



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 23-Jan-2023 | Report No: PIDA35408

**BASIC INFORMATION****A. Basic Project Data**

Country West Bank and Gaza	Project ID P180570	Project Name Technology for Youth and Jobs Additional Financing	Parent Project ID (if any) P172571
Parent Project Name Technology for Youth and Jobs	Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 28-Nov-2022	Estimated Board Date 28-Feb-2023
Practice Area (Lead) Finance, Competitiveness and Innovation	Financing Instrument Investment Project Financing	Borrower(s) The Palestine Liberation Organization (for the benefit of the Palestinian Authority)	Implementing Agency Ministry of Telecommunications and Information Technology via a private sector implementing agency

## Proposed Development Objective(s) Parent

To increase economic opportunities for IT service firms in the West Bank and Gaza.

## Components

Improving IT service capabilities  
 Improving the IT services ecosystem  
 Improving market access, and increasing demand and investments  
 Project management and Implementation Support

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	15.55
<b>Total Financing</b>	2.95
<b>of which IBRD/IDA</b>	0.00
<b>Financing Gap</b>	12.60

**DETAILS****Non-World Bank Group Financing**



Trust Funds	2.95
Special Financing	2.95
Environmental and Social Risk Classification	
Moderate	

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- 1. The Palestinian economy started its rebound from the COVID-19 shock in 2021 and continued to recover in the first quarter (Q1) of 2022, albeit at a slower rate amidst high unemployment and a persistent fiscal deficit.** Unemployment reached 24.2 percent in Q2 2022 in the Palestinian territories – down from 26.4 percent in 2021 (13.8 percent in the West Bank and 44.1 percent in Gaza). Easing restrictions and a pickup in vaccinations helped boost economic growth to 7.1 percent in 2021 and in Q1 2022 the economy continued its recovery albeit at a slower rate. However, economic activity is yet to rebound to its pre-pandemic levels amid deteriorating political stability making the outlook unpredictable and susceptible to external shocks such as the effects on price levels of the war in Ukraine. The continuous high stress levels in the Palestinian financial sector limited its ability to play a significant countercyclical role. Rising exposure of the financial sector due to domestic public debt could potentially impact the private sector’s access to much-needed liquidity.<sup>1</sup>
- 2. Multiple ongoing crises since 2020 have had a significant impact on the Palestinian economy, firms, and workers.** After the COVID-19 pandemic, the impact of the war in Ukraine, with its reverberations, added additional shocks to West Bank and Gaza (WB&G) economy that was still recovering from the pandemic and was facing urgent development challenges. This crisis, with its disruptions on value chains, prices, is damaging otherwise healthy firms through four channels: (i) falling demand, (ii) reduced input supply, (iii) tightening of credit conditions and liquidity crunch, and (iv) rising uncertainty. Without timely support, there will be persistent harm to otherwise-healthy firms, and some could be shuttered.

### Sectoral and Institutional Context

- 3. Unemployment rate among IT graduates, in particular women, is high driven by skills gaps arising from limited links between universities and industry and lack of research labs and equipment.**<sup>2</sup> Eleven universities provide the Palestinian market with approximately 3,000 engineering and IT graduates per

<sup>1</sup> Source: World Bank. 2022. Economic Monitoring Report to the Ad Hoc Liaison Committee. September 2022.

<sup>2</sup> See factors in Figures 1 and 2.



year,<sup>3</sup> but recent graduates, especially women, suffer from high unemployment due to skills gaps that make access to the job market difficult. In 2018, the percentage of unemployment among computer sciences graduates was 43 percent among males and 75 percent among females, and for engineering graduates was 39 percent among males and 69 percent among females.<sup>4</sup> Skills gaps include specialized technical skills, practical training, soft skills, and creative thinking.<sup>5</sup>

- 4. **Despite the rise of IT exports from WB&G, more support is needed to help realize the potential of the IT services sector in WB&G as a driver of post-pandemic economic recovery and a source resilience to recurring shocks.** The sector can play a key role in strengthening the WB&G’s economic resilience because IT businesses are better positioned than businesses in other sectors to grow and maintain employment in a context of restrictions on movement of goods and people. However, public support is required to improve the enabling environment and bridge critical gaps to allow the sector to reach its full potential.
- 5. **To reach its potential the Palestinian IT sector needs to undergo several strategic shifts in its approach.** Among these, the sector needs to focus on continuous upgrading of firm capabilities, improving the supply of skilled graduates, generating increased demand from international buyers and investors, and enabling the absorption of hi-tech knowledge in the ecosystem.

C. Proposed Development Objective(s)

Original and Current PDO

To increase economic opportunities for IT service firms in the West Bank and Gaza.

Key Results

- 6. **The PDO-level indicators will remain the same, but the end targets will increase to reflect the additional financing.** The additional financing (AF) will contribute to the achievement of three PDO level indicators – 1) value of new contracts signed between local IT service firms benefiting from project activities and international buyers, 2) number of international buyers signing new contracts with local IT service firms benefiting from project activities, and 3) amount of additional private investment made by firms benefiting from project activities towards technology and skill. In addition, the targets for the intermediary indicators will increase as detailed in the table 1 below.

Table 1: Revised indicator targets for the AF

Original Indicator	Original Target	Revised Target for the AF
PDO level indicators		
Value of new contracts signed between local IT service firms benefiting from project activities and international buyers (Amount)	US\$30,000,000	US\$38,000,000

<sup>3</sup> Everest Group. 2018. *Determining the Value Proposition of Palestinian IT/BPS Industry for the UK Market.*

<sup>4</sup> State of Palestine, Palestinian Central Bureau of Statistics, “Study on the gap between education and the labor market.” 2019.

<sup>5</sup> Palestinian Market Development Program. 2015. *Rapid Market System Analysis, Quality of Engineers for Multinational Enterprises*; Paltel Group. 2014. *Comparative Study: The Palestinian Education System vs. The Needs of the Private ICT Sector.*



International buyers signing new contracts with local IT service firms benefiting from project activities (Number)	30	50
Additional private investment made by firms benefiting from project activities toward technology and skill upgrading (Amount)	US\$5,000,000	US\$7,000,000
<b>Intermediate Indicators</b>		
<b>Component 1: Improving IT services capabilities</b>		
Individuals benefiting from project training activities (Number)	750	1,200
Out of which are female (Number)	375	500
Individuals benefiting from project training activities who reported employment (Number)	675	1,000
Out of which are female (Number)	340	450
Individuals benefiting from project activities reporting satisfied or very satisfied with support received (Percentage)	75	75
<b>Component 2: Improving the IT services ecosystem</b>		
Local firms benefiting from project activities (Number)	200	250
Local firms benefiting from project activities who are reporting new contracts (Number)	35	60
Additional high-skilled IT services jobs created by local firms benefiting from project activities (Number)	1,000	1,500
Out of which are for females (Number)	500	650
Local firms benefiting from project activities that adopted female employment solutions (Number)	30	35
New firms established by project seed grants (Number)	10	20
Out of which are new female-led firms (Number)	2	5
<b>Component 3: Improving market access, and increasing demand and investments</b>		
Firms reporting satisfied or very satisfied with support received (Percentage)	75	75
Foreign direct investment generated by the project (Amount(USD))	2,000,000	4,000,000

#### D. Project Description

7. **The Technology for Youth and Jobs (“TechStart”) project (P172571)** was approved by the World Bank Executive Board on May 21, 2020 and became effective on October 6, 2020. The project development objective is to increase economic opportunities for IT service firms in the WB&G. Economic opportunities are defined as the set of circumstances that make the creation of an increasing number of high skilled



and sustainable jobs possible, and hence increase revenues over the long term. The project consists of four components tackling the supply side, (Component 1: Improving IT service capabilities), the enabling ecosystem (Component 2: Improving the IT services ecosystem), and the demand side of IT services (Component 3: Improving market access and increasing demand and investments) and project management and capacity building of the Palestinian Authority’s Ministry of Telecom and Information Technology (Component 4: Project management and implementation support).

- 8. **The proposed AF of US\$15.55 million to the TechStart project will scale up all components of the project to provide relief and facilitate faster recovery of IT services firms, including startups, from recurring crises.** This will be achieved through the scaling up of human capital improvement stipends for individuals to gain increased skills, while also supporting improved managerial capabilities and developing recommendations to increase female participation in the sector (under component 1). Under component 2, the AF will also build on existing successes in private capital mobilization by enabling the scaling up of seed grants to catalyze private investment for the Palestinian IT services ecosystem. It will also scale up the support for shared research & development hubs, a centerpiece for the move from price-based to talent and capability-based competition, and strengthening support for IT business infrastructure, with a special focus on infrastructure-deficient Gaza. Under component 3, the AF will allow TechStart to increase its efforts at improving international market linkages, key to enabling Palestinian IT services firms to scale up, and increase their efforts at promoting and facilitating foreign direct investment in the Palestinian IT ecosystem. Finally, the project will also strengthen project management to allow the implementing agency to manage an increased number of grant application, evaluations, and disbursement (component 4). Generally, the AF will support increased firm resilience to crises related shocks in West Bank and Gaza. It will also enable more firms to grow, to improve the digital capabilities of their workforce and firm capabilities and increase the overall competitiveness of the Palestinian IT services firms in regional and global markets.
  
- 9. **The proposed AF is fully aligned with the World Bank Group regional and corporate strategies, including:** the WB&G Assistance Strategy FY22-25, which reflects the need to boost innovation and diversification for a well-connected Palestinian economy, and the Palestinian Authority’s 2021-2023 National Policy Agenda with its priority of economic independence.

Legal Operational Policies	
	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Assessment of Environmental and Social Risks and Impacts	



10. **The project has limited environmental impacts and the environmental risk is Moderate.** The environmental risks are related to IT business infrastructure for project beneficiaries and Research & Development (R&D) IT equipment for an R&D hub, which are expected to be financed under component 2. The environmental impacts associated with the installation of these equipment are the aspects of solid waste management, management of e-waste at end of life of equipment, and occupational health and safety. It is expected that some beneficiaries of this project will seek support for installation of solar panels from an ongoing World Bank-financed operation in the power sector and the measures for mitigating the impacts of these interventions are identified in its Environmental and Social Management Framework.
11. **The project has limited social impacts and the social risk has been rated Moderate.** The social risks can be summarized as follows: (a) risks related to social exclusion in its various forms that would need to be mitigated through ensuring that project benefits, such as access to grants and job opportunities, can be accessed and optimized for the most vulnerable and youth, including those from poor communities and women; (b) risk of exposure of youth, including vulnerable youth and women to sexual harassment or exploitation, or poor working conditions, indirectly, through project financial support for on-the-job training programs and salaries for new employees; and (c) risks related to labor and working conditions for project workers of the project implementation agency (PIA). The project will not result in any risks related to involuntary resettlement. Private sector firms seeking grants to establish new enterprises or subsidiaries will need to demonstrate adherence to willing-buyer willing-seller criteria to qualify for the matching

## E. Implementation

### Institutional and Implementation Arrangements

12. The proposed additional financing will not result in a change in implementation arrangements. The current PIA, DAI Global UK, will continue to implement the TechStart and the proposed AF through an Implementation Agreement with the Ministry of Telecommunications and Information Technology. No additional safeguards policies will be triggered and there will be no change in the project's safeguard category.

### CONTACT POINT

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#### Borrower/Client/Recipient



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**Implementing Agencies**

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**APPROVAL**

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