COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS) ADDITIONAL FINANCING

Report No.: PIDISDSA19192

Date Prepared/Updated: 12-Jul-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	West Bank and Gaza	**Project ID:**	P158951
		Parent Project ID (if any):	P129861
Project Name:	Education to Work Transition Project Additional Financing (P158951)		
Parent Project Name:	West Bank and Gaza: Education-to-Work Transition (P129861)		
Region:	MIDDLE EAST AND NORTH AFRICA		
Estimated Appraisal Date:	17-Aug-2016	**Estimated Board Date:**	15-Dec-2016
Practice Area (Lead):	Education	**Lending Instrument:**	Investment Project Financing
Borrower(s):			
Implementing Agency:	Ministry of Education and Higher Education		
Financing (in USD Million)			

Financing Source	**Amount**
Borrower	0.00
Special Financing	5.00
Total Project Cost	5.00

Environmental Category:	C - Not Required
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate
Other Decision:	
Is this a Repeater project?	No

B. Introduction and Context

Country Context

The Palestinian economy is not growing enough to raise living standards and reduce high unemployment. The economy has witnessed a sharp deceleration in economic growth, from over 8 percent during 2007-11 to 3 percent during 2012-15. The sharp decline in growth has stifled the economy➢(s ability to create jobs for a growing youth population. Successful reform efforts and strong economic growth helped bring the relative size of the Palestinian overall fiscal deficit down from 24.6 percent of GDP in 2008 to 13 percent in 2010. However, despite these efforts at fiscal consolidation, the deficit to GDP ratio has remained stuck in the 10 - 13 percent range since 2010 -- on the back of a large wage bill and weak revenue performance. The economy has long suffered from the restrictions and political instability that continue to constrain private sector activity. In addition, the decline in donor funding from 32 percent of GDP in 2008 to 6 percent in 2015 has significantly contributed to the recent economic weakening. The internal divide between the West Bank and Gaza (WB&G), which has created a dual regulatory framework, has also negatively affected economic activity and the tax base.

In 2015, the economy bounced back from the 2014 recession but economic growth was barely enough to keep up with population growth. The 2014 Gaza war pushed the Palestinian economy into recession due to the devastating impact it had on economic activity and the livelihood of Gazans. From a very low base, economic growth was 6.8 percent in Gaza in 2015 ➢(with the reconstruction, wholesale and retail trade sectors being the main drivers. While it is positive that Gaza returned to economic growth, with the current pace of reconstruction, and with a lingering internal divide between Gaza and the West Bank, the Gaza economy is not expected to rebound to prewar levels before 2018. Overall growth in the Palestinian economy was limited to 3.5 percent due to a growth slowdown in the West Bank from 5.3 percent in 2014 to an anemic 2.5 percent in 2015 in the face of a significant decline in foreign aid and the liquidity squeeze caused by the Israeli decision to suspend the transfer of the Palestinian Authority➢(s (PA) taxes during the first four months of 2015. Given that population growth in the Palestinian territories is around 3 percent, economic growth witnessed in 2015 was not enough to increase per capita incomes.

Even though only a political resolution would allow the Palestinian economy to reach its full potential, easing the restrictions and implementing existing agreements could significantly improve the economic outlook. In general, granting Palestinians access to production inputs and external markets and enabling unimpeded movement of goods, labor and capital, as anticipated in the political agreements, would drastically improve growth prospects of the Palestinian economy. For example, the Oslo Accords envisioned a gradual transfer of Area C to the PA➢(s control. This has not happened yet, and the World Bank estimates that granting Palestinian businesses access to Area C would increase Palestinian GDP by a third. Also, the Paris Protocol allows for the expansion of the quota of goods that the PA can apply its own import and customs policy to and import from third countries, depending on the Palestinian market➢(s needs. These quotas, however, have not been revised since 1994 even though Palestinian needs have significantly increased over the years, resulting in supply shortages. The blockade imposed on Gaza since 2007 continues to weigh on the economy. Also, the closure of the Rafah crossing has further exacerbated the situation. Israeli measures to allow more goods out of Gaza have expanded since September 2015 and are a step in the right direction. However, more needs to be done as only 11 percent of what left Gaza prior to the blockade is currently being allowed out. Freeing up movement of people and goods in a way that meets legitimate security concerns of neighboring countries is essential to improve Gaza➢(s growth prospects.

Sectoral and institutional Context

A quarter of the Palestinian labor force remains unemployed. After skyrocketing to more than 47 percent during the 2014 war, unemployment in Gaza declined to 38 percent by the end of 2015, as the reconstruction process started to pick up and private firms were beginning to rebuild their capacity. Unemployment in Gaza was twice as high as that in the West Bank. The Palestine Central Bureau of Statistics (PCBS) labor force data indicates that unemployment amongst Palestinian youth was very high in 2015, particularly in Gaza where more than half of those aged between 15 and 29 were out of work. In addition to low labor demand, females continue to face challenges to join the labor force and therefore, female participation rate in the labor market is very low at around 19 percent, with a high unemployment rate of almost 40 percent.

The economic outlook continues to be highly uncertain. Assuming that the current restrictions remain in place and that the recent surge in violence does not further escalate, the real GDP growth rate of the Palestinian economy is projected to hover around 3.5 percent in the medium term. This sluggish growth implies a stagnation in real per capita income and an increase in unemployment. Notably, downside risks remain significant. First, the pace of reconstruction and recovery in Gaza has been slower than anticipated and despite some acceleration in recent months, additional setbacks are possible. Second, the outcome in the West Bank may be worse than expected if tensions continue to escalate. This will result in elevated security risks that may eventually weaken consumer and investor confidence, and hence, negatively impact economic activity.

Conflict and mobility constraints have had a deep impact on the labor market, resulting in sluggish labor demand and insufficient employment growth in the last decade to absorb new entrants into the job market. The experienced economic contractions and the rise in unemployment happened right after the outbreak of the second intifada, and then peaked following the formation of the Hamas-led government in Gaza and the three conflicts with Israel in 2008, 2012, and 2014. The labor force grew at a rate of 6.3 percent from 2002-2003 and continued to grow in the following years, but at a slower rate. However, this was not accompanied with commensurate growth in jobs. Private investment has averaged only 15 percent of GDP over the last 7 years, while foreign direct investment (FDI) has averaged only 1 percent of GDP (World Bank, 2015). Employment of Palestinians in Israel declined, whereas public sector employment grew by 5 percent per year, in the absence of private sector investment and restrictions on movement, access, and trade (IMF, 2012).

Declining private sector activity has remained concentrated in low productivity sub-sectors with weak employment growth in a difficult investment climate. The manufacturing sector, expected to be a key driver of job generation and growth, has stagnated since 1994 and its contribution to GDP declined by 26 percent in the last decade. At the same time, high value-added sectors, such as IT and tourism, have not grown at sufficient pace to compensate for the decline in the manufacturing sector share of employment. Moreover, most of the jobs created in the private sector have been in retail and non-traded services, which do not generate sufficient quality employment (World Bank 2015). The private sector faces a difficult investment climate, as evidenced by the position of West Bank & Gaza (ranked 129 out of 189 economies) in the 2016 Doing Business Report. Most formal enterprises remain small (only 1 percent of establishments had 100 or more workers in 2013), together with a significant level of informality involving up to 140,000 workers (World Bank Enterprise Survey 2013; World Bank 2015).

Marked gender differences exist in labor market participation, suggesting that women face extra ob stacles in an increasingly difficult climate. The gap between working-age male and female labor market participation rates over the last decade has widened and reached 54 percentage points in 2015. While the probability of labor force participation for young and older women increases as their years of education increase, the overall rate has remained around 18.7 percent. This is remarkably low even when compared to the MENA average of 21.8 percent in 2014, one of the lowest regional rates in the developing world. In addition to the same constraints and societal preferences faced by other women in MENA on working outside the home, restrictions on mobility and concerns of safety have made it even more difficult for Palestinian women to participate in the labor market (World Bank, 2011; World Bank, 2010).

Equipping the workforce with job-relevant skills is a key priority and challenge in WB&G. Although past investments in education and training mean that the labor force is now more educated, mismatches remain in the supply of skills relative to their demand. The World Bank➢(s 2013 SABER ➢(Systems Approach for Better Education Results➢(Report on ➢(Work force Development➢((WfD) reached the following conclusions about the key aspects of education outcomes:

(i) WB&G has experienced a doubling of students every 15 years, and although the labor force is becoming more educated, student achievement is low relative to comparators;
(ii) labor force participation is low at 43 percent, largely due to low female participation and high unemployment, particularly among highly skilled women (36 percent); and
(iii) across the three key SABER categories in the WfD assessment➢(strategic framework, system oversight, and service delivery➢(WB&G ranked as ➢(emerging➢(against a four-scale measurement, which spans from latent to emerging, to established and advanced scores.

C. Proposed Development Objective(s)

Original Project Development Objective(s) - Parent

The Education to Work Transition Project seeks to improve education to work transition of young Palestinians attending participating tertiary education institutions (TEIs) by: (i) fostering partnerships between TEIs and employers in order to make TEIs' study programs more relevant to the needs of the labor market; and (ii) enhancing the capacity of the MOEHE and TEIs to collect, analyze and disseminate data collected through the TEIs' graduate tracking system to monitor the outcomes of TEIs' study programs, and to informeducation policy formulation and implementation.

Key Results

Nine months after graduation from the tertiary education institutions participating in E2WTP, graduates have a 10 percent lower unemployment rate than for the 20 - 24 percent age-group.

D. Project Description

The AF would sustain the parent project achievements and expand the opportunities for TEIs and private sector companies to establish successful partnerships and increase the number of student beneficiaries. In particular, the AF would strengthen the next QIF cycles➢(selected sub-projects in the following dimensions:

(i) Establishment of sustainable international partnerships, both with tertiary institutions and with the private sector abroad. The experience of the current E2WTP has demonstrated that an exchange with projects and institutions abroad has had a significantly positive impact on partnerships and teaching and learning methodologies. Thus, this dimension will be encouraged and considered a plus in the applications to the next Cycles.

(ii) Establishment of research partnerships with international educational institutions, to support the development of research capacities in WB&G, assuming that research can open new markets and thus create jobs in WB&G. The research dimension of international partnerships will also be encouraged and therefore particularly valued.

(iii) Encouraging partnerships between the private sector and several Palestinian TEIs providing educational programs in the same sector, particularly partnerships between stronger and weaker TEIs that can be promoted through additional QIF cycles. On one hand, this will increase the chances of Colleges to be successful in accessing QIF financing; on the other hand, a cluster approach to partnerships across institutions in the same sector will help mainstreaming innovation in the whole sector and obviously making a difference in terms of sustainability, cultural change and long-term impact.

(iv) Systematic emphasis on employment and self-employment promotion in TEIs to support the transition to work for graduates. Only selected QIF projects have so far included elements to systematically link graduates with jobs and market opportunities. Such elements are to be strengthened, thus becoming a routine activity in future project designs.

(v) Encouraging and strengthening activities to develop capacities of supervisors and mentors in companies that provide internships for students and/or participate in graduation projects.

(vi) Strengthening of activities to raise awareness among relevant private sector companies about possibilities and benefits of collaborating with TEIs in education. Current QIF projects show that educational programs that target labor market segments dominated by small family businesses face considerable problems in attracting a sufficient number of companies to cooperate in training through internships.

Component Name

Education to Work Transition Innovation Grant Facility

Comments (optional)

Component Name

Higher Education Graduate Tracking System

Comments (optional)

Component Name

Project Management and Coordination

Comments (optional)

E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

F. Environmental and Social Safeguards Specialists

Mariana T. Felicio (GSU05)

II. Implementation

Institutional and Implementation Arrangements

Project oversight and management. The AF will follow to a great extent the same implementation arrangements as in the ongoing parent project as follows:

i) the MOEHE will be remain the agency responsible for project implementation and will continue to be assisted by the existing Project Coordination Unit (PCU) - established at MOEHE - for the monitoring, implementation support and coordination of project fiduciary aspects.
ii) Participating Tertiary Education Institutions (TEIs) will be responsible for implementing the QIF sub-projects. They will be assisted by the PCU and its QIF Team for the technical support, management and monitoring of QIF sub-projects.
iii) The QIF Board, appointed by MOEHE, will continue to play its role as an oversight and advisory body to QIF. The QIF Board is composed of members from MOEHEAQAC, universities and the private sector, as specified in the QIF manual.

III. Safeguard Policies that might apply

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

IV. 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 proposed Additional Financing does not introduce new environmental and/or social risks. The parent project (P129861) was classified as Category C and the proposed AF will sustain the same safeguards classification of Category C.
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

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:
No social or environmental impacts or risks are expected in this Additional Financing.

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ ] No [ ] 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?	Yes [ ] No [ ] NA [×]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ ] No [ ] NA [×]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have satisfactory implementation arrangements been agreed	Yes [ ] No [ ] NA [×]

with the borrower and the same been adequately reflected in the project legal documents?	

V. Contact point

World Bank

Contact: Juan Manuel Moreno Olmedilla
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Borrower/Client/Recipient

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Contact:
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Implementing Agencies

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VII. Approval

Task Team Leader(s):	Name: Juan Manuel Moreno Olmedilla	
Approved By		
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Practice Manager/ Manager:	Name: Safaa El Tayeb El-Kogali (PMGR)	Date: 09-Aug-2016
Country Director:	Name: Ranjana Mukherjee (CD)	Date: 16-Aug-2016