



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 11-Apr-2018 | Report No: PIDISDSA24439



BASIC INFORMATION

A. Basic Project Data

Country West Bank and Gaza	Project ID P164412	Project Name Innovative Private Sector Development	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 03-Apr-2018	Estimated Board Date 31-May-2018	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) PALESTINIAN LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority)	Implementing Agency Ministry of National Economy through a private sector implementing agency	

Proposed Development Objective(s)

To improve economic opportunities for individuals and firms in the West Bank and Gaza.

Components

Entrepreneurship Ecosystem Development
Building an Outsourcing Hub in Gaza
Project Management

Financing (in USD Million)

Financing Source	Amount
Special Financing	13.00
Total Project Cost	13.00

Environmental Assessment Category

C - Not Required

Decision

The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Despite a strong initial recovery following the 2014 war, growth slowed significantly in 2017.** Large inflows of aid for reconstruction in Gaza and a strong pick up in consumption in the West Bank enabled the economy to recover with growth in real Gross Domestic Product (GDP) reaching 3.4 percent in 2015, followed by 4.7 percent in 2016. However, most recent data by the Palestine Central Bureau of Statistics (PCBS) indicates that growth levels dropped to 2.4 percent in 2017.¹
2. **The number of unemployed has been on the increase—which poses risks for peace and stability in the West Bank and Gaza.** According to data from the PCBS labor force survey for 2017, unemployment reached 27.4 percent—up 0.5 percent from 2016. The rise was driven by an increase in Gaza where the rate stood at 43.6 percent for 2017, up from 41.7 percent in 2016. In the West Bank, unemployment remained almost constant at 18 percent. Another issue leading to unemployment—especially for youth—is the education system failing to match skills to the needs of the labor market. The unemployment rate for recent graduates (of tertiary and secondary levels) is 60 percent, and the female labor force participation is 19 percent, which is remarkably low even when compared to the MNA average of 21 percent in 2017, one of the lowest regional rates in the developing world.²
3. **Private investment levels in the Palestinian economy have been low at around 15 percent of GDP in recent years,** far below most middle-income economies. Moreover, it is concentrated in the less productive non-tradable sector, including internal trade activities and residential constructions. Foreign Direct Investment (FDI) inflows, which are positively correlated with productivity growth, have been only around 1 percent of GDP on average over the last decade.
4. **A weak, albeit improving, domestic business climate is also a major obstacle for private sector activity and development.** Productive investments are inhibited by a patchwork regulatory climate which has been vulnerable to capture by vested interests. The West Bank and Gaza ranked 114th out of 190 economies in the 2018 *Doing Business* report—26 spots better from the 2017 ranking (140th). Although access to finance is not seen as an impediment for large firms, it continues to be a challenge for small and medium Enterprises (SMEs) and informal firms. SMEs suffer from power cuts and costly back-up arrangements to secure critical basic services, particularly in Gaza.

Sectoral and Institutional Context

5. **Entrepreneurship culture is growing in the West Bank and Gaza with the startup business ecosystem focused on ICT.** Considering the movement and access issues existing in other sectors such as agriculture, early stage investors tend to focus more on tech startups at the expense of other sectors. The entrepreneurship ecosystem—that is the combination of culture, enabling policies, finance, human capital, product markets, and institutional support of startups businesses—is developing and evolving with more youth choosing

¹ Based on data for the third quarter of 2017.

² World Bank FY18-20 Country Gender Action Plan for the West Bank and Gaza (data from 2016 WDI)



entrepreneurship as a career path—but key constraints and gaps in the ecosystem are still crowding-out private capital from driving significant growth.

6. **Based on consultations with stakeholders of the ecosystem—several gaps and constraints have been highlighted that are stunting entrepreneurial growth.** The quality of human capital in the entrepreneurship ecosystem is low—including the skill-sets of entrepreneurs and those of the IT professionals playing key support roles. Financing is available in the ecosystem, but it is not widespread, and the pipeline of deal flow is weak. As was identified during the Bank’s ongoing *Finance for Jobs* Series of Projects, there is organized funding at each of the key stages of the entrepreneurship lifecycle from at least one source, but often only one source. Angel investment is not organized or accessible to startups at seed / early stage. Palestinian entrepreneurs have limited access to markets for products. Many factors limit businesses from expanding beyond the domestic Palestinian market including the social and political climate, poor networks and linkages within accelerators and funds, and the perception that Palestinian products are of lower standards. The process of registering a business in the West Bank and Gaza is complicated, lengthy and unclear—with no automated business registration system. Many businesses in the West Bank and Gaza operate informally, sometimes as home-based businesses. These home-based entrepreneurs—many of which are women who do not have the opportunity to work outside—encounter significant regulatory barriers to formalization. Their inability to formalize transactions limits their size and growth.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To improve economic opportunities for individuals and firms in the West Bank and Gaza.

Key Results

- Beneficiary individuals of improved economic opportunity (number, % female)
- Beneficiary firms of improved economic opportunity (number, % female-owned)
- Amount of private investment raised by beneficiary firms³

D. Project Description

7. **This intervention will alleviate market failures related to gaps and binding constraints in the entrepreneurship ecosystem of the digital economy⁴ including in human capital, finance, product markets, enabling policies, institutional support, and connectivity.⁵** This is an area of global growth, utilizing the development and utilization of digital platform technologies, including in the automation of business registration. It is skill and education intensive, but less capital intensive than others, and is less likely to be impacted by the unique physical challenges of trade-exposed economic activity within WB & G. It leverages regional communities to access advanced technologies, both as a potential market for Palestinian intermediate digital outputs (e.g. coding, testing services etc.) but also as inputs to build the Palestinian entrepreneurial

³ Includes committed amounts

⁴ The digital economy is a term for all of those economic processes, transactions, interactions and activities that are based on digital technologies. As such, it potentially involves all firms and sectors using these technologies, although it often focusses on web-based or web-enabled business models.

⁵ Connectivity refers to the strength of the network for entrepreneurship stakeholders across and within various clusters of the ecosystem (e.g., the West Bank, Gaza, the Arab communities in the MENA region, diaspora Palestinians in the US, EU, UK, etc.)



ecosystem (via mentoring, market connections, angel investment, etc.).

Component 1. Entrepreneurship Ecosystem Development

Component 2. Building an Outsourcing Hub in Gaza

Component 3. Project Management

E. Implementation

Institutional and Implementation Arrangements

8. **The development of the Palestinian entrepreneurship ecosystem needs a professional entity with extensive expertise in private sector development to tackle the binding constraints of the ecosystem.** The PA Ministry of National Economy (MoNE) will conduct a competitive selection process for a Project Implementation Agency (PIA) from the private sector. The PIA—who will be either a consulting private sector firm, consortium or similar organization—must have extensive experience in implementing similar private sector development projects, preferably in the Middle East and North Africa region. Candidates will be evaluated based on proposals submitted to the PA in the context of a competitive process, in which applicants will be required to demonstrate the qualifications and competence of key staff, adequacy of methodology in responding to the proposed assignment and direct experience specifically related to the assignment. All candidates must be highly professional with a presence on the ground (i.e., an office) in both Ramallah and Gaza, in accordance with UN security directives.
9. **PIA Responsibility:** The PIA—shall be responsible for the day-to-day administration of overall planning, coordination, technical, fiduciary (i.e. procurement and financial management), monitoring, evaluation, safeguards, reporting and communication of the activities under the IPSD, all in accordance with the provisions of the Grant Agreement, the Implementation Agreement and the Project Operations Manual (POM). Detailed responsibilities of the PIA will be included under the Grant Agreement and the POM.
10. **Institutional Arrangements:** The recipient of the project grant—the Palestine Liberation Organization—shall, through the PA, cause MoNE to maintain overall responsibility for the IPSD project. An Advisory Committee, comprised of officials from MoNE, the PA Ministry of Finance, and representatives of the private sector, will be established, and the committee will provide strategic guidance to the PIA on implementation.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

West Bank and Gaza.



G. Environmental and Social Safeguards Specialists on the Team

Helen Z. Shahriari, Social Safeguards Specialist
Zeyad Abu-Hassanein, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project components finance soft capacity building activities in the ICT sector, the project activities do not have environmental impacts and do not trigger any safeguards policies. The environmental risk is “low”, and the environmental category for the operation is “C”, no further environmental assessment is needed

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
None

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower



capacity to plan and implement the measures described.

N/A

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

N/A

B. Disclosure Requirements

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

NA

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

NA

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

NA

Have costs related to safeguard policy measures been included in the project cost?

NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

NA

CONTACT POINT



World Bank

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Borrower/Client/Recipient

PALESTINIAN LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority)

Implementing Agencies

Ministry of National Economy through a private sector implementing agency
Suha AWADALLAH
Office Manager
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FOR MORE INFORMATION CONTACT

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APPROVAL

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Approved By

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Country Director:	Ranjana Mukherjee	11-Apr-2018
