**Concept Note**

**Path to Economic Recovery: Gaza Industrial Estate**

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| * **Agency** | * United Nations Development Programme/Programme of Assistance to the Palestinian People – UNDP PAPP |
| * **Country** | State of Palestine |
| **Sector/s** | Poverty reduction, Economic empowerment |
| * **Links to National Priorities** | Pillar 3: Sustainable Development  National Priority 6 – Economic Independence  Rebuild Palestine’s productive sectors, focusing on manufacturing, agriculture, tourism and restoring Gaza’s industrial base. |
| * **Sustainable Development Goals** | SDGs 1, 2, 5, 8, 9, 10, 12 |
| **Expected Outcome** | **UNDAF Strategic Priority 3:** Leaving no one behind: Supporting sustainable and inclusive economic development  **Outcome 3.2:** Palestinians have greater access to decent productive jobs  **Palestine Programme Framework:** Output 3.1.1 - Capacity investments in small producers in sourcing inputs, product design, business development, marketing enhanced |
| * **Expected Outputs** | **Output 1:** GIE main infrastructure enhanced through adding logistics centre, 10,000 m2 hangers for textile, furniture, food processing and ICT sectors, and the boundary wall.  **Output 2:** GIE utilities and services expanded to cover the needs of the new facilities  **Output 3:** Capacity Development of private sectors within GIE in production and marketing enhanced |
| * **Beneficiaries** | Private Sector Companies and farmers in the Gaza Strip and their employees |
| * **Location** | Gaza Industrial Estate, Karni area, Eastern Gaza city, Gaza strip |
| * **Implementing Partners** | Palestinian Industrial Estates and Free Zones Authority (PIEFZA), Palestinian Industrial Estate Development Company" (PIEDCO), Palestinian Energy Authority (PEA), Gaza Electricity Distribution Company (GEDCO) and Palestinian Water Authority (PWA) |
| * **Duration** | * 24 months |
| * **Budget** | 18,350,000 USD |

**Situation Analysis**

The context for economic development and recovery in the occupied Palestinian territory (hereinafter referred to as Palestine) is widely documented. In short, the environment for the Palestinian economy is very unfavourable. The Gaza blockade sharply limits imports and exports and almost totally prevents the movement of labour, with the three recent wars associated with widespread destruction of productive assets.

Slow growth in the last 12 years linked to contraction in manufacturing, construction and other sectors, combined with a sharp fall in aid for reconstruction meant that unemployment advanced. According to recent PCBS (May 1st, 2019) report; Unemployment rate in Palestine increased in 2018 to reach about 31% of the labor force participants compared with about 28% in 2017, where the number of unemployed individuals increased from 377 thousand in 2917 to 426 thousand in 2018. At the national level the unemployment rate was about 52% in the Gaza Strip in 2018 compared with 44% in 2017.

The highest Unemployment rate recorded among youth (19- 29 years) which reached about 69% in Gaza Strip, the youth graduates are the most subgroup suffering from unemployment with a rate of about 78% in Gaza Strip.

In 2017, poverty in Gaza was around 53%, and some 34% of people in Gaza Strip are in deep poverty, compared with around 6% percent in the West Bank. Poverty in Palestine is influenced by household size, labour force participation of the head of the household, and the refugee status of the head of the household. But living in female-headed households does not lead to a greater likelihood of being poor.

**Proposed Strategy:**

The Gaza Industrial Estate (GIE) is the first Palestinian industrial zone that has been established and managed by PIEFZA through private operator "Palestinian Industrial Estate Development Company" (PIEDCO) since 1997. The GIE was strongly supported by the PNA, EU, World Bank, USAID and international donor community. Currently, there are 33 enterprises utilizing fully the built-up premises in the industrial zone on 240 dunums. The existing workers based in the Gaza Industrial Estate are 2,000 labours including 30 females. There are still 360 dunums that are not invested and can be used effectively for serviced industrial zone.

According to the AHLC report in March 2018, Gaza’s economy has been deindustrialized over the last twenty years, with an erosion of its productive base. The size of the manufacturing sector, which is one of the key drivers of export-led growth globally, dropped from 16 percent of GDP in 1994 to less than 8 percent currently. In addition, the isolation of the labour force due to restrictions on the movement of people is expected to have led to an erosion in Gaza’s human capital.

The movement of goods, spare parts, raw materials and services is often blocked by border closures. Some of the industries are not protected and left to unfair competition with exported similar goods. The lack of skilled labours and their inability to develop specially with the restriction on the access of new technologies. Serviced land and physical infrastructure, mainly, water, sanitation and electricity essential for industry are in short supply and expensive.

Export-oriented industrial production is one of the main promising sectors to create sustainable employment and to stimulate overall economic growth. To improve industrial competitiveness and current living standards in Gaza, it is vital that Palestinian industry expands and moves into higher value-added activities, better quality goods, and markets that are more sophisticated.

**Project Outputs:**

**Output 1:** GIE main infrastructure enhanced through adding logistics centre, 10,000 m2 hangers for textile, furniture, food processing and ICT sectors, and the boundary wall.

**Main activities:**

Activity 1.1: Construction of 1500 m2 cold storage area

Activity 1.2: Construction of 600 m2 logistics building with all required facilities

Activity 1.3: Construction of 2000 m2 packing and stacking zone

Activity 1.4: Supply and install a scanner for commodities.

Activity 1.5: Construction of 10,000 m2 meters new hangers to be rented by enterprises and industries.

Activity 1.6: Construction of landscapes and green areas

Activity 1.7: Construction of the boundary wall around the GIE with monitoring cameras and alarm devices for securing the area.

**Output 2:** GIE utilities and services expanded to cover the needs of the new facilities

**Main activities:**

Activity 2.1: Construction of industrial 3,000 m3/day waste water treatment plant and pumping station

Activity 2.2: Rehabilitation of storm water collection lagoon

Activity 2.3: Construction of 4,000 meters length of sewage network

Activity 2.4: Construction of 65,000 m2 internal streets and roads

Activity 2.5: Construction of 4 transformers rooms and electricity network

**Output 3:** Capacity Development of private sectors within GIE in production and marketing enhanced.

**Main activities:**

Activity 3.1: Facilitate exchange of know-how and knowledge acquisition between existing industries and international expertise to bridge the gap of expertise according to advanced technologies.

Activity 3.2: Facilitation of ISO training and adaptation of existing industries in compliance with ISO standards through cost-sharing mechanism.

Activity 3.3: Support of professional/technical labour to upgrade the performance of the existing enterprises.

**Beneficiaries and the Target Groups**

Private Sector Companies and farmers in the Gaza Strip and their employees.

**Budget:**

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| **Expected outputs** | **Activities** | **Proposed budget (USD)** |
| Output 1: GIE main infrastructure enhanced through adding logistics centre, 10,000 m2 hangers, and the boundary wall | - Develop Detailed Design  - Construction works.  - Operation and Commissioning for six months  - Visibility and Community Outreach | 6,258,000.00 |
| Output 2: GIE utilities and services expanded to cover the needs of the new facilities | - Construction and rehabilitation works for water, Stormwater and infrastructure | 7,500,000.00 |
| Output 3: Capacity Development of private sectors within GIE in marketing enhanced | - Facilitate exchange of know-how and knowledge acquisition between existing industries and international expertise to bridge the gap of expertise according to advanced technologies.  - Facilitation of ISO training and adaptation of existing industries in compliance with ISO standards through cost-sharing mechanism.  - Support of professional/technical labour to upgrade the performance of the existing enterprises. | 2,250,000 |
| Contingency |  | 180,000 |
| **Total Inputs** |  | 16,188,000 |
| Total of PIU cost |  | 802,741 |
| Sub-total |  | 16,990,741 |
| UNDP GMS 8% |  | 1,359,259 |
| GRAND TOTAL |  | 18,350,000 |