USAID | WEST BANK/GAZA
FROM THE AMERICAN PEOPLE

Amendment Date Issued: June 2, 2021

Subject: Small and Medium Enterprise Assistance for Recovery and Transition (SMART) Activity / Notice Of Funding Opportunity (NOFO) Request for Application Number 72029421RFA00002 / Amendment No. 1

Dear Prospective Applicants:

The purpose of this amendment is to make the following changes to the subject RFA:

I. Cover Letter - Page 1 - Delete the dates in their entirety and insert the following in lieu thereof:

   Issue Date: May 5, 2021
   1st Round for Question due: May 17, 2021
   2nd Round for Questions due: June 8, 2021
   Closing Date: June 21, 2021
   Closing Time: 16:00 Tel Aviv Time

II. Section A 'Program Description' – delete the contents of this section in its entirety and replace with the following: (All changes under this section are in red.)

"SECTION A: PROGRAM DESCRIPTION

This funding opportunity is authorized under the Foreign Assistance Act (FAA) of 1961, as amended.

I. OVERVIEW

Through a package of technical assistance and grants, the Small and Medium Enterprise Assistance for Recovery and Transition (SMART) Activity, aims to rapidly recover the Palestinian small and medium enterprises (SMEs) and put them on a path to revitalization following unprecedented crises e.g. COVID-19. SMART will help SMEs regain productivity, grow, and expand. It will promote economic growth and self-reliance in the West Bank and Gaza.

II. BACKGROUND

Country Context

Since the signing of the Oslo Accords in 1993, the Palestinian people have struggled through more than two decades of conflict, instability, and internal division. Throughout that time, the West Bank and Gaza economy, increasingly fragmented and heavily constrained by Israeli security controls and restrictions, has moved erratically from periods of rapid expansion and rising employment to periods of contraction or jobless growth, with average GDP growth offset by an equivalent growth in population. As external support declines, the Palestinian economy is failing to generate the employment and incomes that are needed to absorb a growing labor force and improve living standards. The situation is particularly dire in Gaza, where the decade-long blockade has left residents poorer today than they were 25 years ago.

The Palestinian private sector is not growing fast enough to create jobs at a rate sufficient to employ new entrants to the labor force, nor absorb working-age Palestinians, many of whom are jobless. To keep the unemployment rate in the West Bank and Gaza - currently 23.4% - from worsening, net job creation must be at least 50,000 per year. Government efforts to reduce unemployment have resulted in a large and expanding public sector workforce - 22% of the total workforce - and an unsustainable wage bill that stands at 17% of GDP.

The only solution to this dilemma, private sector growth, is limited by extremely low levels of private investment, primarily stemming from numerous constraints on movement, access, and trade both within the West Bank and Gaza and internationally. These constraints manifest themselves in the form of higher transaction costs to businesses, including high costs of transport and storage, long waiting times at Israeli crossings and checkpoints, variability in administrative clearance times, and many other factors that result in higher operating costs, lower volumes, and lower operating margins. High transaction costs discourage business risk-taking (investment) and make Palestinian firms less competitive than international competitors.

Palestinian firms are characterized as being particularly small and informal. While large firms create relatively more jobs (as opposed to small and medium sized firms) throughout the MENA region, only 1% of firms in West Bank and Gaza are large firms. This is important because larger firms are better able to function successfully in environments with high transaction costs, while small firms tend to struggle. Since small firms tend to be less productive, and total private sector output is the sum of all output of individual firms, the implication is low economic growth. Therefore, the small firm size has important implications for the West Bank and Gaza's ability to create jobs to absorb its growing labor force.

Water and energy also pose severe constraints to private sector growth in the Palestinian economy. In particular, limited access to water constrains growth in the productive sectors of manufacturing and agriculture. The scarcity, cost, and high incidence of insufficiency of water reduce profitability and increase volatility for many Palestinian businesses. Energy is also an important constraint to economic growth, particularly in Gaza where power outages are a persistent problem. Domestic production is extremely limited, and electricity supplied from outside of WBG, especially in Gaza, is subject to cuts and limited hours of service, leading to people purchasing inefficient and costly generators.

Linkages to Mission Strategy and U.S. Government

A competitive Palestinian private sector is essential to the U.S. Government objective of reaching a peaceful resolution to the conflict between Israelis and Palestinians. USAID's efforts to develop the economy of the West Bank and Gaza demonstrate the commitment of the USG to providing assistance that helps to improve the lives of Palestinians and contributes to building a more democratic, economically viable, stable and secure region.

SMART falls under Development Objective (DO) 2 ("Economic Growth and Infrastructure") of the USAID/WBG Results Framework, and contributes directly to Intermediate Results (IR) 2.2 ("Increased competitiveness of targeted sectors") and IR 2.3 ("Improved business and investment enabling environment") of the Mission's approved Economic Growth Project (EGP). To the extent that SMART interventions facilitate reforms that reduce barriers to trade, movement and access, the activity also reinforces IR 2.1 ("Reduced barriers to trade and improved movement and access for people and goods").

Linkages to Palestinian Priorities

SMART will support PA priorities through alignment with the following Strategic Objectives (SO) under the economic development and employment sector outlined in the PA's National Policy Agenda 2017-2022:

- SO1: Investments creating employment opportunities have increased;
- SO3: National productive capacity and the competitiveness of Palestinian businesses have improved; and
- SO4: Entrepreneurial and innovative initiatives among the youth and women have expanded, both quantitatively and qualitatively.

Additionally, SMART will support the PA's 2017-2022 National Economic Plan (NEP). The NEP calls for achieving sustainable economic development by increasing the competitive capacity and productivity of Palestinian productive sectors by furthering the Palestinian economy's integration into the global economy.

The activity aligns with the PA's National Export Strategy. It supports each of the strategy's four Strategic Objectives:

- "SO1: To promote a dynamic business environment enabled by a policy and regulatory environment to support innovation and investment in the export sector;
- SO2: To build the capacities of the exporting sector to diversify and penetrate international markets;
- SO3: To maximize the contribution of exports to socio-economic development through enhanced export competitiveness; and
- SO4: To build and promote the image of Palestine as a supplier of value-added quality products and services."

In addition, the PA's National Agricultural Sector Strategy for 2017-2022 and the Palestinian Industrial Development Strategy are important. The latter, released by the Ministry of National

Economy in November 2016, plans to raise the percentage of industrial input of GDP from less than 14% to 25% over a ten-year period (2016-2025).

Donor Coordination

Donors active in Micro, Small, and Medium Enterprise (MSME) development include the European Union, the World Bank, the United Kingdom, Canada, France, and Germany. SMART will work on conducting donor mapping in the MSME space, and the activities will be coordinated with other donors and stakeholders to avoid duplication and to encourage strategic investments.

III. PRIORITIES TO ADDRESS

The global COVID-19 pandemic, which hit the West Bank and Gaza in March 2020, has brought most economic activities to a halt with a decline in Gross Domestic Production (GDP) of 11.5% in 2020 compared to 2019, an estimated $1.1 billion fiscal deficit, and substantial losses in employment and disposable income.

In response to the emerging pandemic, a state of emergency was declared, shutting down the majority of the economic activities, banning large gatherings, closing educational institutions, and restricting movement. More than two thirds of the Palestinian economic establishments were forced to close down for about one and a half month during the period between March and May 2020. Private enterprises lost more than half of their production or sales during the lockdown period. The Palestinian private sector was caught by surprise, making cash flow and financial projections worthless, and hurting businesses of every size, but especially micro, small and medium size enterprises (MSMEs), as has been the case worldwide. The vast majority of businesses and workers lost their cash flow, which made it harder for them to sustain their business and pay their bills. A significant portion of firms laid off many of their workers to cut costs. Daily wage workers lost their source of income, and hence, their ability to meet their daily needs. More than 66,000 employees lost their jobs during 2020, leading to an increase in the unemployment rate that reached 23.4% and resulting in a decline of 14% in the GDP per capita and new segments of the population entering poverty and extreme poverty. UN Women Palestine found out that 95% of Palestinian females in women-led MSMEs reported their businesses being negatively impacted by the COVID-19 pandemic compared to before. Assessments show that women-led businesses generally face more challenges than male-led ones, but this has become more problematic since the pandemic. On the consumer demand side, there has been a clear shift towards solely essential spending. In 2020, the volume of trade exchange to and from the West Bank and Gaza reached $10 billion with a decline of 10% compared to 2019. This resulted from a decline of 7% in exports, that reached $2.5 billion, and a decline of 11% in imports that reached $7.4 billion. Therefore, the trade balance witnessed a deficit of around $5 billion. As a result of sharp decrease in revenues, the PA's budget deficit is estimated to reach $1.1 billion by the end of 2020, which threatens the PA to remain on a verge of financial collapse, causing potential instability in the region.

The situation was exacerbated by the refusal of the PA in June 2020 to receive its clearance revenues from Israel (following the latter's declared intention to annex large parts of the West Bank) and its inability to pay full salaries to its employees. This situation has lasted for about five months, until

November 2020, until the PA normalized relations with Israel to continue receiving its clearance revenues.

The complex political situation, combined with the crisis caused by the pandemic, has negatively affected the whole economic cycle in the West Bank and Gaza. This comes on top of other challenges facing the Palestinian private sector, including its inability to grow fast enough to create jobs, the high transaction costs it pays due to Israeli restrictions on movement and access, the deficiency in water and energy that poses severe constraint to economic growth, and the limited ability to penetrate global markets. Regional market dynamics have also been changed following the normalization agreements between Israel and some Arab countries, enabling more trade and investment flows between Israel and these countries. The emerging economic challenges have resulted in social unrest, instability, and increased frustration with the economic situation and PA decisions.

Private Sector Support

USAID aims to assist the West Bank and Gaza to achieve increased private sector-led economic growth in the Palestinian economy. One necessary intervention in accomplishing this goal is to get businesses back to work, re-link them to traditional and new markets, and focus on improving the Palestinian private sector's competitiveness in sectors with potential for growth. Since competitiveness is defined as the set of institutions, policies and factors that determine the level of productivity of a country, the SMART Activity theory of change hypothesizes that economic growth is the result of sustained increases in value (productivity) at the firm level. For that to happen, firms must penetrate new markets, increase sales, and become incentivized to make investments that improve quality, decrease costs, recruit new talent, and lead to efficiencies of scale. Sales and export growth equate to business expansion which, in turn, results in additional productivity-enhancing investment and job creation. In addition, for Palestinian firms to sell more, they will at times need to resolve systemic constraints - often stemming from a weak or insufficient legal and regulatory environment and restrictions around movement and access - that prevent transactions from taking place.

Following this logic, SMART shall focus on helping firms to recover, get back to work, increase their productivity and sales, identify constraints to selling more, and, when feasible, remove these obstacles to the consummation of business transactions. This assistance will result not only in enhanced sales and exports, but, in turn, a growing and increasingly competitive private sector in the West Bank and Gaza. In summary, increased sales lead to productivity-enhancing investments which, in turn, improve competitiveness. Sustained improvements in competitiveness result in growth and job creation at the firm level.

Systemic reductions in transaction costs, combined with strategic policy or regulatory improvements, will unlock the Palestinian economy's potential for business, trade, and employment generation. In addition, if the PA can achieve greater efficiency and effectiveness in the collection of public revenues, including through exercising greater control over its own customs territory, the private sector will respond by increasing investment, expanding business activity, and hiring more workers. Trade, investment, and job growth, in turn, will broaden the tax base and over time create the fiscal space for greater public investment in critical services and infrastructure. Improvements in the environment for trade and investment will help to increase political and economic stability in the region, and give the Palestinian people hope for the future.

Limited data is available on the reality of start-ups and SMEs in the West Bank and Gaza post COVID-19 crisis. In addition, limited knowledge has been developed by the private sector on market penetration opportunities post COVID-19 in general, and those emerging after the normalization agreements between some Arab countries and Israel, in particular. These data and knowledge should be available when making funding decisions by SMART in order to invest in highly rewarding interventions that can address Palestinian economic priorities and help businesses recover, grow and expand.

Finally, SMART shall rapidly respond to the severe damages to, and losses of, the private sector and help jump-start the production cycle of affected firms that can sustain and increase employment opportunities and/or maintain or increase their market shares.

IV. ACTIVITY DESCRIPTION

A. Goal:

The **Small and Medium Enterprise Assistance for Recovery and Transition (SMART)** Activity aims to rapidly recover the Palestinian small and medium enterprises (SMEs) and put them on a **path to revitalization and growth** following the unprecedented crises, e.g. COVID-19

B. Hypothesis:

If Palestinian start-ups and SMEs recover, revitalize, expand productivity, and access markets, and **IF** policy and institutional constraints to competitiveness and trade are eliminated, **then** investments will be enhanced, competitiveness will be improved, jobs will be created, and economic growth will be promoted.

C. Objectives:

Small and Medium Enterprise Assistance for Recovery and Transition (SMART) aims to put Palestinian start-ups and Small and Medium Enterprises (SMEs) on a **path to recovery and revitalization** after the extraordinary COVID-19 crisis and resulting economic shocks faced by the private sector. The activity consists of two main objectives with a cross-cutting objective:

Objective 1: Palestinian start-ups and SMEs recover and get back to business and markets.

Objective 2: Policy and Institutional Constraints to Competitiveness and Trade are eliminated.

Objective 3: Emergency Rapid Response.

Cross-Cutting Objective: Research and analysis to inform evidence-based decision making in addressing Palestinian economic priorities.

SMART will help businesses recover, regain productivity, grow, and expand. It will promote economic growth and self-reliance in the West Bank and Gaza.

USAID envisions that the SMART activity could be organized along components that correspond to the below-described objectives and sub-objectives. Offerors are welcome to suggest an alternative approach if it better serves achieving the purpose and objectives of SMART.

Description of Objectives:

Objective 1: Palestinian start-ups and SMEs recover and get back to business and markets.

Under this objective, the activity aims to target businesses that have been affected by the latest COVID-19 crisis and that have growth potential in domestic or international markets but need support. Areas for support could include getting back to work, modifying product lines, expanding production, improving quality, introducing new technology, and using clean energy for production. The Implementing Partner shall provide demand-driven, transactional, firm and sector-level support through packages of grants and technical assistance. While SMART will generally take a sector-agnostic approach, assistance shall include promoting resilience, recovery, and growth in the Palestinian tourism sector in the West bank and East Jerusalem by implementing innovative and flexible solutions to help the tourism sector survive, recover, and grow out from the crisis caused by the COVID-19 pandemic.

The activity will build on past USAID competitiveness projects and will also encourage entrepreneurship, technology transfer to Palestinian producers, and innovative product development by providing targeted technical assistance and grants to entrepreneurs. It will also support the improvement of the West Bank and Gaza, as well as East Jerusalem, business linkages to more advanced regional ecosystems. The activity will help stabilize the region as it will create employment opportunities and improve the economy.

Leveraging private sector investment is an important aspect of this activity. As such, the Implementing Partner's assistance must be designed to incentivize firms to invest in their own growth. In some cases, firms may only need technical assistance from USAID. But in many cases firms will require additional assistance, such as equipment upgrades, standards certifications, training or other activities designed to improve a firm's competitiveness. Client firms will share the cost of the solutions they implement with project support. This activity will not underwrite the full costs for project support to any firm. Exceptions may be made on a case by case basis with USAID approval. The firms' cost share can include in-kind contributions as well as cash outlays.

Sub-Objective 1.1: Firms Recover from the COVID-19 crisis through access to finance

Many businesses have depleted revenues as a result of the latest crisis resulting from the COVID-19 pandemic and will need to immediately access capital in order to resume operations, grow, and expand. SMART will provide grants to firms in order for them to recover from the impact of the ongoing crisis and get back to work as soon as possible. SMART will also facilitate access of start-ups and SMEs to finance from equity or debt sources to leverage its grants. Grants should only be provided to firms that can demonstrate potential for revitalization and growth. Generally, the

Implementing Partner should consider providing grants with technical assistance to firms (see sub-objective 1.2).

Sub-Objective 1.2: Firms achieve increased productivity, growth, expansion, and access markets.

SMART will support firms to revitalize, grow, and reach new levels of productivity, increase competitiveness, and increase market penetration through providing technical assistance to address the key growth challenges.

The activity will support businesses to become more resilient, able to survive shocks, and overcome the high transaction costs. It will assist them to grow, upgrade their products, and increase penetration of Palestinian products to local and global markets.

Objective 2: Policy and Institutional Constraints to Competitiveness and Trade are eliminated.

If the constraint to client firms' growth is systemic (i.e. policy and institutional), the Implementing Partner will work with those firms, as well as trade and business organizations, to come up with the solutions. If client firms' policy or institutional constraints have solutions that are feasible and cost-effective, the Implementing Partner will proceed to address such constraints. Regular interaction with private sector firms receiving assistance under Objective 1 will inform the Implementing Partner about systemic issues that constrain the private sector.

Although the majority of systemic support is expected to be driven by the findings from firm-level assistance, specific systemic constraints that are not coming from client firms can be addressed when assistance can have a demonstrable impact on trade facilitation or improving the business and investment enabling environment.

The Implementing Partner must be prepared to work with a variety of stakeholders to address systemic constraints to growth in the West Bank and Gaza, including private sector associations, trade representatives, business services providers, the Palestinian Authority, and the Government of Israel.

Objective 3: Emergency Rapid Response.

The Implementing Partner shall provide rapid response emergency assistance of goods, services, equipment, and machinery to the private sector. Such assistance may include, but is not limited to, providing assistance to damaged private sector establishments in the industrial, commercial, information technology and telecommunication, and tourism sectors; restoration and improved productivity of agricultural lands; installation of greenhouses; and supporting livestock production and fishing.

Illustrative examples under this objective include:

- Assist ICT companies, engineering offices, restaurants, and other businesses that urgently require office equipment, such as computers, telephones, and furniture to continue their operations.
- Replacement or repair of machines and equipment in damaged factories, construction firms and production plants that have lost their core production equipment.
- Supply and installation of solar energy panels to provide a power source to commercial establishments that have limited access to electricity.
- Supply and installation of agricultural inputs such as greenhouse materials, fishing equipment, and livestock to help rebuild farmers' assets base.
- Supply and installation of advanced drip irrigation and crop management technology to overcome water scarcity in the agricultural sector.

Cross-Cutting Objective: Research and analysis to inform evidence-based decision making in addressing Palestinian economic priorities are conducted.

Research and analysis are central components in this activity. SMART will build and expand on previous analyses conducted by USAID and other donors in the area of private sector development in order to implement informative and evidence-based interventions. Research should inform the activity of champions to work with and local systems to build, and should drive market based solutions from the private sector to ensure sustainability.

Collaboration, Learning, and Adaptation (CLA) principles will be reflected throughout the activity's interventions. Collaboration with stakeholders, beneficiaries, counterparts, and other USAID activities will be prioritized, learning will be reflected, captured, shared, and utilized by project staff, and the activity will translate collaboration and learning into any necessary adaptation.

Results and indicators:

SMART falls under Development Objective (DO) 2 ("Economic Growth and Infrastructure") of the USAID/WBG Results Framework, and contributes directly to Intermediate Results (IR) 2.2 ("Increased competitiveness of targeted sectors") and IR 2.3 ("Improved business and investment enabling environment") of the Mission's approved Economic Growth Project (EGP). To the extent that SMART interventions facilitate reforms that reduce barriers to trade, movement and access, the activity also reinforces IR 2.1 ("Reduced barriers to trade and improved movement and access for people and goods").
Anticipated outcomes/results include:

- Accelerated return to pre-COVID-19 productivity in the West Bank and Gaza.
- Increased private sector-led economic growth in the West Bank and Gaza.
- Improved competitiveness of the Palestinian private sector.
- A more conducive enabling environment for business, investment and trade created.
- Reduced transaction costs facing the Palestinian private sector.
- Capability to serve and return to 2019 international tourist numbers.
- Increased share of domestic tourism relative to total tourism.
- Jump-start the production cycle of affected private sector firms.

The Implementing Partner will ensure integrated tracking of performance indicators in the Activity Monitoring, Evaluation, and Learning Plan (AMELP) that incorporates output, outcome, and/or context measures for each result. The AMELP will identify indicators, the chosen methods to collect data in order to monitor and evaluate the progress and impact of program activities, and the schedule for monitoring, evaluation, and learning from activities. The Implementing Partner will gather and use baseline data in order to evaluate activity results. All data collected will be gender-disaggregated and surveys and other monitoring and evaluation tools shall include questions to elicit information that allows differentiation of impacts based on gender.

Standard indicators can be drawn from the updated (2017) Standard Foreign Assistance Master Indicator List (MIL), available at: http://www.state.gov/f/indicators.

D. **Guiding Principles:**

Gender and Youth

I. **Gender**

The Impacts of COVID 19 pandemic aren't gender neutral. Women account for 54 % of the overall job losses due to the pandemic, and female job loss rates are about 1.8 times higher than male job-loss rates globally. As a result of the lockdown that was implemented following the COVID-19 pandemic compared to previous years, the percentage of Palestinian women's participation in the labor force was 16% of all working-age women's in 2020, after it was 18% in 2019, knowing that the rate of male's participation in the labor force reached 65% in 2020, compared to 70% in 2019. USAID works to ensure that all women have the opportunity to reach their full economic potential, to promote prosperity and peace for all according to the 2020 USAID Gender Equality and Women Empowerment Policy and White House Women's Global Development and Prosperity (W-GDP) Initiative.

The Implementing Partner will mainstream gender into its day-to-day operations, including identifying and addressing gender - related changes in the field when relevant, setting targets for the number of women-owned firms supported and number of jobs generated for women. The Implementing Partner will promote gender equity in its interventions, as well as incorporate gender issues into its key project performance indicators. Specific gender interventions will not be a separate activity under the project, nor will the project focus on gender studies. The Implementing Partner will develop a gender strategy that speaks to the gender analysis and incorporates practical ways in the West Bank and Gaza to reach women and expand their economic opportunities through its project interventions.

II. Youth

According to the United Nations' Economic and Social Commission for Western Asia (ESCWA), West Bank and Gaza's youth (ages 15-24) unemployment was 46.8 % in 2018. With informal employment generally the norm for virtually every young employed person in the West Bank and Gaza and with only 5.1% of them being employed in the formal economy, jobs for youth are a critical development challenge. As such, the Implementing Partner will integrate youth considerations in day-to-day operations. In pursuant of competitiveness opportunities, the Implementing Partner will engage youth whenever practicable in economic activities that will help to facilitate their entry into the labor market. The Implementing Partner will collaborate with the private sector and key stakeholders to help address increased employment for youth and inform youth about options for obtaining skills and jobs, particularly those offered by this activity's client firms. The Implementing Partner will develop a youth strategy that incorporates practical ways in the West Bank and Gaza to increase employment among youth.

Inclusive Development

USAID is committed to the inclusion of people who have physical and cognitive disabilities and those who advocate and offer services on behalf of people with disabilities. This commitment extends from the design and implementation of USAID programming to advocacy for and outreach to people with disabilities. USAID's policy on disability is as follows: to avoid discrimination against people with disabilities in programs that USAID funds and to stimulate an engagement of host country counterparts, governments, implementing organizations, and other donors in promoting a climate of nondiscrimination against and equal opportunity for people with disabilities. The USAID policy on disability is to promote the inclusion of people with disabilities both within USAID programs and in host countries where USAID has programs. USAID therefore requires that the Implementing Partner not discriminate against people with disabilities in program implementation and that it makes every effort to comply with the objectives of the USAID Disability Policy in performing this contract. To that end, and within the scope of the agreement, the Implementing Partner's actions must demonstrate a comprehensive and consistent approach to including men, women, and children with disabilities.

Environment

The Implementing Partner shall apply environmental due diligence on all activities in line with USAID rules and regulations. The Implementing Partner shall identify potential environmental impacts of USAID-financed activities prior to a final decision to proceed and ensure that appropriate environmental safeguards are adopted for all activities.

Sustainability

Sustainability is integral to this activity. Approaches to implementation must be sought to ensure the sustainability and self-reliance of Palestinian start-ups and SMEs after the activity ends. Firms are defined as sustainable if their expansions are derived from normal market processes and not transfers from government or non-profit actors.

SMART will take a multifaceted approach to sustainability by working at every turn to build lasting relationships, supporting sustainable organizations, identifying champions from the early stages of implementation, and building the capacity of local stakeholders to take on more responsibility for implementation of activities as time passes. All SMART activities will be focused on yielding measurable economic growth impacts, while strengthening overall capacity of local institutions. This will help bring credibility to the process and allow stakeholders to see the value in working together to promote growth.

SMART will integrate sustainability into its implementation plan and the learning agenda of its Activity Monitoring, Evaluation, and Learning Plan. It will develop a well-conceived sustainability plan which describes the resources, technical and managerial capacities, and linkages that will sustain program outcomes and/or activities after the program ends. In terms of implementation, a crucial element to any business's sustainability is the transaction (sale). That is, without repeated orders over the long-term, a business will ultimately fail. Therefore, this activity's sustainability plan must equate to long-lasting economic partnerships and buyer-seller relationships forged throughout the business production and distribution process leading to increased sales and employment.

Technology, Innovation and Partnerships

This activity seeks new applications of technology, innovation and partnerships to provide the best value to the U.S. Government and have the potential to contribute substantially to increasing the competitiveness of businesses in the West Bank and Gaza. It is expected that the Implementing Partner will achieve these results by embracing innovative approaches, new technologies, and by expanding on the achievements made under previous USAID projects. As such, the Implementing Partner is expected to pursue creative products and approaches that embrace technology, innovation and partnerships that will have a significant impact in addressing the business and competitiveness challenges in the West Bank and Gaza.

Activity Monitoring, Evaluation, and Learning Plan (AMELP)

The Implementing Partner is required to submit for AOR approval an AMELP for the life of the Activity based on its proposed Monitoring, Evaluation and Learning (MEL) strategy for collecting, evaluating, and validating data which will be used to measure overall progress towards Mission goals. The AMELP will be updated annually along with the activity's implementation plan. All aspects of the AMELP comply with ADS 201 on assessing and learning and adhere to the following:

- Activities must have an approved AMELP in place before major implementation actions begin. The AOR will work with the Recipient and the Mission's M&E Specialist(s) to ensure that the AMELP is consistent with, and meets the data collection needs of the Mission's Performance Management Plan (PMP), and the Mission's Annual Performance Plan and Report (PPR).
- Within 60 working days of award and prior to submitting the AMELP, the Recipient should submit a theory of change describing the causal and logical relationships between different levels of results, along with the associated interventions, indicators and other performance data, and critical assumptions under each result. The work plan should also reflect the causal and logical relationship between results and the performance measures to track progress.
- The AMELP should include a narrative that clearly articulates the activity's theory of change, describing the causal and logical relationships between different levels of results, along with the associated interventions, indicators and other performance data, and critical assumptions under each result. The AMELP should also present a logic model that illustrates these results, the causal and logical relationships between them, and the indicator and other performance data required to measure each.

- The AMELP should include approaches for a systematic, intentional and resourced approach to a strategic collaboration, continuous learning and adaptive management. In developing the AMELP, the Recipient should identify and describe: learning objectives with corresponding information needs; strategic opportunities to "pause and reflect" and coordinate and collaborate with stakeholders; approaches for regular learning to address the identified learning objectives; plans for documenting the knowledge and learning from these opportunities, and disseminating findings; resources (financial and human resources as well as tools) needed to implement learning approaches; and, approaches to adapting/adjusting implementation and programming as a result of this learning.
- The Recipient will develop performance indicators and establish baselines and targets for output, outcome, and impact level monitoring, as well as benchmarks for performance over the life of the activity. The AMELP should also contain metrics for the sustainability of successful interventions introduced with activity support. The AOR will provide a list of Mission PMP indicators required for the activity. The AMELP must include the required Mission PMP indicators along with any others being proposed by the Recipient that are deemed necessary or useful in measuring progress against the overall go Recipient al and project objective(s). Selected indicators should be a combination of performance and context indicators. Recipients should be strategic in their selection of additional indicators to ensure an appropriate balance between required data and the resource costs of data collection, analysis and reporting. The AMELP must include quarterly and/or annual targets, as per the indicator requirements, necessary to reach the life of project targets identified by the Mission for required Mission indicators and identified by the Recipient for all other indicators. USAID criteria for selecting performance indicators is that they be direct, objective, practical, adequate, management useful and reflect progress toward achieving results, and, to the extent possible, be attributable to USAID. Performance data must meet reasonable quality criteria of validity, reliability, timeliness, precision and integrity. The Recipient and USAID will agree upon the final choice of performance indicators useful for timely management decisions and credibly reflecting the actual performance of the activity.
- USAID/ West Bank and Gaza may require the Recipient to track and report on additional performance indicators subject to changing of Agency guidance and/or the requirements of specific funding sources and the Mission's own Performance Management Plan (PMP).
- The Recipient must collect, analyze, and submit to USAID data disaggregated by gender and geographic location as applicable. To ensure that USAID assistance makes the maximum optimal contribution to gender equality, performance management systems and evaluations must include gender-sensitive indicators and gender-disaggregated data when applicable and feasible; M&E plans should also capture proposed actions that will address any identified gender-related issues. Geographic disaggregation is required to the first administrative level at a minimum; in the West Bank and Gaza this corresponds to the governorate level. The Recipient should also consider including other relevant disaggregation for indicators – for example, age and type of institution.
- The AMELP must also include, in consultation with USAID, agreed-upon planned internal and external evaluations and evaluation questions that are salient to the implementation, adaptation or review of the activity in line with the USAID Evaluation Policy. The AMELP should demonstrate how the timing and content of evaluations and questions will: help clarify and focus activity objectives; serve as an early warning system, forecasting, and

reporting tool; promote on-going discussions pertaining to activity scope and direction; and, aid in effective management and decision making.

- The AMELP must also include an explanation of the monitoring approach and estimated resources required to successfully implement the AMELP. This will be done through describing the Recipient's M&E system, including policies and procedures for how data and information will be collected, analyzed, and used; methodology of establishing baselines and targets; staffing/expertise, roles and responsibilities for the management and implementation of the AMELP; systems (automated or other) where data will be collected and stored; resources for MEL functions; procedures for communicating with USAID; means of adapting and learning; schedule for MEL functions, such as reporting performance data, assessing progress and making adjustments if needed; etc.
- Reporting on performance indicators will be done through the Mission's performance management information system, which is currently DevResults.

END OF SECTION A"

III. SECTION B: FEDERAL AWARD INFORMATION

A. Delete subsection 1. In its entirety and insert the following in lieu thereof:

"1. Estimate of Funds Available and Number of Awards Contemplated

Subject to funding availability, USAID intends to provide $40 million in total USAID funding over a four year period. The ceiling for this activity is $40 million. Actual funding amounts are subject to availability of funds and internal USAID approvals.

USAID intends to award one (1) Cooperative Agreement pursuant to this notice of funding opportunity. USAID reserves the right to fund any or none of the applications submitted."

B. Delete subsection 2 in its entirety and insert the following in lieu thereof:

"2. Start Date and Period of Performance for Federal Awards

The period of performance anticipated herein is four years. The estimated start date will be upon the signature of the award, on or about August 2021."

IV. SECTION D: APPLICATION AND SUBMISSION INFORMATION

A. Delete the first paragraph under Subsection 5. '**Technical Application Format' and replace with the following:**

"The technical application should be specific, complete, and presented concisely. The application must demonstrate the applicant's capabilities and expertise with respect to achieving the goals of this program. The application should take into account the requirements of the program and merit review criteria found in this NOFO. **Applicants should NOT include or address Objective 3 of the Program Description 'Emergency Rapid Response' within their Technical Application. A lump sum of $10 Million should be allocated for this objective within the Cost Application. Objective 3 will be triggered during activity implementation, as needed and subject to availability of funds, by USAID/West Bank and Gaza.**

The application requires the following sections in this order:

- Cover Page (not included in the page limit) (See Section D.3 above for requirements)
- Table of contents (not included in the page limit) Include major sections and page numbering to easily cross-reference and identify Merit Review Criteria. (See Section E)
- Acronym list (not included in the page limit) this section is limited to two pages and must spell out any acronyms that are utilized in the Technical Application. A table format is acceptable.
- Executive Summary (not included in the page limit) In two pages or less, the Executive Summary should summarize the key elements of the applicant's technical strategy, management approach, implementation plan, expected results, monitoring, evaluation and learning and sustainability plan.
- Technical Narrative (not to exceed 30 pages)
  - Technical Approach
  - Management Plan
  - Key Personnel and Staffing Plan
  - Institutional Capability
- Annexes (not included in the page limit).
  - Annex A - Staffing and Management Plans and Organizational Chart
  - Annex B - Curriculum Vitae for Key Personnel (CV)
  - Annex C- Sustainability and Self-Reliance Plan (not to exceed 2 pages)
  - Annex D- Activity Monitoring, Evaluation, and Learning Plan (not to exceed 4 pages)"

B. Under Key Personnel – Replace the typo of 'five Key Personnel positions' with 'four Key Personnel positions'.

V. SECTION F: FEDERAL AWARD ADMINISTRATION INFORMATION

A. Delete the contents of section 6. 'Environmental Compliance' in its entirety and insert the following in lieu thereof:

"6. Environmental Compliance:

The Foreign Assistance Act of 1961, as amended, Section 117 requires that the impact of USAID's activities on the environment be considered and that USAID include environmental sustainability as a central consideration in designing and carrying out its development programs. This mandate is codified in Federal Regulations (ADS 204) and in USAID's Automated Directives System (ADS) Parts 201.5.10g and 204 (http://www.usaid.gov/who-we-are/agency-policy/series-200), which, in part, require that the potential environmental impacts of USAID-financed activities are identified prior to a final decision to proceed and that appropriate environmental safeguards are adopted for all activities.

Below is the analysis of the potential environmental risk under the SMART activity:

Objective 1: Palestinian start-ups and SMEs recover and are back to business and markets	
Activity	**Potential environmental and social impacts**
1.1 Firms Recover from the COVID-19 crisis through access to finance 1.2 Firms achieve increased productivity, growth, expansion, and access markets.	Support SMEs might include firms with operations/processes that have negative impacts on the environment. Although many SMEs do relatively little direct environmental damage, those involved in manufacturing or production of commodities can cause significant environmental and related public health difficulties, which vary as broadly as the types of enterprises. SMEs can be more pollution-intensive than larger enterprises (per unit of production). When they are numerous and/or concentrated they can create environmental problems of alarming proportions. The adverse environmental impacts of SMEs can impose heavy social and economic burdens on their communities--degrading the ecosystem and food sources, undermining the health of neighbors and workers, and consuming fuel and resources beyond the point of renewability. These burdens in turn place significant costs upon not only the culpable SMEs, but also other businesses--such as costs of procuring fuel, and costs of lost worker productivity due to sickness or injury. Environmental problems that may be caused by SMEs include: • Chemical and hazardous waste. • Air pollution and particulate dust. • Water pollution. • Soil erosion. • Natural resource depletion. • Solid waste. • Odor. • Noise. • Health and safety risks. • Adverse social impacts Many decisions made by SMEs have the potential to harm the environment and public health. Specific examples may include:

	• Location decisions. • Purchasing decisions. • Processing/manufacturing decisions. • Housekeeping decisions. • Waste disposal decisions. Overall, adverse impacts are often caused by poor practices that go uncorrected because people do not have the right technical information or outdated inefficient practices and equipment. Insufficient knowledge can lead to improper use of chemicals, inadequate treatment or disposal of solid and liquid waste, uncontrolled chemical air pollution, and production techniques that make intensive use of nonrenewable resources. Health and safety problems, in particular, are compounded by ignorance of industrial safety and environmental standards, as well as by lack of awareness of protective devices and equipment that are generally inexpensive and easy to obtain. Furthermore, interventions to increase access to markets are not expected to cause any direct environmental or social impacts. Though increased access may result in increased production which can lead to increased waste generation and pollution from processing and manufacturing. To be competitive, access to international markets may drive improvements in environmental performance of the SMEs.

Objective 2: Policy and Institutional Constraints to Competitiveness and Trade are eliminated	
Activity	**Potential environmental and social impacts**
Policy and Institutional Constraints to Competitiveness and Trade are eliminated	Interventions under this Objective are not expected to cause any potential adverse environmental or social impacts Improving environmental policy and incentivizing companies to adopt pollution prevention and cleaner production processes will increase competitiveness and reduce adverse impacts of operations

Cross-Cutting Objective	
Activity	**Potential environmental and social impacts**
Research and analysis to inform evidence-based decision making in addressing Palestinian economic priorities are conducted.	Interventions under this objective are not expected to cause any potential environmental or social impacts

ENVIRONMENTAL DETERMINATIONS

RECOMMENDED ENVIRONMENTAL DETERMINATIONS

The following table summarizes the recommended determinations based on the environmental analysis conducted. Upon approval, these determinations become affirmed, per 22 CFR 216. Specified conditions, detailed in Section 5, become mandatory obligations of implementation, per ADS 204.

ENVIRONMENTAL DETERMINATIONS

Projects/Activities	Categorical Exclusion Citation (if applicable)	Negative Determination
1.0 Palestinian start-ups and SMEs recover and are back to business and markets.	22 CFR 216.2(c)(2)(iii)&(v)	☒ 22 CFR 216.3(a)(2)(iii)
1.1 Firms Recover from the COVID-19 crisis through access to finance		☒ 22 CFR 216.3(a)(2)(iii)
1.2 Firms achieve increased productivity, growth, expansion, and access markets.	22 CFR 216.2(c)(2)(iii)&(v)	☒ 22 CFR 216.3(a)(2)(iii)
2.0 Policy and Institutional Constraints to Competitiveness and Trade are Eliminated	22 CFR 216.2(c)(2)(i)&(iii)	☐
3.0 Research and analysis to inform evidence-based decision making in addressing Palestinian economic priorities are conducted.	22 CFR 216.2(c)(2)(iii)&(v)	☐

MITIGATION MEASURES

The mitigation measures presented in this section constitute the minimum required based on available information at the time of this IEE and the environmental analysis in Section 4. These measures shall provide general direction for completing the project/activity Environmental Mitigation and Monitoring Plan (EMMP) and/or the EA and PERSUAP, if required.

OBJECTIVE 1: PALESTINIAN START-UPS AND SMES RECOVER AND ARE BACK TO BUSINESS AND MARKETS.

SUMMARY OF MITIGATION MEASURES FOR PROJECT/ACTIVITY 1

Activity	Mitigation Measure(s)
1.1 Firms Recover from the COVID-19 crisis through access to finance	The following mitigation measures are recommended for all interventions under this objective: 1. The implementer shall develop a plan to create appropriate environmental screening criteria, tools, and procedures. This plan

1.2 Firms achieve increased productivity, growth, expansion, and access markets.	will include the procedure to screen both the firm (to categorize the SMEs according to the types and seriousness of environmental impacts) and to screen the sub activity itself for potential impacts. This plan to be approved by the COR and MEO and be submitted with the implementer work plan. 2. Based on findings from the environmental screening, the implementer shall perform environmental reviews of select SMEs that generate impacts of concerns and develop environmental monitoring and mitigation plan (EMMP), before any assistance can be approved. Such screenings should include opportunities to improve the SMEs environmental performance 3. The implementer should work closely with SMEs to develop the EMMPs. The implementer shall help SMEs to implement the mitigation and monitoring plans and help in developing the SMEs environmental strategies including, as appropriate, SOPs. 4. The implementer should factor climate change risks in the planning and design of the activity. 5. The implementer shall consider USAID principles provided under USAID's environmental sector guidelines (https://www.usaid.gov/environmental-procedures/sectoral-environmental-social-best-practices/sector-environmental-guidelines-resources) and other technical sources aimed at improving SME environmental operations: **Chapter 1: Introduction-MSEs and the Environment:** https://www.usaid.gov/environmental-procedures/sectoral-environmental-social-best-practices/mse-introduction/pdf **Chapter 2: Mechanisms for MSEs to Control Environmental Impacts:** https://www.usaid.gov/environmental-procedures/sectoral-environmental-social-best-practices/mse-mechanisms/pdf **Chapter 3: Institutionalizing Environmental Capacity:** https://www.usaid.gov/environmental-procedures/sectoral-environmental-social-best-practices/mse-capacity/pdf **Note:** Assistance for the procurement (including payment in kind, donations, guarantees of credit) or use (including handling, transport, fuel for transport, storage, mixing, loading, application, clean-up of spray equipment, and disposal) of pesticides or activities involving procurement, transport, use, storage, or disposal of toxic materials' will require the preparation of Pesticides Evaluation Report and Safer Use Action Plan (PERSUAP) and BEO approval prior to providing the assistance.

"

VI. Provide responses to the first round of questions raised under the subject RFA under Annex A to this Amendment.

All other terms and conditions of this NOFO remain unchanged and in full force and effect.

Sincerely,

/s/

Dana Rose
Agreement Officer
USAID/West Bank and Gaza

Annex A - Questions and Answer

1. Would USAID consider an extension of the submission deadline for the SMART Activity, NOFO 72029421RFA00002 given the recent outbreak of violence in Palestine?

   USAID Response: Amendment no. 1 extends the submission date to June 21, 2021.

2. Would USAID consider increasing the page limitation for Annex D Activity Monitoring, Evaluation and Learning Plan from 3 to 5pgs, especially given the emphasis on research and data gathering in program objectives?

   USAID Response: The page limitation of Annex D 'Activity Monitoring, Evaluation and Learning Plan' has been increased to 4. Please refer to amendment no. 1.

3. Gender Analysis and Strategy required by ADS 205 is mentioned in the background section on gender, but not listed in the Reporting Schedule outlined on p.43. Could USAID clarify the reporting requirements associated with the Gender Analysis and Strategy?

   USAID Response: USAID encourages its recipients and their sub recipients to develop and enforce comprehensive nondiscrimination policies. In line with USAID gender compliance requirements, it is imperative that due attention is given to integration of issues of gender equality into the SMART activity. To this extent, and as part of the activity monitoring evaluation and learning plan (AMELP), offerors are expected to report to USAID on results related to gender equality through the use of gender sensitive indicators and evaluations.

4. Could USAID provide the definition of SMEs that it expects the implementer to use in selection SMART participants?

   USAID Response: For the purpose of this RFA, USAID defines enterprises according to the size of the workforce, enterprises employing 5-19 persons are regarded as small, while those employing 20-50 persons are considered medium-size. Startups can have less than 5 persons.

5. Can USAID confirm that "youth" is defined as individuals between the ages of 15-24?

   USAID Response: Yes; confirmed.

6. Can USAID confirm that Offeror will support activities and SME development in West Bank, Gaza and East Jerusalem?

   USAID Response: USAID confirms that SMART will support activities and SME development in the West Bank, Gaza and East Jerusalem.

   a. Can USAID share if there are any limitations to supporting SMEs in Gaza?

b. Does USAID expect the Offeror to establish a physical presence in Gaza?

USAID Response:

a. There are no limitations.
b. It is up to the applicant to propose the optimal approach based on its proposed program.

7. Under SMART, will business associations, chambers of commerce, and similar organizations be eligible for technical assistance, training of trainers (TOT) support, and/or grants?

USAID Response: There are no restrictions to provide assistance to the mentioned above entities.

8. Is there a minimum threshold or number of expected start-ups supported under the program? Is there an expected success or failure rate for start-ups?

USAID Response: Offerors are expected to propose number of startups and SMEs to be supported and ways to ensure success and sustainability of the proposed assistance.

9. Is there a minimum growth threshold under the program? For example, a percentage increase in projected firm-level revenue growth?

USAID Response: Offerors are expected to propose this based on their technical approaches.

10. How does USAID anticipate grants being issued – equipment, technical assistance, activities etc.?

USAID Response: USAID anticipates grants to be in the form of equipment, machinery, and technical assistance. Grants may also support operational expenses such as salaries, if needed.

11. Does USAID expect there to be cash transfers to SME beneficiaries? If so, what procedural guidelines or restrictions will the implementer be expected to follow in executing cash transfers?

USAID Response: It is anticipated the SMART will pay the cost of goods, equipment, and machinery directly to the vendor. Operating expenses such as salaries, if any, will be paid to the service provider.

12. To ensure parity amongst Offerors, will USAID provide a plug figure for grants? Is there an estimated plug figure for grants? Is there a ceiling or limit on the value of grants per SME?

USAID Response: There is neither a plug figure nor ceiling for grants; it is up to applicants to propose based on their proposed program.

13. Please clarify the difference between the Management Plan and Staffing Plan in the Technical Narrative versus the Staffing and Management Plan in Annex A. Are we correct in thinking that USAID would like applicants to present a matrix listing all project staff positions (with names of candidates) in Annex A and just a "description of the staffing structure" in the Technical Narrative?

    USAID Response: The management plan should clearly specify the responsibilities, timeline and milestones for activity's interventions. The Staffing plan identifies the number and the types of positions needed to implement the activity and achieve the results.
    It is up to the applicants to present the information as they deem fit in accordance with the RFA instructions.

14. Page 23-24, Section D.5: Technical Application Format: USAID states that the Technical Narrative should include the Technical Approach, Key Personnel & Staffing Plan, and Management Plan. However, the components listed for the Technical Narrative (p. 24-28) include the Technical Approach, Management Plan, Key Personnel and Staffing Plan and Institutional Capability.
    a. May Offerors submit Institutional Capability as an annex in the technical volume?
    b. Can USAID confirm that the Management Plan includes Key Personnel and Staffing Plan?

    USAID Response: Please refer to Amendment No. 1 for instructions.

15. Could USAID please clarify the five required Key Personnel positions? The NOFO lists only four positions: COP, DCOP, Senior Business Advisor, and Procurement Grants Manager.

    USAID Response: Amendment No. 1 corrected this to read four Key Personnel positions only.

16. Can USAID please confirm if applicants should include the Assurances for Non-Construction Programs (SF-424B) under both the SF 424 Form(s) and Required Certifications and Assurances sections?

    USAID Response: Confirmed.

17. In reference to the formatting instructions in Section D.3 on page 22, may applicants use a 10- point font in textboxes?

    USAID Response: Yes a 10-point font in textboxes is acceptable.