. KAI was helpful to facilitate and expedite the process whenever his assistance was requested by Dier El-Balah.

**2. What are the perceived benefits of exporting through KAI?**

KAI found new buyer for Dier El-Balah's produce.

**Are there any particular problems?**

No.

**3. What are the general constraints to exporting fresh produce?**

The main constraint is the lack of new/alternative markets for fresh produce.

**4. Is credit a constraint to exporting? Was bridge financing necessary in your export through KAI?**

Dier El-Balah asked to receive up-front payment. KAI arranged financing from the EC-financed Cooperation for Development International (CD) in the amount of \$30,000. Financing was available under CD's export credit program which provides short-term financing for export shipment and packaging. KAI acted as guarantor to the loan. (Note: the evaluation team learned from CD that the CD loan has not been repaid as of the date of the interview).

**5. Have you exported produce directly (without an intermediary) in the past without KAI ?**

Yes.

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

From 1989 to 1993, the coop exported about 800 tons directly to Europe. The products exported included chilies, eggplants and tomatoes. Overall, the coop lost \$85,000 on the shipments due to security-related delays, possible product tampering in route and low prices received through consignment sales.

The first season sales were mainly consignment sales, facilitated by an agent who received commission for transferring produce and payments. In later sales, cash payment was provided to the farmers upon their delivery of produce. Coop took risks and underwrote losses from those sales. The Israeli insurance company which insured those transactions went bankrupt and failed to pay Dier Balah.

**6. Have you exported through an intermediary or broker in the past?**

Yes, through AGREXCO.

**If yes, please describe the quantity, number of shipments, mode of payment, problems, etc.**

The majority of Dier El-Balah's sales are through AGREXCO. Under these sales Dier El-Balah undertakes the grading, sorting, and packing for AGREXCO and is paid a pre-export guaranteed price. Dier El-Balah is paid by AGREXCO within 10 days of delivery. AGREXCO then handles export arrangement and sale in Europe.

**7. If you answered yes to question 5 or 6 what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

No major difference except that AGREXCO is a big buyer which is always in the market.

**8. Would you be interested in exporting through KAI in the future?**

Yes

**9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

Yes

# INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 5**

**Date: December 5, 1993**

**Name and address of grower/cooperative:**

**Citrus Packing Co. Ltd.**

**Airport Street, Gaza**

**Tel: 972-7-822-764**

**Fax: 972-7-822-453**

**Ibrahim Mughrabi**

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**No**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

Export possibilities have been discussed with KAI for about two years. However, no sale has resulted thus far because guaranteed sale at guaranteed prices could not be arranged.

**1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

**1.c If you answered yes to question 1, in your export with KAI who did the packaging, who arranged transportation?**

**1.d In your export with KAI, did KAI (or his representatives) assist you to satisfy GOI export regulations and procedures?**

**2. What are the perceived benefits of exporting through KAI?**

Exporting through KAI would be beneficial if KAI can find EC buyers and obtain guaranteed prices or provide bank guarantee for sales.

**Are there any particular problems?**

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**3. What are the general constraints to exporting fresh produce?**

**Lack of payment guarantee from EC buyers. Mr. Mughrabi feels he has been cheated by EC importers in the past and lost money.**

**4. Is credit a constraint to exporting? Was bridge financing necessary in your export through KAI?**

**Not a constraint. Letters of credit were usually opened by importers. In Mughrabi's previous exporting experience to the EC, there was no problem in obtaining letters of credit.**

**5. Have you exported produce directly (without an intermediary) in the past without KAI ?**

**Yes**

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

**In 1987, 10-11,000 tons of citrus were shipped.**

**In 1988, 6-7,000 tons of citrus were shipped.**

**In 1989, 4-5,000 tons were shipped.**

**Shipments were mainly sent to Holland. For those shipments, letters of credit were generally opened by the buyer. Both f.o.b. and c.i.f. prices were used depending on who arranged and paid for freight. The main problem of selling to the EC was the consignment sales arrangements that give the seller no control over the final price and no means of verification.**

**In recent years, Mr. Mughrabi exported mainly to Jordan due to the low prices in EC; those produce were often re-exported to Gulf countries by Jordan buyers.**

**6. Have you exported through an intermediary or broker in the past?**

**No. Mughrabi has always exported directly.**

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

**7. If you answered yes to question 5 or 6 what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

**8. Would you be interested in exporting through KAI in the future?**

**Yes, if KAI could arrange guaranteed prices and payment.**

**9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

**Yes**

# INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 6**

**Date: December 4, 1993**

**Name and address of grower/cooperative:**

**Ahmed Abu El-Naja**

**Ahmed Abu El-Naja Export Import, Gaza**

**Tel: 972-7-851-705**

**Fax: 972-7-851-705**

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**No**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

Although they still have not finalized any export orders, El-Naja was contacted by KAI from Washington. El-Naja met Leo Kramer at the produce export convention held in Washington in November 1993.<sup>6</sup>

**1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

**1.c If you answered yes to question 1, in your export with KAI who did the packaging, who arranged transportation?**

**1.d In your export with KAI, did KAI (or his representatives) assist you to satisfy GOI regulations and procedures?**

**2. What are the perceived benefits of exporting through KAI?**

If KAI can obtain better prices than El-Naja. Otherwise, there is not much benefit exporting through KAI.

**Are there any particular problems?**

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<sup>6</sup> According to the Grantee, he met Mr. El-Naja in Tel Aviv and not in Washington.

- 3. What are the general constraints to exporting fresh produce?**

**Cost factors. Difficulties in making contacts with external market.**

- 4. Is credit a constraint to exporting? Was bridge financing necessary in your export through KAI?**

- 5. Have you exported produce directly (without an intermediary) in the past without KAI ?**

**Yes**

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

**El-Naja is currently shipping 4 tons of tomatoes a day to the U.S. 24 tons have been sent in the current season by the date of the interview. El-Naja has shipped up to 20,000 tons of citrus in a season in previous years. In these cases, letters of credit were usually opened by the importer to cover producers' costs. A price range is usually agreed in advance. Final payment is by consignment, but Al-Naja has a good idea of the final price. If payment is not received in 21 days, El-Naja can receive payment using the letters of credit opened.**

- 6. Have you exported through an intermediary or broker in the past?**

**Yes through Israeli partners or brokers.**

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

**Agents or middlemen must take commission, thereby reducing profits to El-Naja. El-Naja usually prefers to export directly. In the past when El-Naja exported with a partner, profit was split 50-50 after El-Naja received the first \$30 per ton after cost.**

- 7. If you answered yes to question 4 or 5 what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

**8. Would you be interested in exporting through KAI in the future?**

**Skeptical, unless KAI agreed to splitting profit 50-50 instead of only paying El-Naja a percentage above costs. El-Naja feels he can export directly without assistance or middleman.**

**9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

**Unlikely. Brokerage fee reduces profit.**

# INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 7**

**Date: December 5, 1993**

**Name and address of grower/cooperative:**

**Adley Shurrab**

**Shurrab Industrial & Trading Co., Gaza**

**Tel: 972-7-864-140**

**Fax: 972-7-822-895**

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**No.**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

Shurrab was contacted directly by Leo Kramer. No export has resulted thus far because the terms of the sale and price discussed with KAI would not be profitable for Shurrab, since KAI offered the same prices that Shurrab could obtain directly without KAI.

**1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

**1.c If you answered yes to question 1, in your export with KAI who did the packaging, who arranged transportation?**

**1.d In your export with KAI, did KAI (or his representatives) assist you to satisfy GOI regulations and procedures?**

**2. What are the perceived benefits of exporting through KAI?**

Not much, unless KAI can offer better prices that Shurrab could obtain elsewhere.

**Are there any particular problems?**

Terms and conditions offered by Kramer were not favorable enough.

**3. What are the general constraints to exporting fresh produce?**

Fresh produce may spoil if there are delays in transport. Such delays are often related to security checks at the ports.

**4. Is credit a constraint to exporting? Was bridge financing necessary in your export through KAI?**

Shurrab could not get letters of credit at favorable terms from EC buyers in recent years, therefore they have stopped exporting to the EC.

**5. Have you exported produce directly (without an intermediary) in the past without KAI ?**

Yes.

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

In the season 1991-92, Shurrab has exported 13,000 tons of citrus to the EC, sometimes directly via Israel, sometimes through middlemen. The commission charges by middlemen in EC was extremely high. Payment was by consignment. Shurrab stopped shipping to the EC after 1992 because citrus prices there have declined.

In recent years, citrus was mostly shipped to Jordan. Shurrab works with an agent in Jordan who took possession of the produce, store them in refrigerated containers, and sell when prices are favorable. Citrus is sold in the auction market. Payment is immediate. The sales agents charge 4 percent as commission.

**6. Have you exported through an intermediary or broker in the past?**

Yes

**If yes please describe the quantity, number of shipments, mode of payment, problems, etc.**

See #5.

**7. If you answered yes to question 5 or 6 what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

**8. Would you be interested in exporting through KAI in the future?**

**Not if prices offered are low and prices and payment are not guaranteed.**

**9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

**Same as above.**

# INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

**Interview Number: 8**

**Date: December 22, 1993**

**Name and address of grower/cooperative:**

**Kader and Imad Al Namari, Jericho**

**Tel: 02922260**

**1. Have you been assisted by KAI to export fruits or vegetables during the past year?**

**Yes. In December of 1993 Mr. Al Namari will send his first shipment of two tons of eggplants to Europe through KAI.<sup>7</sup>**

**1.a If yes, please describe how the contact with KAI was made, the nature of their assistance to you, and the quantity of produce, price paid to you (if applicable) and the final destination of the exports, etc.**

**Mr. Al Namari was assisted through an agriculture agent from the Jericho office who not an employee of the department but was in contact with KAI.**

**1.b If you answered yes to question 1, please describe what measures you undertook to ensure quality control of the produce and whether you received assistance from KAI in this area for you export shipment.**

**He received assistance in quality control and export backing from the agriculture department in Jericho.**

**1.c If you answered yes to question 1, in your export with KAI who did the packaging, who arranged transportation?**

**Mr. Al Namari arranged packing and transportation on his own under the supervision of the agricultural agent.<sup>8</sup>**

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<sup>7</sup> The Grantee claimed that by the time of the interview, 12 tons of eggplants have been shipped by the farmer. However, the evaluation team was not informed by the farmer of those shipments or of KAI involvement in these transactions other than the two ton shipment reported above.

<sup>8</sup> The Grantee informed the evaluation team KAI has worked with Mr. Namari on packaging and transportation arrangements.

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**1.d In your export with KAI, did KAI (or his representatives) assist you to satisfy OI export regulations and procedures?**

**2. What are the perceived benefits of exporting through KAI?**

Mr. Al Namari has exported for several years through Jericho Cooperative and AGREXCO, so he does have previous experience with this work. He has had no problems thus far.

**Are there any particular problems?**

**3. What are the general constraints to exporting fresh produce?**

None reported.

**4. Is credit a constraint to exporting? Was bridge financing necessary in your export through KAI?**

No.

**5. Have you exported produce directly (without an intermediary) in the past without KAI?**

Yes.

**If yes, please describe the quantity, number of shipments, mode of payment, problems, etc.**

Mr. Al Namari exported four tons in four shipments and was paid at the end of the season for the entire quantity.

**6. Have you exported through another intermediary or broker in the past?**

No.

**If yes, please describe the quantity, number of shipments, mode of payment, problems, etc.**

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- 7. If you answered yes to question 5 or 6, what are the differences in the mode of operation, procedures, and benefits to you between exporting through KAI and other sources?**

Until now Mr. Al Namari has not evaluated the benefits of working through KAI.

- 8. Would you be interested in exporting through KAI in the future?**

Yes.

- 9. Would you be willing to pay a brokerage fee if you export through an intermediary in the future?**

Yes.

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**ANNEX 3**

**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number:**

**Date:**

**Name and Address of Buyer:**

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- 1. Have you purchased produce from West Bank or Gaza through KAI (or Kramer International) or exporters he is representing over the past year?**

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- 1.a Who are the points of contact at KAI?**

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- 2. Was the shipment considered a sample shipment, trial shipment, or commercial shipment?**

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- 3. What is the volume of produce received, date of shipment, and terms of the sale?**

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- 3.a Was it a consignment (commission contract), pre-export price agreement (fixed), or minimum price guarantee?**

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- 3.b Which is the most common terms of sale for this product for your company?**

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- 3.c (If the most common terms of sale is consignment) Under what conditions do you agree to pre-export price agreements or minimum price guarantees?**

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**3.d Do you usually open letters of credit for produce exporters? If so, under what conditions are you willing to do it? What are the standard terms that you would agree to?**

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**4. For the produce imported from West Bank/Gaza through KAI, who arranged and paid for overseas freight and cartons? Can you recall what was the freight costs from Israel to your warehouse (shipping costs and local transport)?**

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**5. Were there any problems with the shipment received from West Bank and Gaza?**

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**6. Was this transaction any different from your usual practices?**

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**7. Are you interested in buying from West Bank and Gaza again (either through KAI or through other sources)?**

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**If yes, do you have any plans to buy from these sources in the current season?**

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**8. From what other regions do you import the same produce as the ones imported from West Bank and Gaza?**

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**9. How would you compare West Bank/Gaza produce from those received from other regions (in terms of price, quality, and delivery)**

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10. **What was KAI's role in the transaction? Was it typical of the role a broker would play in such transaction? Is the role that KAI played necessary for future transactions?**

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**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 1**

**Date: December 13, 1993**

**Name and Address of Buyer:**

Gerard Costa  
Briess & Co. Ltd.  
New Covent Garden  
London, UK  
Tel: 44-71-498-3944  
Fax: 44-71-498-8003

- 1. Have you purchased produce from West Bank or Gaza through KAI (or Kramer International) or exporters he is representing over the past year?**

Yes

- 1.a Who are the points of contact at KAI?**

Leo and Anita Kramer, Donald (Mr. Costa was unable to remember surname)

- 2. Was the shipment considered a sample shipment, trial shipment, or commercial shipment?**

Trial sample to test out the capability of the new supplier

- 3. What is the volume of produce received, date of shipment, and terms of the sale?**

Two tons of strawberries, received in March 1993, sold for L11-12 per carton in the wholesale market, comparable to prices AGREXCO received at that time

- 3.a Was it a consignment (commission contract), pre-export price agreement (fixed), or minimum price guarantee?**

Consignment sale

- 3.b Which is the most common terms of sale for this product for your company?**

Consignment sale. (The importer later revealed that 70-80% of his current strawberry sale is actually done by fixed prices.)

- 3.c (If the most common terms of sale is consignment) Under what conditions do you agree to pre-export price agreements or minimum price guarantees?**

Minimum price guarantees and pre-export price agreements are used when Briess has established a long-standing relationship with the supplier, and when retailers such as supermarkets have confidence in the reliability of the supplier. Supermarkets often offer fixed price for fixed quantities to be delivered. Prices are fixed for a week, usually negotiated between suppliers and buyers, sometimes facilitated by the importer.

- 3.d Do you usually open letters of credit for produce exporters? If so, under what conditions are you willing to do it? What are the standard terms that you would agree to?**

It is no longer a standard practice in UK to open letters of credit for producers in the import of perishable produce. The risks of providing LCs or bank guarantees are often considered too high for the importers, who have no idea of the quality of the produce until they are delivered. Mr. Costa said that if LCs were to be open, the terms would have to be extremely specific in terms of the risks and liabilities on the parties.

- 4. For the produce imported from West Bank/Gaza through KAI, who arranged and paid for overseas freight and cartons? Can you recall what was the freight costs from Israel to your warehouse (shipping costs and local transport)?**

The airfreight, local transport and carton costs were paid by Briess. Freight cost was about \$2,025. In addition, there were storage costs, inland freight, duties, airline handling charges etc. The price for the produce, minus cost and commission from Briess was paid to the producers.

- 5. Were there any problems with the shipment received from West Bank and Gaza?**

The quality was fine. The only problem was the reliability of Gaza as a constant source of strawberries. Strawberry imports were originally talked about for Dec. when demand and prices were high. Due to various problems strawberries were not shipped until March when prices had dropped. Thus Gaza has not proven to the importer as a reliable source of supply of strawberries. Briess will need one whole season to test the reliability of the supplier.

- 6. Was this transaction any different from your usual practices?**

Standard practice in working with new suppliers.

- 7. Are you interested in buying from West Bank and Gaza again (either through KAI or through other sources)?**

Yes, Briess is interested in importing strawberries immediately in December 1993, not waiting until March again.

**If yes, do you have any plans to buy from these sources in the current season?**

Yes. Negotiations are on-going. Briess is extremely interested in importing for the current season, especially before the end of December. However, Briess is not willing to offer the supplier a fixed price guarantee or open LC for shipments in the current season.

- 8. From what other regions do you import the same produce as the ones imported from West Bank and Gaza?**

Australia, Egypt, France, Holland, Israel, Kenya, Mexico, United States.

- 9. How would you compare West Bank/Gaza produce from those received from other regions (in terms of price, quality, and delivery)**

The quality was as good as AGREXCO strawberries. The two tons shipped fetched prices as high as Israeli strawberries at the time. Delivery, however, has not proven to be reliable yet.

- 10. What was KAI's role in the transaction? Was it typical of the role a broker would play in such transaction? Is the role that KAI played necessary for future transactions?**

KAI's role is typical of a broker. However, Briess doesn't usually use a broker. While Briess usually works directly with producers, Mr. Costa believes that KAI is playing an important role in facilitating direct export of strawberries from Gaza since the producers may not be experienced enough to deal directly with the importers yet.

**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 2**

**Date: December 13, 1993**

**Name and Address of Buyer:**  
Tony Butler, Managing Director  
Paskalis Imports Ltd.  
New Covent Garden  
London, United Kingdom  
Tel: 44-71-978-2611  
Fax: 44-71-978-2618

- 1. Have you purchased produce from West Bank or Gaza through KAI (or Kramer International) or exporters he is representing over the past year?**

Yes, Paskalis have received grapes, melons, and tomatoes from West Bank/Gaza through KAI.

- 1.a Who are the points of contact at KAI?**

Leo and Anita Kramer

- 2. Was the shipment considered a sample shipment, trial shipment, or commercial shipment?**

The shipments were considered trial shipments to test out the market acceptance of produce from a new source of supply, and the reliability of delivery.

- 3. What is the volume of produce received, date of shipment, and terms of the sale?**

About 24 tons of tomatoes were received in March - April 1993; 15 tons of grapes were received in July 1993. About 8 tons of melons were also received in July 1993.

- 3.a Was it a consignment (commission contract), pre-export price agreement (fixed), or minimum price guarantee?**

Consignment sale.

**3.b Which is the most common terms of sale for this product for your company?**

Consignment sale, following the practice of AGREXCO.

**3.c (If the most common terms of sale is consignment) Under what conditions do you agree to pre-export price agreements or minimum price guarantees?**

If fixed price and quantities were received from the buyers such as supermarket chains, then fixed prices will be offered to the suppliers. However, prices are usually fixed only verbally, not by a legal contract. Mr. Butler revealed that in his company, about 10 percent of the tomatoes sales and 70 percent of the grape sales are based on fixed prices.

In further discussion, Mr. Butler revealed that he may be willing to guarantee a price up to about 50 percent of the current price level, because the risk of not being able to sell produce at half the market price is small.

**3.d Do you usually open letters of credit for produce exporters? If so, under what conditions are you willing to do it? What are the standard terms that you would agree to?**

LCs were common until about five years ago. Sales are mostly by consignment at the moment. Most banks are not willing to open LCs for perishable produce. If LCs are opened, importers will want to retain the right to reject the produce upon arrival in case the produce spoil in route or the quality is sub-standard.

**4. For the produce imported from West Bank/Gaza through KAI, who arranged and paid for overseas freight and cartons? Can you recall what was the freight costs from Israel to your warehouse (shipping costs and local transport)?**

Paskalis paid for freight and the cartons for the grape shipment. Paskalis have not paid for the freight for the tomatoes yet. Airfreight and transportation were arranged by KAI.

**5. Were there any problems with the shipment received from West Bank and Gaza?**

The quality of the produce received from West Bank/Gaza was fine. The grapes fetched very high prices due to market shortage at that time. The tomatoes were very well received. The taste was very good, and they were considered a novelty by the buyers when they first arrived and fetched prices about 20 percent higher than those received from the Canary Islands. However, the quantity shortfalls in many of the tomato shipments have showed the importers that Gazan suppliers cannot be relied on to deliver a specific quantity.

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**6. Was this transaction any different from your usual practices?**

No.

**7. Are you interested in buying from West Bank and Gaza again (either through KAI or through other sources)?**

Yes. Mr. Butler believed that several importers in the U.K. are interested in acting as alternative channels for West Bank/Gaza produce since AGREXCO now has a monopoly on produce from the territories and is a very powerful player in the market. AGREXCO has the power to fix prices with supermarket chains, and has in the past reduced prices (predatory pricing) when its monopoly position is threatened.

**If yes, do you have any plans to buy from these sources in the current season?**

Negotiations are on-going for the delivery of tomatoes, aubergines, and grapes. Paskali is only willing to pay on a consignment basis for the current season.

**8. From what other regions do you import the same produce as the ones imported from West Bank and Gaza?**

Paskalis currently mainly import tomatoes from Spain, grapes from Greece, Mexico, and Chile, and strawberries from Colombia.

**9. How would you compare West Bank/Gaza produce from those received from other regions (in terms of price, quality, and delivery)**

Quality is very good, comparable to other supplies. Delivery, however, has proven to be less than reliable.

**10. What was KAI's role in the transaction? Was it typical of the role a broker would play in such transaction? Is the role that KAI played necessary for future transactions?**

Typical of a broker. Mr. Butler believes that KAI's role will be important until the producers in West Bank/Gaza are organized enough to export directly.

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**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 3**

**Date: December 15, 1993**

**Name and Address of Buyer:**

Uwe-Jens Lornsen  
Pepino Frugt Skandinavien A/S  
Copenhagen, Denmark  
Tel: 45-31-17-33-55  
Fax: 45-31-17-49-15

- 1. Have you purchased produce from West Bank or Gaza through KAI (or Kramer International) or exporters he is representing over the past year?**

Yes, received about two tons of tomatoes

- 1.a Who are the points of contact at KAI?**

Leo and Anita Kramer, Angelica Olson (KAI-London)

- 2. Was the shipment considered a sample shipment, trial shipment, or commercial shipment?**

Trial shipment

- 3. What is the volume of produce received, date of shipment, and terms of the sale?**

Pepino received about two tons of tomatoes from Gaza in the last season. The sale resulted in a loss for Pepino because the produce arrived overripe. The proceeds from the sale of the produce was not sufficient to cover the shipping and handling costs. Pepino did not take its usual 8 percent commission in this transaction. Mr. Lornsen does not know whether the problem was the lack of quality control during picking and sorting or transportation delays.

- 3.a Was it a consignment (commission contract), pre-export price agreement (fixed), or minimum price guarantee?**

It was a consignment sale.

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**3.b Which is the most common terms of sale for this product for your company?**

Consignment sale.

**3.c (If the most common terms of sale is consignment) Under what conditions do you agree to pre-export price agreements or minimum price guarantees?**

Pepino never enters into minimum price contracts with producers. However, producers that have established long-standing relationships with the Pepino and buyers usually have a good idea of the price range of the produce.

**3.d Do you usually open letters of credit for produce exporters? If so, under what conditions are you willing to do it? What are the standard terms that you would agree to?**

Pepino never provides LCs. However, Pepino will provide bank guarantee that it will fulfil its obligations to sell the produce and pay the producer/export the proceeds less the costs (transportation, cartons, duties, etc.).

**4. For the produce import from West Bank/Gaza through KAI, who arranged and paid for overseas freight and cartons? Can you recall what was the freight costs from Israel to your warehouse (shipping costs and local transport)?**

Air freight to Amsterdam was arranged by KAI and the cost was reimbursed by Pepino. Pepino arranged the trucking of the produce from Amsterdam to Copenhagen.

**5. Were there any problems with the shipment received from West Bank and Gaza?**

The tomatoes in the trial shipment arrived overripe. Thus they were not sold at good market prices.

**6. Was this transaction any different from your usual practices?**

No different, except that Pepino usually does not ship tomatoes by air due to the high cost of air freight.

**7. Are you interested in buying from West Bank and Gaza again (either through KAI or through other sources)?**

Yes.

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**If yes, do you have any plans to buy from these sources in the current season?**

Negotiations are on-going for the shipment of 24 pallets of tomatoes (over 3000 boxes) from Gaza by ship to Marseille and by ground transport from there.

- 8. From what other regions do you import the same produce as the ones imported from West Bank and Gaza?**

Canary Islands, Holland, sometimes from Morocco.

- 9. How would you compare West Bank/Gaza produce from those received from other regions (in terms of price, quality, and delivery)**

While the appearance, size, taste, and packing of the tomatoes in the sample shipment (one carton) was ideal, the trial shipment arrived in overripe condition and therefore was of substandard quality. Price was determined by market.

- 10. What was KAI's role in the transaction? Was it typical of the role a broker would play in such transaction? Is the role that KAI played necessary for future transactions?**

Typical of a broker. Until the growers in West Bank/Gaza are organized and knowledgeable of the export market, they may need an intermediary be it KAI or others. However, Mr. Lornsen believes that it would be more useful for the growers and importers to have a broker in Israel instead of in Washington. He believes it would improve the communication between the importer and the grower.

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**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 4**

**Date: December 17, 1993**

**Name and Address of Buyer:**

Mr. Ronald Poelstra, Director  
Windig A.G.S.B.V.  
Jan van Galenstraat 4  
1051 KM Amsterdam, the Netherlands  
Tel: 31-20-6824040  
Fax: 31-20-6861813

- 1. Have you purchased produce from West Bank or Gaza through KAI (or Kramer International) or exporters he is representing over the past year?**

Received samples of grapes.

- 1.a Who are the points of contact at KAI?**

Leo and Anita Kramer.<sup>9</sup>

- 2. Was the shipment considered a sample shipment, trial shipment, or commercial shipment?**

Sample shipment.

- 3. What is the volume of produce received, date of shipment, and terms of the sale?**

Ten boxes of grapes were received as samples in this season (July or August 1993). Since it was a sample, Windig did not pay for the grapes, shipment and other related costs.

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<sup>9</sup> According to the Grantee, neither Leo and Anita Kramer had any dealings with Windig. The KAI contact was Angelica Olsson in London.

**3.a Was it a consignment (commission contract), pre-export price agreement (fixed), or minimum price guarantee?**

NA

**3.b Which is the most common terms of sale for this product for your company?**

Fixed price for 80 percent of the variety of products Windig deals with.

**3.c (If the most common terms of sale is consignment) Under what conditions do you agree to pre-export price agreements or minimum price guarantees?**

Since Windig only sells to independent grocers (not supermarket chains) and mainly buys from growers with a longstanding relationship, Windig usually buys and sells at fixed prices. Prices are usually determined by Windig. However, for produce whose prices are more volatile and the volume of shipment is unstable, sale by consignment is more common. New producers who are entering the market always accept consignment sales.

**3.d Do you usually open letters of credit for produce exporters? If so, under what conditions are you willing to do it? What are the standard terms that you would agree to?**

Never. Not standard market practice in Amsterdam.

**4. For the produce import from West Bank/Gaza through KAI, who arranged and paid for overseas freight and cartons? Can you recall what was the freight costs from Israel to your warehouse (shipping costs and local transport)?**

KAI arranged and paid for freight.

**5. Were there any problems with the shipment received from West Bank and Gaza?**

The grapes arrived overripe. Packing and the boxes were substandard. Mr. Poelstra suspected that there were logistical problems leading to the delay in shipment, resulting in lower quality grapes on arrival.

**6. Was this transaction any different from your usual practices?**

A little different. Windig usually deals directly with the producers or coops. Mr. Poelstra wasn't sure whom he was dealing with in the transaction arranged by KAI.

- 7. Are you interested in buying from West Bank and Gaza again (either through KAI or through other sources)?**

Yes, but only if there is added value to the produce such as superior packaging and presentation. There is no room for new entrants in average quality produce.

**If yes, do you have any plans to buy from these sources in the current season?**

No.

- 8. From what other regions do you import the same produce as the ones imported from West Bank and Gaza?**

Mainly from Central/South America (Colombia, Venezuela), Asia-Pacific (Malaysia, Thailand, Tahiti, Fiji), Australia, New Zealand.

- 9. How would you compare West Bank/Gaza produce from those received from other regions (in terms of price, quality, and delivery)**

Substandard packing and quality.

- 10. What was KAI's role in the transaction? Was it typical of the role a broker would play in such transaction? Is the role that KAI played necessary for future transactions?**

Windig doesn't deal with brokers or agents. Windig prefers more direct importing channels.

**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 5 (by phone)**

**Date: December 16, 1993**

**Name and Address of Buyer:**

John DiFeliciano, President

Procacci Brothers Company

Philadelphia, PA

Tel. 215-463-8000

Fax. 215-467-1144

- 1. Have you purchased produce from West Bank or Gaza through KAI (or Kramer International) or exporters he is representing over the past year?**

Yes

- 1.a Who are the points of contact at KAI?**

Leo Kramer

- 2. Was the shipment considered a sample shipment, trial shipment, or commercial shipment?**

Sample

- 3. What is the volume of produce received, date of shipment, and terms of the sale?**

Sample cartons of tomatoes only. Date of shipment - Spring 1993. Not a sale, small sample only.

- 3.a Was it a consignment (commission contract), pre-export price agreement (fixed), or minimum price guaranteed?**

Sample only, no payment involved to exporter.

- 3.b Are these the most common terms of sale for this product for your company?**

Sample shipments are common for first-time exchange between supplier and buyer.

**3.c (if the most common terms of sale are consignment) Under what conditions do you agree to pre-export price agreements or minimum price guarantees?**

When they are in short supply of item and they know they can resell quickly without risk.

**3.d Do you usually open letters of credit for produce exporters? If so, under what conditions are you willing to do it? What are the standard terms that you would agree to?**

No.

**4. Who arranged and paid for overseas freight and cartons? Can you recall what was the freight costs from Israel to your warehouse (shipping costs and local transport)?**

Kramer arranged air shipment by Federal Express.<sup>10</sup> Mr. DiFeliciano does not know what the freight cost was.

**5. Were there any problems with the shipment received from West Bank/Gaza?**

Yes, the tomatoes arrived overripe according to Mr. DeFeliciano.

**6. Was this transaction any different from usual practices?**

No.

**7. Are you interested in buying from West Bank and Gaza again (either through KAI or through other sources)?**

No, as a result of the overripe condition of the tomatoes, the Procacci Brothers are not interested in further pursuit of produce from Gaza/West Bank at this time according to Mr. DiFeliciano.<sup>11</sup>

**If yes, do you have any plans to buy from these sources in the current season?**

N.A.

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<sup>10</sup> The Grantee clarified that the produce was shipped by UPS.

<sup>11</sup> The Grantee claimed that sales did not consummate because of the problems in the size of Gaza tomatoes and U.S. import regulations.

8. **From what other regions do you import the same products as the ones imported from West Bank and Gaza?**

From all over the world, including Israel (AGREXCO).

9. **How would you compare West Bank/Gaza produce from those received from other regions? (in price, quality, and delivery)**

Worse in quality if this sample is representative, Mr. DeFelicianantonio does not know about price and delivery based on this small sample.

10. **What was KAI's role in the transaction? Was it typical of the role a broker would play in such transaction? Is the role that KAI played necessary for future transactions?**

Broker for supplier. Often there is a middleman. They often are useful at first but not indefinitely.

**INTERVIEW QUESTIONNAIRE  
FOR IMPORTERS WHO RECEIVED PRODUCE  
FROM GAZA AND WEST BANK**

**Interview number: 6 (by phone)**

**Date: December 15, 1993**

**Name and Address of Buyer:  
Matthew D'Arrigo, Vice President  
D'Arrigo Bros. Co.  
New York City  
Tel: 718-991-5900  
Fax: 718-960-0544.**

- 1. Have you purchased produce from West Bank or Gaza through KAI (or Kramer International) or exporters he is representing over the past year?**

Yes, a shipment of 100 boxes of tomatoes (note 1 box = 5 kilos). Mr. D'Arrigo pointed out that this is a very small shipment for him.

- 1.a Who are the points of contact at KAI?**

Leo Kramer and Anita Kramer.

- 2. Was the shipment considered a sample shipment, trial shipment, or commercial shipment?**

A trial shipment.

- 3. What is the volume of produce received, date of shipment, and terms of the sale?**

500 kilos, March 1993, consignment sale. D'Arrigo did not buy it from Leo Kramer, he simply sold it for a commission. He can't recall the price, but does remember that he (D'Arrigo) did not lose money on the transaction.

- 3.a Was it a consignment (commission contract), pre-export price agreement (fixed), or minimum price guaranteed?**

Consignment contract.

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**3.b Are these the most common terms of sale for this product for your company?**

D'Arrigo does every kind of contract, but consignment is very common unless they know the seller very well, or unless there is a real shortage of the produce in the New York market.

**3.c (If the most common terms of sale are consignment) Under what conditions do you agree to pre-export price agreements or minimum price guarantees?**

If there is a real shortage in the market or if he knows the seller very well, then he is more willing to offer fixed prices or a minimum guaranteed price (combination fixed and consignment).

**3.d Do you usually open letters of credit for produce exporters? If so, under what conditions are you willing to do it? What are the standard terms that you would agree to?**

No. Mr. D'Arrigo explained he does not open letters of credit for exporters, but he knows of buyers who are willing to do so.

**4. Who arranged and paid for overseas freight and cartons? Can you recall what were the freight costs from Israel to your warehouse (shipping costs and local transport)?**

D'Arrigo paid air freight for the shipment. He cannot recall the costs of air freight from Israel. The exporter paid for the cartons.

**5. Were there any problems with the shipment received from West Bank/Gaza?**

No major problems. Packing was fine. This grower has definitely had experience exporting before through the Israeli company, that is why D'Arrigo was willing to buy from them. There were some small problems with color, some tomatoes were redder than others within the same box. This results in a lower selling price.

**6. Was this transaction any different from usual practices?**

No, other than the fact that the buyer has never bought from Israel/West Bank-Gaza before.

7. **Are you interested in buying from West Bank and Gaza again (either through KAI or through other sources)?**

Mr. D'Arrigo explained that he met with the Palestinians at the recent produce convention in Washington and he expressed his willingness to consider buying from them again in the future.

He mentioned in this interview that he believes the Palestinian exporters should group together so they have more marketing clout and to enable them to develop a name and reputation for the produce from that country.

**If yes, do you have any plans to buy from these sources in the current season?**

Mr. D'Arrigo has contacted Leo Kramer recently to let him know that he is interested in buying a larger shipment of tomatoes from Gaza this season. The terms would probably be consignment.

8. **From what other regions do you import the same products as the ones imported from West Bank and Gaza?**

Mexico, Caribbean, South America, North Africa.

9. **How would you compare West Bank/Gaza produce from those received from other regions? (in price, quality, and delivery)**

Price was fine (consignment he did not buy it), quality was fine except the coloring was not uniform, delivery was fine (air shipment).

Mr. D'Arrigo believes that transport might be quite expensive to allow Palestinian produce to be profitable most of the time in the U.S. market. However, he believes there might be "window opportunities" when U.S. prices are high and the transaction might be profitable. He also said if Israel (AGREXCO) can export profitably from the same sources, then he thinks the Palestinians should be able to do the same.

10. **What was KAI's role in the transaction? Was it typical of the role a broker would play in such transaction? Is the role that KAI played necessary for future transactions?**

Leo Kramer acted like a consultant to the producers. Sometimes a broker is needed to initially bring buyer and seller together, but after that D'Arrigo feels middlemen are not useful - they add an extra layer and sometimes the message gets muddled in translation.

**ANNEX 4**

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number:**

**Date:**

**Name and Address of Buyer:**

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**1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

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**2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

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**3. Why was the transaction through KAI not consummated?**

---

**terms?**

---

**price?**

---

**perceived quality?**

---

**quantity (too small)?**

---

**perceived difficulty or uncertainty in delivery**

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**perceived or actual difficulties in obtaining proper documentation?**

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- 4. Would you consider buying from West Bank/Gaza either through KAI or through other means in the future?**
- 
-

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 1 (by phone)**

**Date: December 13, 1993**

**Name and Address of Buyer:  
Laurence Olins, Managing Director  
Poupart Limited  
United Kingdom**

- 1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

**Yes**

- 2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

**Contacted by Leo Kramer.**

- 3. Why was the transaction through KAI not consummated?**

**terms?**

**price?**

**perceived quality?**

**quantity (too small)?**

**perceived difficulty or uncertainty in delivery**

**perceived or actual difficulties in obtaining proper documentation?**

**Poupart is one of several wholesalers (panelists) for AGREXCO in the UK market. Poupart handles the marketing and distribution of AGREXCO produce to retailers and receives a commission. Prices are usually negotiated directly between AGREXCO and the buyer beforehand.**

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- 4. Would you consider buying from West Bank/Gaza either through KAI or through other means in the future?**

**Poupart is not interested in working with KAI because it may jeopardize their current relationship with AGREXCO.**

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**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 2**

**Date: December 14, 1993**

**Name and Address of Buyer:**

**Miguel Sanchez, Managing Director  
A1 Fruit Tunbridge Wells  
Kent, United Kingdom  
Tel: 44-892-517444  
Fax: 44-892-517222**

- 1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

**Yes**

- 2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

**A1 Fruit was initially contacted by Leo about three years ago. Mr. Sanchez has had a few meetings with Leo Kramer, and has also spoken with Anita Kramer over the phone.**

- 3. Why was the transaction through KAI not consummated?**

**KAI has contacted A1 Fruit a few time to inquire about the c.i.f. prices for various produce items in the UK. However, KAI has never sent samples to A1 Fruit.**

- 4. Would you consider buying from West Bank/Gaza either through KAI or through other means in the future?**

**Mr. Sanchez is interested in importing from West Bank/Gaza. However, he revealed that he is frustrated with the failure of KAI to follow up with sending samples or trial shipment to him.**

**Other comments:**

**Mr. Sanchez said that although it is not common practice in the business, he sometimes opens LCs for exporters in Uruguay for up to 70 percent of the value produce. This amount is payable when the exporters submits the bill of lading to the bank. The balance is usually payable 5-10 days after the produce is delivered.**

**Mr. Sanchez also revealed that most of the citrus he imports is bought on fixed prices, usually when fixed prices are offered by buyers such as supermarket chains. Prices are either fixed verbally or on paper. However, he will not be willing to offer fixed prices to producers in West Bank/Gaza until he has seen the produce, and tested the reliability of delivery and their acceptance in the market in a few trial shipments.**

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 3 (by phone)**

**Date: December 16, 1993**

**Name and Address of Buyer:**

**Claudia Hainke, Fresh Produce Dept.**

**J.A. Hahl GMBH & Co.**

**Germany**

**Tel: 49-89-7800-620**

**Fax: 49-89-78-55-824**

- 1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

**No.**

- 2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

**NA**

- 3. Why was the transaction not consummated? NA**

**terms?**

**price?**

**perceived quality?**

**quantity (too small)?**

**perceived difficulty or uncertainty in delivery?**

**perceived or actual difficulties in obtaining proper documentation?**

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**4. Would you consider buying from West Bank/Gaza through KAI or through other means in the future?**

**Ms. Hainke said that J.A. Kahl does not currently import from West Bank/Gaza, but does receive produce from Israel. She said the company is open to importing from any area but does not currently see a niche for produce from West Bank/Gaza given that the company already has a well-established network of suppliers.**

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 4 (by phone)**

**Date: December 16, 1993**

**Name and Address of Buyer:**

**Mr. Hauffman**

**Frucco**

**Germany**

**Tel: 49-40-308-40**

**Fax: 49-40-32-70-22**

**1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

**No**

**2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

**NA**

**3. Why was the transaction not consummated? NA**

**terms?**

**price?**

**perceived quality?**

**quantity (too small)?**

**perceived difficulty or uncertainty in delivery?**

**perceived or actual difficulties in obtaining proper documentation?**

4. **Would you consider buying from West Bank/Gaza through KAI or through other means in the future?**

**Mr. Hauffman said his company usually deals directly with produce exporters and would not see a need for an intermediary such as KAI. Frueco currently has no ties to West Bank/Gaza and is not considering establishing any given the company's long-standing business ties to suppliers in Israel.**

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 5 (by phone)**

**Date: December 15, 1993**

**Name and Address of Buyer:**

**Alain Pare, Fruits and Vegetables Division**

**Epiciers Unis Metro Richlieu**

**Canada**

**Tel: 514-251-4435**

**Fax: 514-251-4424**

- 1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

**No.**

- 2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

**NA**

- 3. Why was the transaction not consummated? NA**

**terms?**

**price?**

**perceived quality?**

**quantity (too small)?**

**perceived difficulty or uncertainty in delivery?**

**perceived or actual difficulties in obtaining proper documentation?**

**4. Would you consider buying from West Bank/Gaza through KAI or through other means in the future?**

According to Mr. Pare, Epiciers does not currently import produce from West Bank/Gaza, but the company would consider doing so given the right price and quality for the produce. For Epiciers, the most important factor when deciding to import from West Bank/Gaza would be facility of exporters to ship produce to Montreal given the time constraints and distance involved.

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 6**

**Date: December 15, 1993**

**Name and Address of Buyer:  
Coleman Bernstein, General Manager  
Gemini Food  
Canada  
Tel: 416-775-3353**

- 1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

No.

- 2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

NA

- 3. Why was the transaction not consummated? NA**

**terms?**

**price?**

**perceived quality?**

**quantity (too small)?**

**perceived difficulty or uncertainty in delivery?**

**perceived or actual difficulties in obtaining proper documentation?**

- 4. Would you consider buying from West Bank/Gaza through KAI or through other means in the future?**

**Gemini does not currently import from West Bank/Gaza, but would be open to any opportunities. For Gemini the major concern would be the time and distance involved in transporting the produce to Canada by ship and the high cost of transportation by air.**

**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 7 (by phone)**

**Date: December 17, 1993**

**Name and Address of Buyer:**

**Abdul-Aziz Al Madi, Owner**

**Abdul-Aziz Al Madi Establishment for Trading**

**Saudi Arabia**

**Tel: 966-1-457-2586**

**Fax: 966-1-458-4457**

- 1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

**No.**

- 2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

**NA**

- 3. Why was the transaction not consummated? NA**

**terms?**

**price?**

**perceived quality?**

**quantity (too small)?**

**perceived difficulty or uncertainty in delivery?**

**perceived or actual difficulties in obtaining proper documentation?**

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- 4. Would you consider buying from West Bank/Gaza through KAI or through other means in the future?**

**Mr. Al Madi said that his company does not currently import from West Bank/Gaza because of strained political relations between the region and Saudi Arabia. He added that if relations were to improve in the future, his company may consider establishing commercial ties with West Bank/Gaza.**

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**INTERVIEW QUESTIONNAIRE FOR  
IMPORTERS WHO DID NOT RECEIVE PRODUCE  
FROM GAZA AND WEST BANK**

**Interview Number: 8 (by phone)**

**Date: December 17, 1993**

**Name and Address of Buyer:  
Mr. Lennart Thulson, Import Dept.  
Sydfrucktimporten AB  
Sweden  
Tel: 46-8-810210  
Fax: 46-8-814460**

**1. Do you recall being contacted by KAI about possible imports of produce from West Bank/Gaza?**

No.

**2. If yes, how was the initial contact initiated (through fax, phone call, or personal visit)?**

NA

**3. Why was the transaction not consummated? NA**

**terms?**

**price?**

**perceived quality?**

**quantity (too small)?**

**perceived difficulty or uncertainty in delivery?**

**perceived or actual difficulties in obtaining proper documentation?**

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**4. Would you consider buying from West Bank/Gaza through KAI or through other means in the future?**

**Sydfrucktimporten does not currently import from West Bank/Gaza and was unfamiliar with the products offered by the region. He said he would consider buying from West Bank Gaza but he did note several complicating factors, including: perceived distance of West Bank/Gaza from Scandinavia, transportation difficulties, and availability of fresh produce within traditional European suppliers, especially Spain, Italy and other Scandinavian countries.**

**ANNEX 5**

**LIST OF PERSONS INTERVIEWED**

## **LIST OF PERSONS INTERVIEWED**

### **USAID**

Harry Birnholz, A.I.D. Affairs Officer, Tel Aviv  
Ernie Kuhn, NE/ME Project Officer  
Peter Malnak, NE/ME  
Sufian Mshasha, Foreign Service National, Jerusalem  
David Rhoad, Acting A.I.D. Affairs Officer, Jerusalem  
Saleh Sakka, Gaza Field Representative  
Diana Swain, NE/ME Project Officer  
Dorothy Young, NE/ME Project Officer

### **OTHERS**

Hillel Adiri, District Director, Ministry of Agriculture (CIVAD), Gaza  
Adel Briegheeth, Agricultural Department of Jericho, West Bank  
Daoud Istanbuli, Technical Director, Technical & Advisory Committees, Palestinian Team to the Peace Conference  
Mansour Kalfeh, export consultant to the EEC, formerly Director of the Jenin Marketing Cooperative  
Sobhe Kharobi, Cooperation for Development International (CD), Gaza  
Terry Lacey, General Secretary, Cooperation for Development International, U.K.  
Mohammed A Ra'is, Agricultural Office (CIVAD), Gaza  
Aown Shawa, Gaza Representative, Cooperative Development Project  
Nader R. Shawa, Director, Center for the Promotion of Palestinian Products, Palestinian Trade Promotion Organization, Rotterdam  
Giora J. Teltsch, Haifa

### **KAI**

Anita Kramer  
Leo Kramer

### **PRODUCE SUPPLIERS IN GAZA AND WEST BANK**

Kamal Al-Azaiza, Head of Board of Directors, Dier El-Balah Cooperative  
Kader and Imad Al Namari, Jericho Agricultural Cooperative, Gaza  
Kalid Moustaga Abed Al-Razeek, Fara, West Bank  
Osama Abed Al-Razeek, Fara, West Bank  
Matthew D'Arrigo, Vice President, D'Arrigo Bros. Co., New York  
Ahmed Mamoud Saleh Fouquaha, Jericho, West Bank

**Produce Suppliers in Gaza and West Bank  
Continued...**

Jihad Haddad, Manager, Jericho Marketing Cooperative, West Bank  
Rezik Abu Halima, Chairman, Beit Lahia Cooperative, Gaza  
Ayesh Ileyyan, Beit Lahia Cooperative, Gaza  
Ibrahim M. Mughrabi, Managing Director, Citrus Packing Co., Gaza  
Khader Nammari and Imad Nammari, West Bank  
Ahmed Abu El-Naja, Chairman, Ahmed Abu El-Naja Export Import, Gaza  
Adli Shurrab, Shurrab Export Import Co., Gaza  
Ahmad Shurrab, Shurrab Export Import Co., Gaza  
Emad Shurrab, Shurrab Export Import Co., Gaza  
Zaher Tantech, Beit Lahia Cooperative, Gaza  
Saad Tarazi, Director, Beit Lahia Cooperative, Gaza  
Ahmed Khalil Al Zaaneen, Beit Hanoun Cooperative, Gaza

**PRODUCE IMPORTERS**

Abdul-Aziz Al Madi, Owner, Abdul-Aziz Al Madi Establishment for Training, Saudi Arabia  
Coleman Bernstein, General Manager, Gemini Food, Canada  
Tony Butler, Managing Director, Paskalis Imports Ltd., London  
Gerard Costa, Director, Briess & Company Ltd., London  
John DiFelicianantonio, President, Procacci Brothers Company, Philadelphia, PA  
Claudia Hainke, Fresh Produce Dept, J.A. Hahl GMBH & Co., Germany  
Heinz Hauffman, Frueco, Germany  
Uwe-Jens Lornsen, Pepino Frugt Skandinavian A/S, Copenhagen  
Laurence Olins, Managing Director, Poupart Limited, England  
Alaine Pare, Fruits and Vegetables Division, Epiciers Unis Metro Richlieu, Canada  
Ronald A.M. Poelstra, Director, Windig A.G.F.B.V., Amsterdam  
Miguel Sanchez, A1 Fruit Limited, Kent  
Lennart Thulson, Import Dept., Sydfrucktimporten AB, Sweden

**ANNEX 6**

**MEMORANDUM FROM KAI  
TO EVALUATION TEAM  
SUMMARIZING GRANTEE  
CORRESPONDENCE WITH AID**

# Kramer Associates Inc.

2100 M STREET N.W. WASHINGTON, DC 20037  
Tel 202-296.0230 Fax 202-296.6275 Telex 64182

**BY FAX** 703-247-8410

**TO:** Peter Boone

**COMPANY:** SRI International

**FROM:** Leo Kramer  
Kramer Associates Inc.

**DATE:** December 17, 1993

No. of Pages Including this Page 16

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## MESSAGE

Enclosed for your review.

Kind regards.

**PLEASE CONFIRM RECEIPT OF THIS FAX**

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# Kramer Associates Inc.

2100 M STREET N.W. WASHINGTON, DC 20037  
Tel 202-296.0230 Fax 202-296.6275

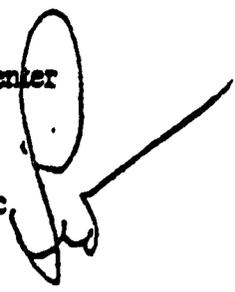
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**BY FAX:** 703-247-8410

**TO:** Peter Boone  
Program Manager  
International Policy Center  
SRI International

**FROM:** Leo Kramer  
Kramer Associates, Inc.

**DATE:** December 15, 1993



Please note that your evaluation of our grant started almost exactly one year after the grant was signed. What can we expect in the first year of an experiment with so many impediments and unexpected problems like border closings?

A fair question.

In view of my concern that the grant is not being properly presented as per our last conversation, I hope I would have an opportunity to add my views to the overview I expressed at the very beginning of the evaluation, and that I would be interviewed in-depth.

I hope so.

First and foremost we must remember that this was an experimental program where all sides would learn how to effectively carry out not only agricultural but possibly all private sector projects vis-a-vis AID.

In this regard it must be clear that since we were undertaking something never done before in Gaza and the West Bank, AID and Kramer gave best guesses - budget, line items and bench marks knowing these would have to be adjusted from experience.

What would then follow as we got into the field are adjustments to the reality of what we are finding i.e., were the impediments properly defined and correctable and whether there were impediments not anticipated.

There were.

What were the proposed solutions and who could carry them out and in what time frame? Solutions were found, proposed, and most were implemented only where they did not require support or change by AID.

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**Fax to Peter Boone from Leo Kramer  
December 15, 1993  
Page 2**

**Original time was totally off course because AID did not process the grant documents within the framework of the agricultural cycle.**

**The project was negotiated with certain members of the AID staff and then turned over to others for implementation.**

**Certain factors are clear and beyond dispute.**

**AID refused practically all adjustments coming out of the experience of the field.**

**KAI was allowed to bill on December 1 (as a result of back dating in order to provide funds quickly to make up for the long delay and for AID failure to process documents. This did not work.) and did receive partial payment on December 23rd. It took the December billing until January 5 to be completed, therefore completely negating the value of advance funds. (Back dating.)**

**Dates of the three months of payments were:**

**The January 5 voucher was not completed until February 12, a period of 38 days.**

**The February 1 voucher was not completed until March 2, a period of 30 days.**

**The original format decided on by the contracts people was a grant to allow maximum flexibility in this new and experimental program going into uncharted seas.**

**AID however, chose to administer this as if it were a contract, a reimbursable contract and micro-managed it. This approach was destructive of the mission/objectives of the grant.**

**There was no format for the transfer of knowledge to AID gained by KAI staff which was also anticipated to be an end product of the grant.**

**We quickly found possible solutions but AID refused to participate in most implementations.**

**Because of the delay of the evaluation, we asked for a one month extension in order to get the pressure off us, and the evaluators. We asked for this without any additional funding and this was denied.**

**Throughout this project, throughout this grant we could almost automatically expect a "no", a denial.**

**Suddenly we were stopped from entering the jurisdiction of our responsibility. Whatever the reasons for that decision, it was clearly destructive of the grant objectives.**

**In an emergency where a solution was only possible by operating in Tel Aviv, we were denied permission to travel to Tel Aviv.**

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Fax to Peter Boone from Leo Kramer  
December 15, 1993  
Page 3

That is the extent of the micro-management.

Yes we did go to Tel Aviv, but late. Out of desperation and a concern for the success of this project, we spent our own money and as a result of the original refusal to give permission for travel so that the problem could be addressed immediately as necessary, we went later than we would have because we did not know that AID would give permission providing they were not paying for it even within the existing grant funds. This negative discussion alone reduced strawberry exports by 25 tons with other negative results. Whose responsibility?

Now a *change* loss.  
What exactly then is the commitment by AID to the objectives of the grant?

Our cost burdens were exaggerated by AID practices.

We did not know at the time that it would have been inappropriate and an unacceptable burden for us to receive zero indirects, zero overheads, zero G&A, and zero fees.

AID did not inform us of the government rates for such hotels as the Tel Aviv Hilton. We therefore lost thousands of dollars until we discovered it ourselves.

Kind regards.

cc: Dennis Chandler  
Dorothy Young

Attachment: A list of solutions proposed by KAI and AID responses.

P.S. This is intended to be illustrative, not comprehensive.

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**Kramer Associates Inc.**2100 M STREET N.W. WASHINGTON, DC 20037  
Tel 202-296.0230 Fax 202-296.6275

5/14

AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

SAMPLES SHIPMENT REQUESTSKAI'S WRITTEN REQUESTS TO AIDAID RESPONSE

3/9/93 LK to AID  
KAI describes circumstances that impact its ability to make requests in a timely manner

\*\*No response

7/1/93 LK to AID  
Request for funding for samples shipments

\*\*No response

7/15/93 AK to AID  
KAI provides further explanation of the request for funding sample shipments

\*\*No response.

8/5/93 LK to AID  
KAI requests approval for prior requests and funds to export samples.

\*\*No response.

8/12/93 LK to AID  
KAI requests approval of prior requests of sample shipments.

\*\*A month and a half after initial requests for sample and trial shipment funding in July, KAI receives notification on 8/25/93 that AID is open to providing modest amount of funds for sample/trial shipments. Final sample approval December 6.

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AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

SAMPLES SHIPMENT REQUESTS

KAI'S REQUESTS

AID RESPONSE

8/27/93 LK to AID  
KAI submits a detailed plan for the administration of the sample fund.

\*\*On 9/29/93, AID granted approval of \$50,000 for limited use for sample shipment funding, cannot be used because requirements are flawed. Final approval December 6.

\*\*However, because this fund included only the cost of the produce, it could not be implemented and did not include the cost of shipping and handling for samples. Samples therefore could not be shipped.

11/12/93 LK to AID  
KAI urgently requests approval prior requests including sample shipment (\$100,000).

\*\*11/16/93 AID responds to KAI faxes of 10/18 and 11/12 by reiterating that it will await the results of the evaluation before granting approval to any prior requests. As of December 16, no indepth interview by evaluators with LK.

11/24/93 LK meeting with AID  
KAI requests that cost of shipping and handling related to sample shipments be covered under the grant to make the grant process more useful. This does not increase the maximum amount of \$50,000 allowed for sample shipments.

\*\*11/24/93 AID indicates it would approve this, but at this point, KAI has no authority to proceed. Final December 6.

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7/16

AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

SAMPLES SHIPMENT REQUESTS

KAI'S REQUESTS

AID RESPONSE

11/30/93 LK to AID  
KAI requests that AID, in order to simplify and expedite the use of funds for samples by allowing the definition of these funds to apply to any cost particulars necessary to deliver samples to the potential buyer. KAI also requests advance of the sample fund to KAI so that it could move quickly.

\*\*No response.  
Sample final agreed  
December 6.

\*\*Mid-December, KAI finally receives the go-ahead to use the sample shipment funds after being initially approved on 9/29/93 and initially requested on 7/1/93. The deadline for the November harvest is now past due and the farmers have lost out because of lack of timeliness in decision-making and insufficient funding to get samples out to importers who were willing to start programs.

\*\*It took 6 months to get the sample shipment process finalized from request to approval. Of the \$100,000 requested for sample shipments, only \$50,000 is approved for sample shipments. This sum includes cost of produce for samples and cost of shipping and handling

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AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

TRIAL SHIPMENTS

KAI'S REQUESTS

AID RESPONSE

7/1/93 LK to AID  
Request for funding for  
trial shipments

\*\*No response

7/15/93 AK to AID  
KAI provides further explanation of  
the request for funding trial  
shipments, including size and  
costs of trial shipments.

\*\*No response.

8/12/93 LK to AID  
KAI requests approval of prior requests  
of trial shipments

After a month and  
a half from initial  
requests for  
trial shipment  
funding in July, KAI  
receives  
notification on  
8/25/93 that AID is  
open to providing  
modest amount of  
funds for  
sample/trial  
shipments. However,  
trial shipment  
approval never came  
through.

8/27/93 LK to AID  
KAI submits a detailed plan for the  
administration of the sample/trial  
fund.

\*\*No response

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9/14

AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

TRIAL SHIPMENTS

KAI'S REQUESTS

AID RESPONSE

11/12/93 LK to AID  
KAI urgently requests approval  
prior requests including  
trial shipment (\$100,000).

\*\*11/16/93 AID  
responds to KAI  
faxes of 10/18 and  
11/12 by  
reiterating that  
it will await the  
results of the  
evaluation before  
granting approval to  
any prior requests.  
As of December 16,  
Leo Kramer still  
awaiting indepth  
interview with  
evaluators.

\*\*KAI has been awaiting the decisions of AID concerning trial shipments since intially requested 6 months ago. Now the process has been delayed until the completion of the evaluation.

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10/16

AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

BRIDGING FINANCE

KAI'S REQUESTS

8/5/93 LK to AID  
KAI requests approval for prior requests and bridging funds.

8/12/93 LK to AID  
KAI requests approval of prior requests and bridging funds.

11/12/93 LK to AID  
KAI urgently requests approval prior requests including bridging finance (\$500,000).

AID RESPONSE

\*\*No response.

\*\*No response.

\*\*11/16/93 AID responds to KAI requests of 10/18 and 11/12 by reiterating that it will await the results of the evaluation before granting approval to any prior requests. As of December 16, Leo Kramer awaiting his indepth interview.

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AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response.

REQUESTS FOR CHANGE IN LINE ITEMS TO BETTER TARGET GRANT OBJECTIVE

KAI'S REQUESTS

AID RESPONSE

5/19/93 LK to AID  
KAI requests re-allocation of sums among some line items, involving no change in overall budget

\*\*No response

10/1/93 LK to AID  
KAI requests a change in the line items in the current program.

\*\*No response.

11/30/93 LK to AID  
KAI requests approval to move funds from one line item to the other always within the total budget.

\*\*No response.

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AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

REQUESTS FOR EXTENSION OF GRANT

KAI'S REQUESTS

AID RESPONSE

9/19/93 LK to AID  
KAI requests a one-year grant extension.

\*\*No response.

11/24/93 LK meeting with AID  
KAI requests a 30-day no-cost extension of the grant from the current expiration date of March 1, 1994 to March 31, 1994 so that the results of the evaluation will be able to be considered while the grant is still going on.

\*\*AID rejects KAI's request for a 30-day no-cost extension of the grant on 12/7/93.

11/30/93 LK to AID  
KAI requests 60-day grant extension.

\*\*No response.

\*\*KAI reminded AID that the one-month extension is of no cost to AID and any costs incurred by KAI during the one-month period would be borne by KAI.

\*\*KAI was told that the evaluation results would be ready end of November or beginning of December. However, the contract of the evaluators states that they have until January 31 latest to complete the evaluation. It is now mid-December and the evaluators have not yet come to interview Mr. Leo Kramer.

\*\*As of December 16, Leo Kramer awaiting his indepth interview with the evaluators.

\*\*The agricultural process does not stop to wait for the completion of an evaluation. The farmers still must plant and harvest. The project is suffering because of this lack of flexibility in decision-making.

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AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

ADDITIONAL FUNDING

KAI'S REQUESTS

AID RESPONSE

9/19/93 LK to AID  
KAI requests an increase of funding of the grant by \$260,000 for a new, expanded marketing program.

\*\*No response.

10/18/93 LK to AID  
KAI requests a funding for a new, expanded marketing program worth \$260,000. KAI also reiterates requests for approval for extension of time and additional funding for grant.

\*\*No response.

10/28/93 LK to AID  
KAI requests means by which travel and communication can be funded by an additional \$67,000 to support KAI's efforts through the end of the grant period (February 1994).

\*\*No response.

11/5/93 LK to AID  
KAI requests approval of prior requests of expanded marketing program as stated in fax dated 10/18 to Beans.

\*\*AID response to 9/19 faxes, 10/1 fax, 10/28 fax, and 11/5 fax from KAI: AID will not make decisions on prior requests until the completion of the evaluation of this grant, in early December. As of December 16, Leo Kramer still awaiting his indepth interview with the evaluators.

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AID responses or lack of responses to Kramer written requests identifying and proposing solutions to Palestinian trade and export needs

Example of solutions to export problems and AID response

PRODUCE MARKETING ASSOCIATION CONVENTION FUNDS

(This would allow for 10 Palestinians to come to Washington to attend the Produce Marketing Association Convention.)

KAI'S REQUESTS

AID RESPONSE

8/5/93 LK to AID  
KAI requests approval for  
10 Palestinians to come to Washington  
for the Produce Marketing Convention

\*\*No response.

8/12/93 LK to AID  
KAI requests approval of prior  
request for 10 Palestinians to  
come to Washington for the  
Produce Marketing Convention.

\*\*AID responds on  
9/29, six weeks  
later, that AID will  
approve \$50,000 for  
PMA Convention.  
Approval came with  
time factor of only  
2 weeks before  
arrival in  
Washington.

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**ANNEX 1**

**PROGRAM DESCRIPTION AND SCOPE OF WORK**

**PRIVATE ENTERPRISE DEVELOPMENT SUPPORT PROJECT III (PEDS III)  
TASK ORDER REQUEST**

<b>Request Number:</b>	R-1
<b>Date of Initial Request:</b>	November 16, 1993
<b>Requestor:</b>	Dorothy Young, NE/ME/WB/G
<b>Funding Source:</b>	100% Buy-in
<b>PIO/T Number:</b>	294-0159-3-4632000
<b>C&amp;L Code:</b>	

**Agricultural Development and Export in Gaza and the West Bank**

**Scope of Work**

An evaluation team is required to conduct a performance evaluation of the Kramer Associates Inc. (KAI) activity, Agricultural Development and Export in Gaza and the West Bank, A.I.D. Grant HNE 0159-G 00 3003 00.

**I. Objectives**

The objectives of this evaluation are to assess:

1. Grantee fulfillment of objectives and achievement of targets as specified in the Grant Agreement Program Description and in the KAI Unsolicited Proposal (see Section II below for summary); and
2. the effectiveness of the Grantee in promoting the export of Palestinian agricultural produce from September 1, 1992, to the present.

The purpose of this evaluation is to assist A.I.D. in determining its future support under this Grant and of export-promotion activities in general. In addressing this purpose, the Contractor will:

- suggest how future assistance in export promotion fits within the larger USAID strategy for promoting private sector development and with planned activities such as the Private Sector Support Project;
- report on what impact changes in the political environment are likely to have on Palestinian exporters and therefore their future needs for assistance; and
- recommend what USAID can do to improve its management of marketing and export-type activities in the West Bank and the Gaza Strip under this Grant or future activities.

## II. Description of the Program to be Evaluated

Kramer Associates International (KAI) is a private company specializing in developing opportunities for to export their products to the U.K., Europe, and the Middle East.

The KAI program is described in the Grant Agreement, including:

- Attachment 2 (The Program Description prepared by A.I.D.), and
- Unsolicited Proposal (submitted by KAI).

The Grant Agreement is attached to this Scope of Work. It is the principal document based on which the Contractor will evaluate Grantee performance. The KAI unsolicited proposal was incorporated by reference in its entirety and made a part of the Grant. The Grant Agreement states that the Program Description takes precedence over the Grantee proposal in the event of an inconsistency.

The KAI unsolicited proposal was submitted to A.I.D. by Mr. Leo Kramer in February 1992. A.I.D. authorized a grant to KAI on August 20, 1992, and the Grant Agreement for \$594,500 (increased to \$694,500 by amendment effective September 1, 1993) was signed on November 20, 1992. However, the Grantee was allowed to recover expenses related to the start-up of the grant from September 1, 1992. Therefore, this evaluation will examine Grantee performance for the full length of the Agreement: September 1, 1992 to present.

### A. Program Description

Based upon the original KAI unsolicited proposal, A.I.D. prepared a Program Description for an 18-month program. It contains the following main points:

1. The grant to KAI would help to increase the export of produce from Gaza to the West Bank by:
  - "facilitating sales arrangements between suppliers in the WD/G and buyers in the United States, Europe, the Middle East and Japan;  
advising suppliers on the appropriate ways to collect, package, and transport produce; and
  - assuring that suppliers are able to satisfy Israeli export regulations."
2. Targets for export of produce were established as follows:

January 1993 through May 1993

5000 to 10,000 MT tomatoes  
9000 to 14,000 MT valencia oranges

5500 to 8300 MT cucumbers  
125 to 250 MT strawberries

June 1993 through August 1993

2000 to 4000 MT watermelons  
500 to 1000 MT melons  
4300 to 6500 MT grapes  
600 to 1200 MT figs  
750 to 1500 MT guava  
500 to 1000 MT bananas  
650 to 1300 MT lemons

September 1993 through December 1993

4000 to 6000 MT shamouti oranges  
1100 to 2200 MT grapefruit  
2100 to 4300 MT potatoes

USAID specified that if any of the above targets could not be met, the Grantee was to provide A.I.D. with an explanation as to why the levels were not achievable.

3. KAI was to help A.I.D., through written reports, to better understand the constraints and opportunities that exist in exporting produce from the Occupied Territories.

Four written reports were to be submitted by specified dates. They were to provide specific information and details (see below) on actions taken to start up the grant; obstacles encountered in implementation, how they were overcome, further anticipated obstacles and how they would be addressed; financial data detailing expenditures; and an analysis of progress towards achievement of the export targets listed above.

Details to be contained in the reports to USAID include:

- (1) data on the volume, the price, delivery cost broken down by element and the name, address, telephone number and FAX number of each producer and of each buyer for each product sold and for each shipment;
- (2) description of each constraint encountered in facilitating sales arrangements between suppliers and buyers, or weaknesses in the system (collection, packages, transportation) and experience in satisfying Israeli export and country-of-import regulations;
- (3) analysis of the most viable products for export and of the most promising markets; and

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- (4) recommendations on how to improve and strengthen Palestinian marketing capabilities such as addressing input requirements, improving credit mechanisms.

### B. The KAI Unsolicited Proposal

The KAI Proposal included a Program Development scheme and a section on objectives and results. The proposal contains the following timetable:

1. Within three months of an agreement to proceed KAI would have established appropriate markets and would have had sufficient contact with buyers to be in the process of consummating specific sales, discussions with Israeli officials would have overcome impediments and all arrangements for shipping would have been arranged.
2. Within six months of an agreement to proceed actual sales would have been consummated.
3. Within nine months of an agreement to proceed marketing and sales activities would continue and accelerate. A direct result of interaction between produce, marketing and sales representatives would lead to upgrading and facilitating expansion of production to meet the market.
4. Within twelve months of an agreement to proceed marketing and sales activities would continue to accelerate with an addition of accelerated process of joint ventures and technology transfer. The potential for investment due to appropriate structuring, development and expansion of facilities will increase pressure on the growing markets. The growing markets and sales will create new and positive resources for growth.

Within the above timeframes KAI would:

- (1) "Develop a plan to export produce from the West Bank and Gaza;
- (2) Establish markets and create sales for their produce;
- (3) Assist the farmers in improving the quality of produce by contact with buyers;
- (4) Improve the system of collecting produce;
- (5) Improve the packaging facilities by buyer specification and, in some cases, providing packaging;
- (6) Overcome transportation problems;
- (7) Overcome other impediments;

- (8) Proceed with immediate sales and provide for longer term results;
- (9) Encourage production and marketing of products other than fresh produce;
- (10) Create more jobs and income; and
- (11) Expand the agriculture industry."

KAI explained that it intended to meet the above objectives through its approach of visiting and having direct contact with potential buyers and markets. KAI stated in its proposal that, as production in the West Bank and Gaza Strip is specialized and relatively small, niche markets would be sought and adjustments in export products could be made from season to season as a result of the dialogue between buyer and producer. By utilizing major and reliable importers KAI would "be able to negotiate the cost of transportation and, as it stated, KAI could take the problem of transport off the hands of the people in the West Bank and Gaza." KAI stated that the Palestinians would receive the going market price for its produce "just like everyone else", and that it would "change from 100% consignment to minimum payments and advance for the produce shipped to the markets."

### III. Statement of Work

The Contractor will submit a report that addresses the following questions and includes the following information:

1. Is KAI adequately and appropriately staffed in Washington and in the West Bank and Gaza Strip to achieve grant objectives?
2. What are the Grantee accomplishments and failures in facilitating sales arrangements between suppliers in the WB/G and buyers in the United States, Europe, the Middle East and Japan?
3. Provide all relevant information collected from interviews with buyers from at least three countries in Europe, one in the Middle East, and two in North America including:
  - a. nature of initial contact
  - b. problems encountered in the initial shipments
  - c. how transactions differed from standard practices
  - d. buyer's anticipated future transactions with WB/G:
    - has or will the buyer import the same produce during the next growing season? If so, from where?

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- has or will the importer consider importing produce from the West Bank or Gaza Strip other than the kind of produce already imported?
  - from what other regions or countries does the buyer currently import the same produce as imported from the Occupied Territories?
  - what comparison can be drawn between produce from the Occupied Territories and from other countries?
  - what was KAI's role in the transaction? was it typical of the role a broker would play in such transactions? is the role that KAI played necessary for future transactions?
4. Present the results of interviews with selected firms (to be chosen from among the list in item 3 above) in Europe, Middle East and North America that chose not to import through KAI to determine the following:
- a. How did the initial contact with KAI originate?
  - b. Had the buyer recently imported similar or the same kind of produce that was offered by KAI? If so, from where?
  - c. Why was the final deal not consummated? E.g., Shipping dates not suitable? No sample shipment for comparison with other suppliers? Inability to obtain proper documentation? disagreement on price/payment? other?
  - d. Would the buyer consider trying again to import produce from the Occupied Territories? If so, under what conditions? If not, why not?
5. Present the result of interviews with all individuals, cooperatives or export firms that have actually sold to KAI or exported produce through KAI. Information presented will include the following:
- a. Had the grower, cooperative or exporter previously exported produce outside the Occupied Territories prior to using KAI? If so, through what organization? How had payment been made? How many shipments over how many years? To what countries? Was the grower or cooperative required to undertake measures to ensure quality control of the produce? Who did the packaging? Who arranged transportation?
  - b. If the grower or cooperative had not exported previously, how was contact made with KAI?
  - c. What has been the experience of direct exporters who have either tried to export unassisted or who have engaged the services of a broker or other entity? For example, what are the differences in modes of operation, procedures, and benefits

to the supplier between exporting through KAI and exporting through other previously-tried mechanisms?

- d. Provide other relevant information about the Palestinian exporters. Could they have obtained and paid for the services provided from other sources? Would the supplier be willing to pay for KAI-like services? What are the perceived benefits of and any problems with the support provided?
6. To what extent are bridge financing and availability of credit constraints? How are other exporters addressing these constraints? What impact, if any, does providing bridging funds to KAI exporters under this Grant have on other exporters?
7. To what extent did the Grantee meet the export targets specified in the Grant Agreement?
8. The Grant Agreement specifies that KAI will advise suppliers on the appropriate ways to collect, package, and transport produce. What kind of technical assistance or advice did KAI provide to growers, cooperatives or exporters? What are the indicators of success?
9. What is the evidence that the Grantee assured that suppliers were able to satisfy Israeli export regulations?
10. Have there been any changes in GOI regulations and controls and, if so, what is the evidence that KAI contributed towards changes that facilitated exportation?
11. What indications are there that private individuals not directly associated with this program have been able to export produce using the "openings" pioneered by KAI?
12. What sustainable benefits has the Grant produced for Palestinian exporters? For example, what actions has the Grantee taken to assure that, in its absence or upon termination of this Grant, Palestinian individuals, firms, or cooperatives that have used KAI services and other potential Palestinian exporters understand procedures, regulations, requirements and can export their produce in a timely manner? What working arrangements have been put in place with the Israeli authorities to minimize delays? What systems have been established? What information (written or other) is now available to exporters that previously was missing?
13. What lessons are there for USAID in its management of this activity and the planning and management of future export-promotion activities in particular?
14. Could the grant benefit from better coordination with other A.I.D. grantees such as ACDI (CDP) and ANERA and if so how?
15. Review reports received to date from KAI to assess their completeness and to provide suggestions on how they might be improved.

#### **IV. Methodology**

This Scope of Work states the purpose and objectives of this evaluation and the specific types of information and data to be collected. It also summarizes the outcomes and results sections of the Grant Agreement and the Unsolicited Proposal. These two references are critical to this Scope of Work and the Contractor will address all items in them, guided by the questions in Section III. However, the specific methodology used to obtain the data and perform this evaluation will be determined by the evaluators in consultation with A.I.D. NE/ME/WBG officers. The Contractor will develop interview questionnaires for the different category of interviewees: e.g., buyers, suppliers, and will propose a sampling technique which will be described in the final report. The following section suggests tasks and types of contacts to be made.

#### **V. Tasks**

##### **A. Preparation (approximately 4 person days)**

Review all records and files in the NE/ME/WBG office and in KAI's Washington office; interview individuals in Washington including the economics officer in the Israeli Embassy and the ACDI representative.

##### **B. Interviews and site visits (approximately 44 person days)**

Interview program buyers and sellers in Europe, North America and the Middle East as follows:

(1) U.S.: Philadelphia (strawberry export), New York, city/cities in Canada to be named (telephone interviews or site visits - 1-2 days). If travel is involved, the trade specialist or the marketing specialist will conduct these interviews.

(2) Overseas: Travel will be required to Europe: Copenhagen (2 days), London (2 days), Brussels or Rotterdam (1 day). Travel will entail only one specialist per city. The specialist may be either the marketing specialist or the trade specialist/agricultural economist. The final selection of European cities to be visited will be made in consultation with KAI and, if necessary, after follow up communication with the buyers.

Middle East: the West Bank and the Gaza Strip, Israel (37 person days) and Amman and/or Cairo (1-2 days). Both the trade specialist/agricultural economist and the marketing specialist will travel to the West Bank and Gaza Strip. The Palestinian agronomist/horticulturalist will work with the team in the West Bank and the Gaza Strip and in Israel as appropriate. Travel to Cairo and Amman will be by one of the two international specialists.

The purpose of the stops in Amman and Cairo will be to ascertain what KAI has done in those two locations to facilitate the transit of Palestinian produce through Jordanian or Egyptian

airports. In Egypt, the Contractor will assess obstacles to Gazan exporters use of Egyptian air transportation and KAI progress in removing any impediments. In Amman, the Contractor will assess KAI progress in identifying freight forwarders for air and land transportation to the West and East.

In the event that the Contractor encounters difficulties in obtaining information from international buyers/brokers, A.I.D. will request KAI assistance, to the extent required and feasible, in providing entre for these contacts.

(3) In countries where Palestinian export produce has been sold, it may be appropriate to seek interviews with economics officers in American Embassies in order to obtain general market statistics.

(4) The contractor will make every attempt to hold discussions with the Civil Administration (CIVAD) officials who are responsible for agricultural production and marketing data in order to obtain whatever information they may provide and to discuss with those responsible for tax, tariff and security issues and procedures related to the export of produce from the West Bank and Gaza Strip.

(5) Interview all individuals, cooperatives or export firms that have actually sold to KAI or exported produce through KAI.

C. Briefings and Finalizing Report (approximately 6 days).

#### V. Personnel and Level of Effort

This evaluation will require up to 55 person days as follows:

Marketing Specialist: 25 days

Trade Specialist/Agricultural Economist\*: 23 days

Agronomist/Horticultural Specialist (Palestinian): 7 days (West Bank and Gaza Strip)

The Palestinian specialist should be familiar with extension-type services available in the West Bank and the Gaza Strip, should be able to communicate comfortably with farmers/producers and be able to assess the effective transfer of technology. This individual will, for example, what impact the Grantee had on affecting changes in cultivation or growing techniques.

\* This position may be filled by two individuals.

Six day work weeks are authorized for international specialists.

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## **VI. Logistical and Administrative Support**

The Contractor is responsible for all logistical support for the evaluation team and contracting arrangements with any Palestinian team member/s. Palestinian team member/s must be approved by AID/W and by the AAO.

Office space, transportation (vehicle, chauffeur, etc.), word processing, translation/interpreting, typing, printing and similar services will not be provided by AID. Team members are advised to carry with them their own word processing equipment. The Contractor is authorized to use funds provided in this task order to secure adequate word processing and micro-computer support and to hire services as required.

## **VII. Deliverables**

A. The team will be responsible for producing an evaluation report that addresses the questions and provides the information presented in this scope of work and that is acceptable to A.I.D. Seven days prior to departure, the evaluation team will present a detailed oral briefing and an annotated outline of the evaluation report to the A.I.D. Affairs Officers, who will provide the evaluation team with comments on the outline. Based on these comments and prior to departure, the evaluation team will provide one copy each of the draft evaluation report to the A.I.D. Affairs Officers in Jerusalem and Tel Aviv.

Upon its return to Washington, and one week prior to the scheduled briefings in Washington, the team will present five copies of the same draft to the A.I.D. Project Officer and to KAI. A.I.D. will provide comments and input within two weeks of the oral briefing. The written comments will represent the coordinated views of A.I.D. Affairs Officers and KAI. Upon receipt of the written comments, the Contractor, in the person of the team leader, will work up to five days to finalize the evaluation document acceptable to A.I.D. The Contractor will submit ten copies of the final report to the A.I.D. Project Officer not later than two weeks after the Contractor has received the written comments from A.I.D.

Contractor will provide A.I.D./W with a disc containing the text of the report in WordPerfect 5.0 or 5.1. The format for the report should conform to the following guidelines and will contain the following sections:

1. Basic Evaluation Sheet, part 2 (one page)
2. Executive Summary (3-5 pages, single-spaced)
3. Contents/Main Text (Maximum 50 pages single-spaced)

Describe briefly the context in which the program was developed and implemented. The report will provide evidence and analysis which form the basis for conclusions and recommendations. The evaluators will clearly distinguish between their findings and their conclusions and the recommendations that follow.

Appendices may include additional supporting analyses and data.

- 4. A short and succinct statement of conclusions and recommendations that are mutually supporting. When possible, recommendations should indicate who should take responsibility and when for the recommended action.
- 5. Appendices will include the following:
  - a. Evaluation scope of work
  - b. Description of the methodology used in the evaluation
  - c. Bibliography of documents consulted
  - d. List of persons contacted/interviewed
  - e. Other

B. The team will be responsible for preparing a Project Evaluation Summary (P.E.S.) using USAID form 1330-5 pages and completing pages 2,3, and 4. The Contractor will provide a disc in WordPerfect 5.0 or 5.1 for the text of the PFS. A copy of form AID 1330-5 is attached to this scope of work.

**VII. Expected Period of Performance**

It is expected that the international consultants (Peter Boone and Ophelia Yeung) will begin preparatory work in Washington, D.C. on or about November 22, 1993. Travel is expected to begin on or about November 29, 1993 and be completed on or about December 20, 1993. All work is expected to be completed by January 31, 1994.

**VIII. Estimated Budget**

Please see attached.

**Approval:**

  
\_\_\_\_\_  
Jason Matechak, PRE/EM

11 | 22 | 93  
\_\_\_\_\_  
Date

Response to:

**EVALUATION OF THE AGRICULTURAL  
DEVELOPMENT AND EXPORT PROGRAM IN  
GAZA AND THE WEST BANK**

Prepared for:  
**USAID/NE/ME**



**MANAGEMENT CONSULTANTS** *Washington • London*

*"Would you tell me, please, which  
way I ought to go from here?"*

*"That depends a good deal on where  
you want to get to."*

*— Alice's Adventures in Wonderland*



is a highly diversified group committed to the solution of the complex problems which must be solved by the private sector and governments, by organizations and individuals.

KAI knows that a single discipline can neither define nor solve complex problems. Most problems are a combination of several elements, each of which must be clearly identified before solutions can be devised.

KAI recognizes each problem is unique. Our clients will not receive prepackaged solutions.

KAI assigns to each discipline its proper task and priority. This results in maximum effectiveness and minimum cost.

KAI problem-solving does not stop with a blueprint for action. We work with our clients and their staffs from analysis and recommendations to implementation.

KAI provides for a transfer of knowledge and capability to our client so that he can solve similar problems without being dependent on consultancy.

KAI guarantees all business will be confidential. Our clients do not risk harmful disclosure.

KAI multi-service problem solving is possible because of our comprehensive capability. Not committed to any single discipline, we design the solution that will do the job, never proposing a solution to fit limited capability.

KAI offers unique qualifications on both sides of the Atlantic that, when combined, result in a more stable and economically feasible solution than either community may produce for itself.

**Response to:**

**EVALUATION OF THE AGRICULTURAL  
DEVELOPMENT AND EXPORT PROGRAM IN  
GAZA AND THE WEST BANK**

**Prepared for:  
USAID/NE/ME**

**Prepared by:  
KRAMER ASSOCIATES, INC.**

**January 19, 1994**

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## **I. OPENING STATEMENT**

**KAI has been responsible for at least 17,000 tons of produce, valued at \$3.5 million, exported from Gaza and the West Bank since the beginning of the grant period. The AID evaluation team identified only a portion of the total value, \$7,980. Why? The evaluation team did not understand the underlying purpose of the grant and developed a methodology that missed the full scope and achievements of this project.**

**KAI's involvement has ranged from lobbying for improved treatment of Palestinian produce at departure points such as the Allenby Bridge, Ashdod and Lod, to soliciting importers in the international markets to providing on-the-job training to farmers in demonstration export projects. Achievements have occurred in an environment constrained by impediments as noted in the Grantee's proposal and also by impediments unforeseen at the start including the boarder closures, the severe 1992/3 winter in the West Bank which destroyed and/or damaged the 1993 winter, spring and summer crops. The peace process has, ironically, also created new impediments that must be addressed.**

**KAI's approach to developing export activity in Gaza and the West Bank aims at laying a foundation that can be further developed and built upon in the years to come. Their approach can be summed up as follows:**

**Solve impediments that impact all agricultural export from Gaza and the West Bank. Action taken ranges from solving transport problems to lobbying successfully for grants and loan programs for Palestinian farmers.**

**Generate demand for Gaza and West Bank produce by soliciting importers in the international market.**

**Liaison between the international market and Gaza and West Bank producers, whenever necessary, to facilitate contact and meetings between buyers and sellers, negotiations and movement of produce.**

**Transfer know-how to individual farmers and cooperatives (that represent hundreds of farmers) through demonstration export projects that involve hands-on experience and on-the-job training. Skills transferred range from appropriate picking methods for export quality produce, to correct packing techniques and materials, to the use of cooling and pre-cooling, to the complexities engendered by plane and ship schedules for even those who have mastered all other aspects. Benefits accrue to the participant at the time as well as to others in the area by providing on-going examples of the export process.**

**Demonstrate to AID the requirements of private sector projects.**

**KAI has undertaken extensive export-related tasks to bring their achievements about.**

**Tasks undertaken to establish markets and facilitate sales:**

- o Direct contact with European, North American and Gulf State importers to solicit interest in Gaza and the West Bank as a new, viable source of produce.**
- o On-going work with the European, North American importers to maintain interest and, most importantly, to establish importer requirements for active import programs for produce from Gaza and the West Bank.**

**It is KAI's primary premise that without active importer interest, all other means of preparation and readiness will not lead to results. Satisfying actual importers' requirements and specifications is the key to success in trade and the experience of responding directly to them is an excellent teacher. This cannot be achieved in a classroom.**

**Farmers have been given the chance both to actively undertake export within the guidelines of importer specifications as well as to plan to accommodate specifications that they currently cannot meet.**

- o Direct on-going work with Gaza and the West Bank suppliers and producers to identify who is interested in pursuing export.**

**Working with farmers who have a particularly strong interest at the time provides benefits to far more than the one farmer. In one small example, a farmer who had just been assisted to export for the first time showed up on the first day another farmer was starting, to offer encouragement. In the larger perspective, success of one is quickly noted throughout Gaza and the West Bank and is a source of general enthusiasm and optimism.**

- o Direct on-going work with Gaza and the West Bank suppliers and producers who are interested in export to establish their requirements for export with respect to the terms of trade.**
- o Direct on-going work with both the foreign importers and potential Palestinian exporters to convey and negotiate the respective requirements for trade (i.e., terms of trade) and provide interpretation of needs and requirements where it is helpful in bringing the two parties closer to agreement. There is a wide gap in the respective requirements and this is a major impediment to trade.**

**It is clear from comments and actions that on-going exposure to the terms of trade of the world produce market is invaluable to the producers: Attitudes and practices may take time to change, but do so faster when exposed to market realities and real time pressures. KAI has made sure this exposure is not conceptual but is transmitted directly from the foreign importers that actively want the Palestinian produce.**

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**Tasks undertaken to overcome impediments:**

- o On-going pressure on organizations and government agencies/authorities that have the ability to provide funds to overcome the initial hurdle that the gap in the terms of trade represents.

The outcome was that the Israeli government set up a grant program and a loan program for Palestinian farmers. The EC adjusted its loan program to accommodate particular needs of agricultural applicants. As these programs all have specifics that do not make them universally applicable to all situations and have limited funds, KAI also worked to encourage a United States-sponsored program.

*What are the EC's role of ...*

Credit programs are particularly important to put into place now because as the Palestinian producers begin to participate in the international market practices, it is the credit programs that will provide the resources with which to do so.

- o On-going interaction with Israeli and Palestinian agencies and authorities to ease procedural constraints on produce export from the Territories. This activity has taken a more urgent role since the Peace Accord, as the issue of movement of produce must be addressed in Taba, Cairo and Paris talks. KAI is in constant communication with Israeli and Palestinian representatives to these talks.
- o On-going solutions to the problem of creating free trade by challenging the monopoly buyer in Gaza and the West Bank.
- o On-going solutions to other impediments such as the lack of properly printed documents for West Bank producers to claim favored duty status in the EC. This was discovered during the grapes shipments in the summer and corrected through KAI involvement so that eggplant producers could respond quickly to the spot market in the EC in early winter.

*Agrexco*

A recent impediment that just emerged in December, ironically from the political changes, is the halt of tomatoes from Gaza and the West Bank into the United States. The United States Agricultural Department does not now recognize the phytosanitary certificate issued in the Territories as legitimate, as there is no country, but does not allow Territory produce to enter this country under Israeli certification. KAI is working to correct this situation.

Other impediments solved included halting Agrexco's negative intervention with licenses needed to transport produce from Gaza and the West Bank to the airport and port, halting abusive handling of produce at security check point, and reducing time required to be at security check points.

- o On-going financial analysis of the potential of all export activity

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that takes place to make sure that after the initial shipments are made, however accomplished (i.e. whether the farmer was willing to ship at a potential risk or whether supported by government funds), long-term financial profitability is possible.

Shipments are never encouraged without assessing market-based viability.

- o On-going negotiation with the airline and shipping companies to obtain the best rates. A system was set up so that any shipment from Gaza and the West Bank is treated as if from one producer, thereby maximizing the total tonnage shipped from the "one" producer. In this way, even small, first-time shipments receive rate and service available to established, large customers.

**Tasks to provide hands-on, on-the-job training and assistance in the process of supply:**

- o On-going provision of technical assistance required in order for export to proceed. For example, in the case of export of melons and seedless grapes from the West Bank, KAI hired a Palestinian technical expert to train the farmers and their laborers in the correct picking, quality, and packing for export.

This was in addition to KAI's agronomist in the West Bank who was also in the field to train and supervise. Supervision was constant throughout the picking and packing activity.

KAI advises on, and worked with producers to find ways to implement, cooling and pre-cooling at harvest, temperature control for transport, appropriate color at harvest given transport length and conditions, quality control, varying pallet height depending on size of plane or if by sea, and adjustments at every step to accommodate plane and ship schedules. Guidance is also given on more minor but necessary items such as phytosanitary documents and certificates of origin that accompany produce to foreign markets.

The expertise acquired by the farmers in one season will be used to their advantage in the next season.

- o On-going provision of other assistance required in order for export to proceed. In one example, KAI was able to persuade an importer interested in seedless grapes to provide packaging materials to a farmer who was not prepared to make the up-front investment.

In another example, KAI paid for cartons for eggplant in such a way as to also allow the farmers to establish credit with the carton manufacturer by withdrawing the cartons as needed and repaying the factory. In still another example, KAI paid for packaging materials as a means to bypass reluctance on the part of supplier to risk this investment.

- o Detailed input into export manual prepared by the EC for producers in Gaza and the West Bank.

## II. RESPONSE TO THE EVALUATION

### A. Areas of Agreement

The AID evaluation team provided some insightful and accurate observations on several key points.

Regarding KAI's work directly with importers:

1. "A[n]...impact was the enthusiasm generated in suppliers with whom the Grantee...worked."
2. "Overall, the biggest advantage of exporting through KAI for.. two Coops [Beit Lahia and Deir Belah in Gaza] at present is to experiment with exporting channels other than Agrexco. Neither one has exported outside of Agrexco during the previous and the current crop season other than through the Grantee. Thus,....those shipments have important symbolic value, and might have rekindled interest in finding export channels outside of Agrexco."
3. "...both Coops added that the Grantee was helpful in expediting the process of moving the produce through checkpoints and security checks at the port due to his connections with the Israeli authorities."

Regarding impacts of KAI's work on the larger Palestinian export community:

4. "[An]...impact that the Grantee has achieved is the direct contacts made by the Grantee to actual and potential sellers on behalf of Palestinian growers"
5. "Most of these organizations [the European Community, Cooperatives Development Program, Cooperation for Development and the Agricultural Departments in the West Bank and Gaza] accelerated their export promotion programs over the past year. The evaluation team feels that the Grantee is probably partially responsible for this increased interest."

Regarding impediments solved by KAI:

6. "...KAI and associates have worked with the Jericho Chamber of Commerce to print the first EUR-1 [eligibility form needed for favored status duty rates in the EC] for produce entering the EC, certifying that their origin is the West Bank instead of Israel. Considering that all previous exports to the EC had utilized Israeli forms [which does not allow for favored duty status], that can be viewed as a significant step in facilitating future direct export of produce to the EC from the West Bank."
7. "...such positive intervention [trouble shooting in the area of security arrangements and facilitation of transport] has resulted in establishing precedents that will benefit direct export transactions."

Regarding AID's experience administering a private sector project:

8. "The evaluation team senses that the two different parties [AID and the Grantee] are coming from fairly different "corporate cultures". On the other hand, the Grantee had never worked a project or grant with AID before. Most of the Grantee's background has been in international private business. On the other hand, many of the AID Grant officers working on the grant had not previously worked with private companies in the grants and projects."

Regarding an overall observation:

9. "The level of exports achieved is an indication that the magnitude of constraints to exporting may be greater than was originally thought during program design. The evaluation team is of the opinion that constraints in the areas of quality improvement, packing and grading techniques, production cost reductions, and access to market information are formidable and probably need to be addressed over the longer term if USAID's export assistance is to have an important impact in Gaza and the West Bank."

## **B. Areas of Errors and Disagreement**

KAI is concerned that many conclusions, implications and statements are misleading at best as the evaluation report contains numerous instances of factual error and errors in assumptions.

Examples of KAI's concerns by both topic and line item are as follows:

1. The evaluation report states: "The underlying assumptions of the proposal were that good quality surplus production was available for export and higher-value commercial markets were available in Europe and North America, provided a few constraints could be lifted. These constraints related mainly to security, transport, and monopoly pricing and buying practices."

There are two inaccuracies here.

This description completely ignores KAI's emphasis on direct marketing of Palestinian produce in foreign markets and demonstration export activity as key elements to generating trade, as well as on solving impediments. Without acknowledgement of this three-pronged approach, the description does not adequately or accurately portray the complexity of the approach. Without fully understanding the project, the question remains whether an accurate evaluation can be performed.

This description also includes a constraint never mentioned at all in KAI's proposal. The evaluation team has taken KAI's reference to the problem of low market prices for Palestinian produce and concluded: "Although there is no explicit reference to Agrexco in this case, the evaluation team is reasonably certain that this was a veiled reference to Agrexco's buying practices." In fact, KAI was referring to prices received in the European market.

The evaluators were incorrect in their interpretations and thus incorrect in claiming to understand the underlying issues in the proposal.

2. The evaluation reports states: "The Grantee has assisted in the export of some 53.8 tons through December 1993 ....." and thus "the implementation of actual exporting has proved to be quite constrained, and as a result not been very effective."

This tonnage figure shown is incorrect and therefore this conclusion and several related conclusions are incorrect.

KAI has assisted in, or has been responsible for, export of at least 17,000 tons since the beginning of the grant period as reported in KAI's written reports. (Once general export interest and activity has been generated or facilitated, it is difficult to measure precisely the

exact results.) KAI's approach in this project is to solve impediments that impact all agricultural export from Gaza and the West Bank, generate demand for all produce from these areas by soliciting importers in the international market, as well as to directly assist some farmers to export to provide hands-on experience for the participant and examples of the export process to all others in the area. Therefore, the most accurate representation of the results of KAI's work includes exports that result from all aspects of their approach. The evaluators use numbers that reflect only one aspect of KAI's approach.

As the Grant period has not ended and export activity since October in Gaza and the West Bank has not yet been officially reported, final figures for the grant period are not yet available. Any comparison to target figures is pre-mature. Thus, the ratio of .12% calculated from inaccurate tonnage figures compared to total target figures is incorrect. To date, but not final, the ratio is 40%. This ratio has been achieved even with boarder closures, a harsh winter that destroyed much of the crops last season and a three-month delay in implementation of the project.

Since the tonnage figure used by the evaluation team is inaccurate, the dollar value assigned to it (\$58,000) is inaccurately used. That is, to date the value of the produce that KAI assisted in, or has been responsible for, export is approximately \$3,500,000. It is this figure that is to be compared, if at all, to the financial cost of the project to date of \$563,000 in USAID cash grant disbursements.

Further, there is no explanation given and there is no apparent reason for examining revenue received by suppliers, less any subsidy used (which is how the evaluators arrived at \$7,980.) As discussed more fully in Point 4, below, the use of agricultural subsidies is universal and, in any case, most appropriately and effectively used in start-up situations. KAI specifically evaluates each transaction (potential and actual) to avoid long-term dependence on government funds.

Finally, there are errors in the evaluation team's listing of the individual produce items (Table 4.4) in demonstration exports with direct KAI assistance, thus providing an erroneous total. Eggplant is reported as valued at \$240 per ton. It was \$530 at the time and the farmer has a letter stating that. By the date that the evaluation team interviewed one eggplant farmer, more than 13 tons of eggplant had been exported by that farmer. More than 30 tons had been exported by other farmers. Table 4.2 erroneously refers to the demonstration exports as all produce received by importers under this grant and implies the full grant period. Even if it were correctly labeled as demonstration exports with KAI direct assistance, there are omissions. Further, five additional importers have received produce since this chart was made.

3. The evaluation report assumes KAI's role during the grant period to be a broker. The report refers to "the approach..used by the Grantee in facilitating exports i.e., direct buying and handling.. [and]...brokering..".

This is inaccurate.

The reference to both brokering, as well as the reference to buying and handling, is incorrect. Not only did KAI never propose that we would take on such a role, KAI did not proceed on that basis.

KAI did intend to act as liaison between the producers and foreign importers, whenever necessary, to facilitate contact, negotiations, movement of produce and on-the-job training through demonstration projects. This is not a role that has been actively taken by anyone in Gaza and the West Bank and is not easily described.

Proceeding on the incorrect assumption that KAI is a broker, the evaluation team interviewed Palestinian produce suppliers. Six of the nine pre-set questions in each interview focused on KAI's "role" as broker and the use of brokers or intermediaries in general. The evaluation team concluded from this line of questions that the Palestinian suppliers' perception of KAI's role was, indeed, that of a broker. This appears to be a case of a self-fulfilling prophecy.

Further, out of such a line of questions comes the following erroneous statements by the AID evaluators:

"KAI has been...reluctant to guarantee prices."

"The reluctance of KAI to guarantee price and payment to the farmers has been expressed by several growers and exporters as an obstacle to export through KAI."

"Thus, they [growers] often demand terms similar to those currently offered by Agrexco, i.e., assured sales and guaranteed prices, which in many cases could not be offered by the Guarantee."

These statements are at best misleading and are fundamentally incorrect about KAI's role: KAI is neither broker nor buyer nor importer. Instead, such statements accurately reflect the producer's concerns regarding the risk of entering a new market and should be discussed as such.

The real issue is that there is a wide gap between what the foreign market is willing to do and what the farmers want. This is an impediment that requires on-going exposure to market requirements, negotiations and experience.

4. The evaluation report state that KAI's "...reports were not...complete since it (sic) lacked details on the amount of subsidies required to complete each transaction.... The evaluation team believes that it is important to reveal the amounts of subsidies used because large subsidies might indicate the lack of commercial viability of those transactions."

This is a narrow focus and a misleading interpretation. The evaluators seem to be unaware of world-wide agricultural subsidies.

It is true that the amount of subsidies was not specified as it was not required by AID.

Regardless of what was required of us and regardless of the widespread use of subsidies, KAI addressed the very issue of subsidies that the AID evaluators illustrate so narrowly. KAI specified in detail in their reports the reasons why each transaction can be commercially viable in the near future, if in fact it wasn't at the time. KAI also specified in detail why particular transactions did not provide adequate returns. As the reasons vary, so did the level of subsidy. However, based on our analysis, it is clear that a larger subsidy does not correlate to a lower likelihood of commercial viability. It merely suggests a certain set of conditions in effect at the time of the transactions. It is the nature of those conditions and whether they are amenable to change, not the size of the subsidy that determines long-term viability.

The evaluation team fails to note that the subsidies referred to--the ones used for seedless grapes and melons--were not part of an established program. Due to the circumstances at the time of the shipments, KAI recognized that the use of grants would be appropriate to act as start-up money. KAI lobbied for and achieved success in obtaining grants for these

farmers on a case-by-case basis. This was the first time for such a use of Israeli government funds in the West Bank. This program has now been formalized.

In addition to providing the analysis of commercial viability KAI certainly will, in the future, report the size of any subsidies used.

5. Regarding KAI focus on the need for bridging finance, the evaluation report states that: "Bridge financing... is currently available from several sources...from the EC and the Civil Administration. The evaluation team has learned from producers, exporters and importers that the primary issue is not lack of credit but the lack of guaranteed prices in the consignment markets and the risks of loss. Thus what is demanded by the producers and the exporters is not purely credit but price insurance or subsidies in case of a loss."

This is misleading in the policy direction it implies.

It is true that producers and exporters demand guaranteed prices, whether by government subsidies or fixed market price. However, as the evaluators point out later in the report, fixed price is not the practice in the international market and full subsidies are to be avoided. As relationships are established between importer and exporter, some forms of market-derived guarantees and set prices are possible.

Until such time as those relationships are established, credit programs are particularly important to put into place. As the Palestinian producers begin to participate in the international market practices, it is the credit programs that will provide the resources with which to do so.

6. Regarding the Civil Administration's credit system to provide export financing in Gaza and the West Bank, "the evaluation team learned from the Civil Administration that since funds can only be borrowed directly by producers in Gaza and the West Bank, KAI could not access those funds on behalf of Palestinian producers."

The implication in this statement is fundamentally incorrect.

Under no circumstances should or would these funds be available to anyone else but the Palestinian producers.

The evaluation team fails to mention that KAI was instrumental in bringing this credit system into existence. At the beginning of 1993, KAI presented to the Israelis the possibility that they contribute to the bridging fund solution. We convinced them that they should participate in such a program, starting on by securing a policy decision at the top and setting out for them how the program should work and be implemented.

We followed through from policy to implementation by participation in writing the documents that passed the Knesset.

7. Regarding KAI's provision of assistance in export demonstration projects, the evaluation report states: "Packing boxes were provided by Mr. Teltsch [of KAI]. Picking, packing and quality control were carried out in the [grape and melon] farms and were not supervised by KAI or its associates to a large extent."

These two statements are incorrect.

**KAI was able to persuade the UK importer who was to receive grapes to pay for the grape cartons. In fact, he purchased enough quantity to supply the farmer this season and next. Glora Teltsh of KAI made the local arrangements.**

**KAI arranged for very extensive supervision. KAI hired a Palestinian expert to work full days throughout the picking, sorting, packing and quality control process to teach and supervise the laborers and the farmer. Our West Bank representative and agronomist was also present.**

**Due to the tremendous effort put in by the farmers to undertake export for the first time, which turned out to involve morning to night activity, it is true that "the two farmers were not involved in arranging the transportation of their produce both their farm to the port and freight forwarding." This aspect of transfer of knowledge will certainly come whenever the farmer is ready.**

**Further to the issue of transportation arrangements: It is in this area that all producers have shown the least interest in terms of involvement. Having asked specifically whether they would like to be involved, KAI has received negative answers thus far.**

**The statement regarding lack of involvement is incorrect.**

**The evaluation report also states that "Beit Lahia and Dier El-Belah indicated that since the two cooperatives were already familiar with the picking and packing techniques required for produce export, they did not require much assistance from KAI in those areas."**

**The information gathered in the interviews can be misleading. For example, these cooperatives certainly have long experience in picking and packing but they do not have extensive experience in making adjustments in the timing of picking, color, etc. for different and changing modes of transportation, destination, and importer requirements. KAI provided detailed information about the conditions of transport, timing, etc. so that appropriate adjustments were made discussed and made. Also, the cooperatives do not have extensive experience in responding quickly to importer request, in maintaining a consistently high level of quality for export no matter what the destination is, and adjusting work schedules to accomodate plane schedules.**

**The evaluation report fails to acknowledge that there are technical and procedural issues that involve KAI's assistance beyond picking and packing.**

**The evaluators also failed to note that KAI did pay for the cartons for eggplant in such a way as to also allow the farmers to establish credit with the carton manufacturer by withdrawing the cartons as needed and repaying the factory. KAI paid for strawberry cartons used by Beit Lahia as a means to bypass reluctance on the part of the supplier to risk this investment.**

**The evaluation report states that: ... "the transfer of technology and know-how was limited to the five producers who exported through KAI. There is little evidence that other producers in Gaza and the West Bank have learned from the process."**

**This is an unfounded opinion. It also ignores the purpose of a cooperative.**

**The evidence will continue to emerge with each successive season. Already other grape farmers in the West Bank have made their interest in export known because they have seen the process take place. They will be able to use at least some of the same laborers (various parts of the Jordan Valley have slightly different ripening schedules) who have now been**

trained. A pool of trained workers will emerge. Just as the grape farmer, who went through export preparation first, showed up at the melon farmers farm to encourage him and offer advice on the initial difficulties, so this will continue to happen as each farmer begins to export.

Along these lines, the statement that "no substantial long-term employment impact was evident..." is misleading, as agriculture is seasonal and will exhibit growth with each successive season.

A cooperative represents far more than one grower and supplier. It is there to serve all its members, all of whom are farmers. The involvement of each coop then involves many farmers who are picking and packing on schedule, with the right quality and color. It is misleading to count the coops as a single supplier.

**8. Regarding management in KAI's Washington office:**

A. "According to the organizational chart provided by KAI, the Grant program is staffed by nine individuals in Washington..... The evaluation team deduced that KAI staff other than Leo and Anita Kramer [are involved in other activities] instead of being actively involved in marketing and other liaison activities. ...The evaluation team is in the view that while the Washington office is heavily staffed with five specialized marketing personnel, their contributions to the implementation of the Grant program are not very visible."

The statements here are false and therefore the conclusion is false.

The chart referred to was provided to AID, not to the evaluators, in April in response to an AID staff member's inquiry to clarify the placement within the project of certain people at the time. It does not indicate who works full time or part time on the project. It does not indicate the nature of the part time work, which for example in the case of at least three persons was on a limited "as needed" basis over a limited period of time. At least two others are part time on this project.

B. "The evaluation team was not able to confirm whether any of the marketing and sales staff other than Leo and Anita Kramer were actively involved in export marketing under the program."

The implication of this statement is misleading at best.

The evaluation team would have had no trouble finding out that their assumption is incorrect had they asked KAI about this subject.

**9. Regarding KAI's field staff:**

A. "From the interviews it is apparent to the evaluation team that all three individuals proposed by the Grantee have other responsibilities and therefore could not be intensively involved in the implementation of the Grant program".

This is a fundamentally unfounded opinion.

For example, in the case of Adel Briegheet, it is due in large part to the exposure to the agricultural community and growing conditions gained through his position in the Agricultural Department (which occupies only part of his day) that he is extremely valuable to this project. Beyond that, Mr. Briegheet's expertise and competence is such that even a few hours of his time would result in more effort and results than most full-time workers.

Mr. Briegheet has been instrumental in persuading farmers to enter the international market on a consignment basis, something that the evaluation report acknowledges is difficult. Mr. Briegheet has the rare ability to see the bigger picture from both the West Bank and foreign market perspective and function on a detailed level.

The evaluation team did not substantiate their opinion.

B. "Giora Teltsch, the Israeli Facilitator proposed by the Grantee, is freight forwarder based in Haifa."

False.

10. "It has also been expressed by several importers in Europe that communications between exporters, importers and KAI could have been more direct had the KAI office been located in Gaza and the West Bank, and/or in the European markets."

False.

According to the evaluators own interview data, only one importer expressed this view and he only referred to Gaza and the West Bank. (This one Danish importer, by the way, has continually offered to have his son take an active role in the Territories for this project as his son has personal interests in Israel.)

The evaluation team failed to note that AID cannot provide funds for an office in the European markets. The evaluation team also failed to note that KAI has a sister company in London which has been a full participant in this project, the full cost of which is incurred by KAI and is not reimbursed by AID.

KAI does however agree with the proposal that an official Grantee office in Gaza and/or West Bank is now appropriate. We proposed this as a new item in our fax of September 19, 1993, and intend to include it again in our proposal that will be submitted shortly.

11. Regarding financial management:

A. "The estimated total cost of the Grant Program.... was \$1.19 million of which the Grantee and other donors were expect to contribute \$584,500...the Grantee allocation and other donors contribution amounted to 50 percent of program costs."

The implication in this description is fundamentally incorrect. There have been no other donors during the course of this project.

B. "After the revised Grant allocation of \$694,500, the Grantee....contribution requirement remained \$594,500, which meant that the non-USAID contribution requirement dropped to 46 percent of program costs."

False.

The math shows a lack of understanding of the original intent of sharing costs and a lack of understanding of the intent, administration and use of the additional \$100,000.

The additional \$100,000 is almost exclusively a pass-through. These funds provide for the trips of 10 Palestinians to the Produce Convention and reimbursements to farmers for the

costs of samples. Further, it is very likely that the \$50,000 allocated for the sample fund will not be fully used due to severe restrictions set by AID.

The \$594,500 are for direct KAI costs (staff salaries, telephone, fax, etc.) incurred in the course of undertaking the project.

**12. Regarding interaction between KAI and AID:**

A. "...29 separate oral or written requests had been directed from the Grantee to AID [during the course of the project]. The...evaluation team has observed that...(19) of these requests involve submissions for additional funding from AID beyond the level approved in the Grant Agreement.

False.

The 29 items referred to by the AID evaluators include only 10 requests. The balance, or 19 items, are repeat requests for the same items or explanations that AID asked for to clarify the requests.

Of the 10 requests, only 6 are requests for additional funding beyond the level approved in the Grant Agreement, 2 are for changes in the line items within the limits of the original budget, and 2 are requests for an extension of time with no increase in budget.

B. The time spent dealing with..[the 29]..requests...appears to be substantial for..AID...The average time spent managing this Grant by USAID officers in charge have ranged from 25 to 60 percent."

This is an unsubstantiated amount of time and correlation at best.

Given that it is 10 requests, not 29, that were made and only 6 are for additional funding, the reason for AID's expenditure of time remains unclear.

### III. CLOSING STATEMENT

**KAI acknowledges that there are accurate and insightful observations made by the AID evaluation team. However, KAI is concerned that the overall evaluation is impacted by a series of inaccurate and/or misleading statements. KAI is also concerned that the evaluation team does not exhibit a comprehensive understanding of the project. We believe that without fully addressing these concerns, many of the conclusions of the evaluation report are not valid.**

**Addendum to follow.**

**ADDENDUM**

**Response to:**

**EVALUATION OF THE AGRICULTURAL  
DEVELOPMENT AND EXPORT PROGRAM IN  
GAZA AND THE WEST BANK**

**Prepared for:  
USAID/NE/ME**



**MANAGEMENT CONSULTANTS** *Washington • London*

*"Would you tell me, please, which  
way I ought to go from here?"*

*"That depends a good deal on where  
you want to get to."*

*— Alice's Adventures in Wonderland*

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is a highly diversified group committed to the solution of the complex problems which must be solved by the private sector and governments, by organizations and individuals.

KAI knows that a single discipline can neither define nor solve complex problems. Most problems are a combination of several elements, each of which must be clearly identified before solutions can be devised.

KAI recognizes each problem is unique. Our clients will not receive prepackaged solutions.

KAI assigns to each discipline its proper task and priority. This results in maximum effectiveness and minimum cost.

KAI problem-solving does not stop with a blueprint for action. We work with our clients and their staffs from analysis and recommendations to implementation.

KAI provides for a transfer of knowledge and capability to our client so that he can solve similar problems without being dependent on consultancy.

KAI guarantees all business will be confidential. Our clients do not risk harmful disclosure.

KAI multi-service problem solving is possible because of our comprehensive capability. Not committed to any single discipline, we design the solution that will do the job, never proposing a solution to fit limited capability.

KAI offers unique qualifications on both sides of the Atlantic that, when combined, result in a more stable and economically feasible solution than either community may produce for itself.

**ADDENDUM**

**Response to:**

**EVALUATION OF THE AGRICULTURAL  
DEVELOPMENT AND EXPORT PROGRAM IN  
GAZA AND THE WEST BANK**

**Prepared for:  
USAID/NE/ME**

**Prepared by:  
KRAMER ASSOCIATES, INC.**

**January 21, 1994**

*M*

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## **ADDENDUM TO RESPONSE TO EVALUATION REPORT**

### **I. Additional responses to pages ii-47**

1. "[There was] extensive focus [by the Grantee] on administrative constraints with USAID, instead of solving problems to the best of their ability, within the resources provided in the Grant Agreement."

**Unclear conclusion:** One of the objectives of the Grant was to provide AID with a learning experience regarding private sector work. What constitutes an extensive focus versus an appropriate focus.

2. "The Grant Agreement anticipated that 'an evaluation of the effectiveness and impact of the activity' would take place at the end of the Grant period."

**Error:** Not only did the evaluation not take place at the end of the grant but the timing did not allow for the full impact of the season to be reviewed. The evaluation took place at the beginning of the first full season of the grant period.

3. "For suppliers the questions focus on...the extent to which KAI provided quality control..."

**Error:** KAI never proposed to provide quality control. Therefore the focus is incorrect.

KAI did propose to undertake several tasks that are related to quality, importer requirements and standards. This is quite different than providing the quality control mechanism during the picking and packing stages.

Regardless, KAI did provide actual quality control in the case of melons, grapes and eggplant as this assistance was required in order for the export to proceed. KAI has also devised and negotiated a plan for quality control for strawberries and tomatoes.

4. "...since the Grant Agreement was signed with an approximate three-month lag from the original intended Grant start-up date of September 1, 1992, the evaluation team felt it is was reasonable to apply a lag of three months to the export target figures in the absence of any particular events that could have reasonably led to a catching up in the three-month delay of start-up."

**Incorrect conclusion:** While adjustment is certainly required, the agricultural cycle must be the basis for the adjustment. An entire season is lost when a start date is missed, not just three months.

5. "Achievement of such export levels appears to be very optimistic for an experimental Grant program in the first year of operation."

**Incomplete conclusion:** If the export levels appears to be very optimistic for the first year, it is not that much longer after the foundation is laid that the export levels can be achieved.

6. Unclear approach: If the evaluation team can list four problems with the target export levels, why do they then proceed to analyze strictly in terms of the target export levels? Observations, such as those made on the target levels, are commonly incorporated into the larger framework of an analytical process.

7. "The proposal did not explicitly identify or propose to change other constraints to exporting such as quality improvement, packing and grading techniques, production cost reductions, or access to market information."

Unclear approach: It is unclear exactly what is being inferred or explained. Is it that some of these items were listed in the KAI proposal but not specifically called constraints? Is production cost reduction a universal problem or did the evaluators observe problems in this area in Gaza and the West Bank?

8. "The Grantee's proposal also did not attempt to address what is the baseline level of exports and the percentage of the export market that it would be facilitating, nor did it endeavor to accomplish this task during Grant implementation."

Unclear approach: It is unclear exactly what is being inferred or explained. Was KAI asked to write this in the proposal and did not? This is not the case.

9. "In the more specific context of Grant program implementation, recent political changes have not resulted in profound changes in the existing produce-exporter relationship between Palestinian farmers and AGREXCO."

"In terms of the logistics of exporting directly through Israeli ports and airports, the Peace Accord has not led to relaxation in security checks at the border or at ports and airports."

Unclear assumptions: It is universally understood that changes would not appear overnight due to the signing of the Peace Accord. It is the very details of implementation that are being laboriously worked out in Taba, Cairo and Paris that will bring about changes.

Most of the entire section is speculation.

10. "There continue to be a dearth of Palestinian credit institutions to finance agricultural investment."

Unclear approach: The existence of Palestinian credit institutions is not a function of the grant. In any case, credit institutions will be funded by outside sources for quite a long time until the economy is not only thriving but is stable.

11. "Access to overseas markets have not been increased by any new bilateral trade agreements or political changes, ..."

Unclear approach: As there is no new country yet, much less a formal government, it is unclear what this statement is meant to imply.

12. "Under this program, the Agricultural Office will automatically pay Gaza farmers \$300 for each ton of tomatoes exported, whether through AGREXCO or not."

**Error:** The Agricultural Office has not paid anyone any funds under this program even though over 200 tons of tomatoes have been exported (outside of Agrexco). The system is new and is being worked out.

13. "The existing infrastructure for the production...of produce in Gaza and West Bank is poor."

**Unclear assumptions:** Given the availability of water, packing houses, and high technology, on what basis is the infrastructure for production deemed poor?

14. "In terms of business infrastructure, there is also a dearth of exporting intermediaries...in Gaza and the West Bank."

**Unclear basis:** As the evaluation report suggests that intermediaries are not sought after nor that useful in the long term in the export process, on what basis is the dearth noted?

15. "For those consignment sales, the importer typically reimbursed the Grantee/producer for all exporting expenses incurred, including packing, cartons, internal transportation, and freight forwarding."

**Error:** The importer does not reimburse the Grantee/producer for internal transportation or freight forwarding. This is billed to them separately. Further, the importer does not reimburse the producer for packing and carton costs as that is assumed to be the costs paid for by the producer out of the proceeds received.

16. "Fixed prices are mostly offered verbally, but also occasionally through written contracts."

**Error:** A fixed price is never fixed unless it is written. Verbal "fixed" prices are only price ideas.

17. "The three importers thought that the substandard quality of the produce they received was probably the result of delays in shipment (could be security-related or due to logistical problems) and the lack of quality control in the picking, sorting, and packing process."

**Unfounded statements and speculation:** The "substandard quality" in these cases was not due in any way to the picking, sorting and packing process. It was not due to security. All three cases could be termed logistical but not in any of the expected ways. Each case was somewhat unique.

18. "Pepino Frugt informed the evaluation team that the transportation costs for the trial shipments of tomatoes were higher than usual because most large commercial shipments of tomatoes are transported by sea."

Misleading implication: Pepino received several pallets of tomatoes as a sample shipment. Such size shipments always go by air. This was not a commercial shipment.

19. "...Procacci are not interested in importing from Gaza and the West Bank because they took the overripe conditions of the tomatoes they received in sample shipments as an indication that those suppliers were not ready to export directly to Europe."

Error: (See discussion under "Procacci" in Annex 3, below)

20. "The evaluation team interviewed eight importers who chose not to receive commercial shipment of West Bank/Gaza produce through the Grantee."

Error: Of the eight importers referred to, six were not interested in seriously pursuing Gaza and the West Bank as a new source of produce. This is quite different than deciding not to receive a commercial shipment. A decision to ship or not comes after interest in the new source is established.

21. "Only the two importers from the United Kingdom [of the eight] interviewed could recall being contacted by the Grantee regarding importing produce from Gaza and the West Bank."

Misleading implication: KAI has records of discussions with all importers contacted. This statement infers the opposite.

22. "Sales to the EC were mostly by consignment. Payments were made to Beit Lahia after the importer sold his products to retailers."

Error: KAI discussions with Beit Lahia indicate that their sales were not by consignment.

23. "Both farmers [grape and melon] have exported the same produce directly to Jordan in the past, mainly to the wholesale market. Apparently both have also exported through AGREXCO. However, AGREXCO currently does not buy any seeded grapes from the West Bank.

Erroneous and unclear statements: The farmers have not exported seedless grapes or melons through Agrexco. The grapes exported with the assistance of KAI were seedless so the reference to seeded grapes is unclear. Also, export to Jordan entails very different picking and packing techniques for grapes and melons than for export to the EC.

24. "One farmer exported 16 tons of grapes in 11 shipments, another farmer exported a total of 8.3 tons of melons in two shipments, and a third farmer exported two tons of eggplants, all to the U.K."

**Error: There were 10 shipments of grapes. There were three shipments of melons. The eggplant farmer exported 11.9 tons by the time of the interview.**

**25. "According to those growers who have exported to Jordan, agents are usually paid a six percent commission for receiving produce.... Those who have used an agent in previous export to the EC have said that a five percent commission for marketing and facilitating sales is common."**

**Error: Based on the evaluators own interview data, only one grower reported the percentage commission for Jordan. Only one grower reported the percentage commission for the EC and it was 4%.**

**26. "...target exports of 43,362.5 tons...(using mid-point target numbers and using the targets set through August 1993)."**

**Error: Using the evaluators own methodology, the correct figure is 38,988 tons.**

**27. "Table 4.5...Tonnage Exported..Through December 1993."**

**Error: The table presents only exports assisted directly by KAI and excludes exports facilitated by KAI through addressing impediments and securing interest in foreign markets.**

**Error: If the table was accurately labeled to present exports directly assisted by KAI, it excludes everything that was exported in December, 1993.**

**28. "In the absence of the Grant program, some percentage of the export value of the crop (probably about 50 percent) could have been obtained in local markets."**

**Error: This is an assumption that can never be made as the relationship between the local market and the foreign market fluctuates widely. Currently, there is an overproduction of eggplant in the West Bank and the local prices are less than \$100 a ton while eggplant shipped to Europe can return \$500 a ton.**

**29. "A second factor limiting the learning process was the fact that the Grantee by admission had very limited background in the exporting of fresh produce. This fact by definition confined the amount of technology transfer that could take place in the areas picking, packing, quality control, and complying with export paperwork and regulations."**

**Error: This fact by definition has very little to with the approach taken. As detailed in the "Response to The Evaluation", KAI hired experts to assist in these tasks when needed and pressed importers to provide details on needs and specifications. (This, by the way, includes documentation. Importers very carefully spelled out what documents they need and what should appear on it.)**

30. " the only other significant learning opportunity came from....participation in a Producers' Convention..."

Erroneous assumption: This assumption is based on exclusion of the information now provided to them on the types of learning opportunities not previously noted (now detailed in the "Response to the Evaluation" and the addendum).

## II. Additional responses to Annexes

### ANNEX 2: INTERVIEW QUESTIONNAIRE FOR GROWERS AND EXPORTERS

#### Interview #1: Fouquaha

The evaluation report states: "The farmer was paid by the Coop but wasn't sure of the source of funds (whether from the importer, by KAI, or Israeli sources.)"

Error: The farmer was not paid by the Coop. In fact, the farmer received a check from the Israeli Government and a check from KAI. Certainly the checks had the issuers' names on them.

1b. "Picking and packing was not supervised by KAI."

Error: Picking and packing was supervised by Nawaf, who was hired by KAI. Nawaf El Khadir was brought in specifically for this purpose.

1c. "Packing boxes were provided by Giora."

Error: No, they were paid for by the importer at the urging of KAI. Arrangements for them were made by KAI.

"...Mr. Brigheeth of the Agricultural Cooperative of Jericho."

Error: Mr. Brigheeth is not part of the Cooperative.

2. "According to Mr. Fouquaha, the same amount of grapes sold by a nearby Israeli settlement at that time fetched \$32,000."

Unfounded opinion and implication: The Israeli settlement was selling to Agrexco. Agrexco prices may or may not actually be higher. Agrexco has a pricing system which on paper is higher than what the farmers actually get.

#### Interview # 2: Al-Razeek

1a. Export assistance by KAI

Error: There were three shipments, not two. The third shipment was approximately 3 tons.

1b. "The KAI employee visited the Al-Razeek farm once."

Error: Adel Brigeet, Nawaf El Khadir and Mr. Mohamad Mahmoud (a technical expert also hired by KAI) were there several occasions and certainly at the time of the picking and packing for shipments.

"Farmer was familiar with exporting through Agrexco and thus had a good idea of the quality control, packaging requirements needed for export."

**Error:** The farmer had never exported melons through Agrexco.

**Interview # 3:** Halima, Tarazi, Tantech, Al Zaanceen

1a. "Beit Lahia was paid \$7,500 for the two tons, which included the cost of \$0.50 per carton."

**Error:** The cost of the carton as noted is impossible. This year the cost is \$1.034 per carton.

4. "For the shipment of two tons of strawberries, KAI opened a letter of credit at Bank Leumi for \$7,500."

**Error:** The LC was opened by Booker. The L/C was pursued, negotiated and arranged by KAI.

"For the two current contract orders, Beit Lahia has asked for an advance of \$20,000, which to the date of the interview has not been provided by KAI. Beit Lahia is awaiting the advance money before the growers will start picking."

**Error:** A check was brought to them on/around November 15 by Leo Kramer. At the time, the Cooperative indicated it was no longer necessary to receive an advance.

7. "Agrexco offers guaranteed prices to growers, whereas KAI is more hesitant to guarantee prices."

**Incorrect implication:** KAI's role is to liaison between buyer and seller. It is not KAI making these decisions.

**Interview # 6:** El Naja

1a. "El Naja met Leo Kramer at the produce export convention held in Washington in November 1993."

**Error:** They met in Tel Aviv. El Naja was not in Washington.

**Interview #7:** Shurrab

1a. "No export has resulted thus far because the terms of the sale and price discussed with KAI would not be profitable for Shurrab, since KAI offered the same prices that Shurrab could obtain directly without KAI."

**Incomplete explanation:** KAI conveyed terms and conditions of European importers. Prices were extremely low and not fixed. Therefore, they were not attractive to Shurrab.

**Interview # 8:** Al Namari: December 22, 1993

1. "In December of 1993 Mr. Al Namari will send his first shipment of produce to Europe through KAI."

Error: By the time of the interview, December 22, Mr. Al Namari had exported the following eggplant shipments:

2 tons: December 7  
3.95 tons: December 15  
1 ton: December 15  
4.95 tons: December 18

1c. "Mr. Namari arranged packing and transportation on his own under the supervision of the agricultural agent"

Error: KAI worked with Mr. Namari on packaging and transportation arrangements.

### ANNEX 3: INTERVIEW QUESTIONNAIRE FOR IMPORTERS WHO RECEIVED PRODUCE FROM GAZA AND WEST BANK

Paskalis: #3c.

The evaluation report states: "In further discussion, Mr. Butler revealed that he may be willing to guarantee a price up to about 50% of the current price level, because the risk of not being able to sell produce at half the market price is small."

Incomplete explanation: The evaluators should note that a guarantee of a percentage of the current price level at the time of arrival (i.e. not fixed before export) does not in any way achieve what the suppliers are looking for. It is still a moving target.

Windig: Regarding "Contacts at KAI": These people reported to have named Leo and Anita Kramer.

Error: Neither Leo nor Anita Kramer had any direct dealings with them. It was Angelica Olsson.

Procacci: Johnnie D. is reported as saying that the tomatoes arrived overripe and therefore they are not interested in pursuing anything from Gaza/West Bank.

Error: Due to delays in the United States, the tomatoes arrived at a riper stage than requested, but not so overripe that they were not presentable. KAI records show that upon hearing how long the shipment had been delayed, Mr. D. indicated that it reflected positively on the quality of the tomatoes that they held up so well. Mr. D. then proceeded to provide his requirements and interests for future business. Several discussions took place after that. No sale has resulted as his requirements are for a size of tomato that is only possible in a variety of tomato not allowed to enter the U.S.

Also, Johnnie D. says tomatoes were shipped by Federal Express. They were shipped UPS.

### ANNEX 4--INTERVIEW QUESTIONNAIRE FOR IMPORTERS WHO DID NOT RECEIVE PRODUCE FROM GAZA AND WEST BANK

**Misleading title of Annex:** It should be: Interview questionnaire for importers who did not express interest in Gaza and West Bank produce or who did express interest but have not yet received produce.

Further, the evaluators failed to verify information obtained by interviews.

**J.A. Hahl GMBH & Co.:** Claudia Hainke is reported as not recalling being contacted by us.

**Error:** KAI and Ms. Hainke talked on/around November 24, 1992. KAI then had contact with her again and she stated that she had checked with her colleagues and there was no interest. The evaluators report that her company is open to importing from any area but does not currently see a niche for produce from West Bank/Gaza given the company already has a well-established network of suppliers. A general indication of being "open" to a new source is a standard response in the industry until the issue of proceeding with real business activity is addressed. Hence, the apparent discrepancy in attitude in response to KAI's inquiry versus that of the evaluators.

**Frueco:** Mr. Hauffmann is reported as not recalling being contacted by KAI.

**Error:** KAI and Mr. Hauffmann talked on November 24, 1992. KAI's notes say that he told KAI that Frueco deals directly with Israel, among many other markets, and has no demand for additional merchandise. This is exactly what is stated in the evaluation.

**Epicieris Unis Metro Richlieu:** Mr. Pare is reported as not recalling being contacted by KAI.

**Error:** KAI and Mr. Pare had conversations on April 27 and April 28, 1993. He said he would convey our information to his buyers to see if they were interested.

The evaluators noted that "the company would consider doing so given the right price and quality for the produce." This is the standard statement in the produce world and does not indicate an inclination one way or the other.

**Gemini Food:** Mr. Bernstein is reported as not recalling being contacted by us.

**Error:** KAI talked with Mr. Bernstein on August 8, 1993. His specialty is onions, carrots and cabbages which he explained are not only not feasible to do with such a long distance, but are also found in abundance in North America and Canada. He said "except for major disasters, it would not be feasible".

We were asking whether he actually wanted to go ahead and buy. Evaluators were asking would he ever consider buying. Of course, unless someone is already tied up with Agrexco, there is no harm or obligation in being "open" (which he said) to opportunities. The real question to be asked is whether they have needs now or will there be needs in the future that would result in an actual sale.

**Al Madi:** Mr. Al Madi is reported as not recalling being contacted by KAI.

**Error:** KAI talked with Mr. Al Madi on April 19, 1993. We faxed him April 20. KAI's notes indicate that he said the politics were unclear, as he also indicated to the evaluators.

**Sydfrucktimporten:** Mr. Thulson is reported as not recalling being contacted by KAI.

**Error:** KAI talked with Mr. Thulson on December 23, 1992. He said he is satisfied with suppliers they had in Spain and Italy and cannot expand at the moment. We faxed him a list of products.

Evaluators report him as saying that he is unfamiliar with the products offered by the region. He said he would consider buying from West Bank/Gaza but he did note several complicating factors. As mentioned above, importers' mention of willingness to consider is a standard response and does not indicate an indication one way or the other.