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

Appraisal Stage | Date Prepared/Updated: 26-Jun-2018 | Report No: PIDISDSA24944

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
West Bank and Gaza	P167675	Finance for Jobs II Additional Financing	P159337
Parent Project Name	**Region**	**Estimated Appraisal Date**	**Estimated Board Date**
Finance for Jobs II	MIDDLE EAST AND NORTH AFRICA	11-Jul-2018	10-Aug-2018
Practice Area (Lead)	**Financing Instrument**	**Borrower(s)**	**Implementing Agency**
Finance, Competitiveness and Innovation	Investment Project Financing	Palestine Liberation Organization (for the benefit of the Palestinian Authority)	Ministry of Finance and Planning, Project Implementing Agency (DAI)

Proposed Development Objective(s) Parent

To test the effectiveness of selected financial interventions in incentivizing private sector investment and job creation.

Components

Development Impact Bond (DIB) for Skills Development and Employment
Investment Co-Financing Facility (ICF)
Entrepreneurship Ecosystem Matching Grant (EE-MG)
Project Management

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	5.00
Total Financing	5.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	5.00

Special Financing	5.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

The Palestinian economy is fragile and conflict affected, and has long suffered from the restrictions and political instability that continue to constrain private sector activity. In recent years, the economy witnessed a sharp deceleration in economic growth, from over 8 percent during 2007-2011 to 3 percent during 2012-2015. After two years of stronger growth driven by post war reconstruction, the most recent data revealed growth of 2.4 percent in 2017 led by the West Bank - while in Gaza it was a mere 0.5 percent. [1]

The fiscal performance was better than expected in 2017, but the Palestinian Authority's (PA) financing gap persisted resulting in additional arrears accumulation. On the back of a strong pickup in major tax categories due to the PA's efforts and expenditure reductions focused on Gaza, the total deficit stood at 7.7 percent of GDP in 2017 – down from 8 percent in 2016. To a large extent, the deficit is a Gaza story as the position in the West Bank has been broadly in balance in recent years. Despite the improved fiscal performance, a further decline in donor support led to a financing gap of around USD420 million, which was mostly filled by bank credit and additional payment arrears. The financing gap for 2018 is expected to be around USD440 million.

Sectoral and Institutional Context

The recent economic decline emphasizes the need to move towards a more sustainable growth path driven by the private sector. The private investment and private sector activity that would be needed to fuel job growth and labor demand have remained at suboptimal levels, concentrated mainly in low productivity sub sectors with weak employment growth. Private investment has averaged only 15 percent of GDP over the past seven years, while foreign direct investment (FDI) has averaged only 1 percent of GDP. Most formal enterprises are at the micro or small end of the firm size spectrum (only 1 percent of establishments had 20 or more workers in 2013) together with a significant level of informality involving up to an estimated 10 percent of the workforce.
Limited private investment growth and the resultant suppressed demand for private sector labor have been accompanied also by constraints on the supply side. Evidence shows that even where there are available job openings, graduates often

[1] Economic Monitoring Report to the Ad Hoc Liaison Committee March 19, 2018

lack the skills or practical experience demanded by the private sector to effectively compete for and fill these available jobs.

As a result, unemployment continues to be high and labor force participation low, especially for youth and women. According to data from the Palestinian Central Bureau of Statistics (PCBS) labor force survey for 2017, unemployment reached 27.4 percent overall. Young Palestinians face serious employment challenges upon graduation from the education system. Unemployment rates among graduates from both university and secondary education institutions are above 60 percent at the age of graduation (23 years old for those with university and 18 for secondary education diplomas) with a slow decrease over time. In the West Bank, after age 18, the proportion of jobless male youth increases considerably, reaching 33 percent by age 23 (with 20 percent unemployed and 14 percent inactive). The situation is even more severe in Gaza where restrictions on movement prevent the labor force from moving to sectors that are more productive, with higher wages and towards employment opportunities outside of Gaza. The slow education to work transition in the West Bank and Gaza is symptomatic of the Palestinian labor market that is characterized by the low absorptive capacity of the private sector and little access to job opportunities abroad.

C. Proposed Development Objective(s)

Original PDO

To test the effectiveness of selected financial interventions in incentivizing private sector investment and job creation.

Current PDO

To test the effectiveness of selected financial interventions in incentivizing private sector investment and job creation.

Key Results

The key results expected are: Private Capital Mobilized and Jobs Created.

D. Project Description

The Finance for Jobs Series of Projects (F4J SOP) comprises two operations: F4J I (Board Approval, December 2015) and F4J II (Board Approval, July 2017). The F4J II project, financed with a grant of US $8 million from the Trust Fund for Gaza and West Bank and US $1.5 million from the State and Peacebuilding Fund (US $9.5 million total) became effective in November 2017. It builds on the foundational work of the first F4J project (US $5 million), and provides for further product testing and potentially scaled-up funding to innovative financial products.

The proposed Additional Financing (AF) of US$ 5 million will be linked to the F4J II as its parent project (Grant No. TF0A5297). The AF would help primarily to scale up the Investment Co-Financing Facility (ICF) component (Component 2) of the F4J II and finance eligible job-creating proposals received through the recent ICF call for proposals. The AF is timely to capitalize on the strong demand from the private sector for risk-sharing co-financing provided by the ICF component, while also operationalizing the World Bank Group's Mobilizing Finance for Development (MFD) agenda and the new West Bank and Gaza Assistance Strategy FY18-21.
In support of Pillar 2 of the West Bank and Gaza Assistance Strategy, the WBG is establishing a Private Sector Enhancement Facility (PSEF) initiative. The PSEF will fill an existing gap by providing direct support and financing needed to help structure bankable projects and mobilize investments that have social and economic benefits. The PSEF aims to

catalyze and leverage private finance in ways that support job creation, inclusive economic opportunity, and transformative social benefits, and intends to leverage donor financing by offering a full suite of financial products including IFC blended financing (BF), grants through investment co-financing (ICF) by the World Bank; and risk mitigation through partial risk guarantees (PRG) that will complement the political risk insurance currently provided through the Trust Fund for Gaza and West Bank (TFGWB) administered by MIGA.

Based on strong demand from the private sector, the PSEF initiative will utilize the F4J SOP as a key channel to scale the ICF component and accelerate potential job-creating investments in the pipeline. Through the proposed AF, this will allow the PSEF to capitalize on the F4J as an existing project that has already invested a considerable amount in implementation arrangements, pipeline development, and as well as an innovative methodology for screening ICF investments for jobs externalities (the Social Rate of Return [SRR] methodology). It will build on lessons learned already through the F4J, and continue to generate further lessons that can be applied to the overall PSEF approach, with the aim to apply the F4J model in the future to objectives other than jobs including female economic participation or high-risk investment areas such as Area C. This is also intended to have a demonstration effect for the PSEF initiative and send a strong signal to the market and encourage further investments beyond those support through the F4J SOP.

Approximately three to four additional ICF investments are expected to be financed with the AF based on current pipeline expectations. The Project Implementation Agency (PIA) has been actively developing a pipeline of strategic investments that could have substantial development impact and economic and social spillovers in the West Bank and Gaza. Out of the additional US $5 million, some funding would also go the Project Management component (Component 4) to support the PIA) in screening, selecting, and monitoring a larger ICF facility.

As a scale up of an existing component, the AF will not entail a change in the PDO or implementation arrangements of the Parent Project. No additional safeguards policies will be triggered and there will be no change in the project's safeguards category. Further details are described in the sections below.

E. Implementation

Institutional and Implementation Arrangements

The AF will utilize the original implementation arrangements established under the F4J SOP which entail three levels. At the apex is the Ministry of Finance and Planning (MOFP) as the formal PA Project Counterpart (PC) to the project. The overall management of the project is the responsibility of the PIA, which was competitively recruited under the first F4J from the private sector. The PIA is responsible for procurement, financial management, safeguards, M&E, including annual work planning and progress reporting.

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

The AF will be implemented throughout the West Bank and Gaza Strip. It will likely be implemented predominantly in localities where private sector activity is concentrated. A call for proposals initiated by the PIA indicated that about a third of ICF applications were received from Gaza-based businesses, with the remaining two thirds received from the West Bank. These proposals will need to undergo further screening before specific subproject locations are determined.

G. Environmental and Social Safeguards Specialists on the Team

Helen Z. Shahriari, Social Safeguards Specialist
Ekaterina Grigoryeva, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This project is categorized as "B" due to potential adverse environmental and social impacts which are site-specific and reversible; thus easily remediable by applying appropriate mitigation measures. Given current information, these potential adverse environmental impacts may include the following: construction-related air, noise, and water quality issues; worker occupational health and safety. Preparation will continue to focus the menu of possible sub-projects. The ESMF offers guidance on the potential breadth of sub-project technical interventions. The ESMF does so through offering environmental and social screening checklists, possible environmental impacts for each of the five possible "high job-creating" sectors, sample environmental and social management plans (ESMPs), institutional arrangements, training activities, and monitoring and report of safeguards compliance. The Environmental Management Plan (EMP), as the sub-project safeguards document for the Gaza Industrial Estate PV Solar Project, has been reviewed, cleared, and disclosed, and will be updated prior to sub-project implementation as necessary.
Performance Standards for Private Sector Activities OP/BP 4.03	No	This policy is not applicable.

Natural Habitats OP/BP 4.04	No	The ESMF sub-project screening excludes any potential sub-project which involves natural habitats.
Forests OP/BP 4.36	No	The ESMF sub-project screening excludes any potential sub-project which involves forests
Pest Management OP 4.09	No	Because of the demand-driven nature of the ICF, the subsectors of selected investments are not yet known. OP 4.09 (Pest Management) will no longer be triggered since it is not certain whether or not the ICF will finance any agricultural investments. In the event an agricultural investment is selected, environmental impacts are not expected to be significant and can be addressed through an ESMP that would in that case include actions to mitigate all relevant risks in agricultural investments in line with WB safeguard policies, including application of good international practices for pest management and WBG Environmental, Health, and Safety Guidelines, as well as consult local communities in planning, designing and monitoring the subproject. Subprojects that manufacture, transport, and/or directly finance the use of pesticides will not be supported. They will be screened out in line with the screening process to be conducted by the PIA and included in the ESMF.
Physical Cultural Resources OP/BP 4.11	No	The ESMF sub-project screening excludes any sub-project with potential impact on known physical cultural resources. Chance find procedures will be included in the ESMF in the case that physical cultural resources are discovered during sub-project implementation.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous peoples in the service area.
Involuntary Resettlement OP/BP 4.12	No	The World Bank Policy on Involuntary Resettlement, OP 4.12, does not apply to the Finance for Jobs Project II. Component 1 will finance skills training and component 3 will finance capacity building. Although Component 2 will finance investments, any land requirements (temporary or permanent) for these investments will be met through lands that are under the ownership of government or private sector companies (land leased from the government) without any claim on them or being used informally. Investments are excluded that involve relocation of households, temporary or permanent land take, and impacts on livelihoods

		(including squatters), including those that may occur through restriction of access to resources. To screen out for these exclusions, the project relies on a rigorous sub-project screening detailed in the ESMF.
Safety of Dams OP/BP 4.37	No	This policy is not applicable.
Projects on International Waterways OP/BP 7.50	No	This policy is not applicable.
Projects in Disputed Areas OP/BP 7.60	No	This policy is not applicable.

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:
Given that this AF will scale up an existing component, there continues to be no potential large-scale, significant, or irreversible impacts expected associated with support of the sectors identified for support through project analysis: (i) agriculture; (ii) IT and digital entrepreneurship; (iii) tourism; (iv) construction; and (v) energy. Support to agriculture is expected to be in processing, marketing, and/or export sub-sectors. Support to energy is expected to be in the creation and adoption of alternative energy sources, such as photovoltaics and wind energy.

Any land requirements (temporary or permanent) for investments to be financed under the project will be met through lands that are state owned or owned by private companies. Any sub-projects that may trigger the World Bank Policy OP 4.12 will be excluded, which include those that involve relocation of households, temporary or permanent land take, and impacts on livelihoods, including those that may occur through restriction of access to resources. To screen for this exclusion, the projects will rely on guidelines in the Operations Manual (OM), which will include a rigorous sub-project screening process to be done by the F4J PIA. In cases where land may be purchased through a willing-seller willing-buyer approach or in cases of voluntary land donation (VLD), the F4J PIA will need to document for power of choice. This documentation must be provided for sub-projects to be considered eligible for screening. In other words, if the appropriate documentation is not provided, the sub-project is considered ineligible.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
This project continues to be categorized as "B" due to potential adverse environmental and social impacts which are site-specific and reversible; these are easily remediable by applying appropriate mitigation measures. Given current information, these potential adverse environmental impacts may include the following: construction-related air, noise, and water quality issues; pedestrian and vehicular traffic and other construction-related disruptions; as well as worker occupational health and safety. Potential long-term impacts may include additional agricultural-related effluents within fields, hothouses, and/or warehouses; construction industry management of construction phase impacts; and e-waste and other lifecycle disposal management associated with alternative energy source development.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
The ESMF screens out for category "A" sub-projects as well as sub-projects will would involve natural habitats, forests, physical cultural resources, dam safety, and involuntary resettlement.

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.
An environmental and social safeguards officer (ESO) has been hired as a part of the PIA to assess and manage safeguards related issues. PIA ESO capacity is supported by Bank environmental and social safeguards specialists during the course of F4J II implementation, as well as in the F4J Additional Financing. The project ESMF has been updated at the request of the PIA to include: (i) clarifications on the roles and responsibilities of the PIA as the main entity responsible for safeguards, (ii) streamlining the E&S screening process by consolidating multiple screening questionnaires within the document; (iii) more clearly articulating the screening, monitoring, and reporting process by providing a detailed workflow diagram for the PIA. The updated ESMF was re-disclosed in-country on June 27, 2018.

The ESMF and OM includes a capacity building plan to train in subject areas including, but not limited to, (i) pre-project screening, monitoring, and reporting; (ii) Palestinian EQA and World Bank environmental and social safeguards policies; (iii) stakeholder consultations, grievance mechanisms, and involuntary resettlement policies; and (iv) design and preparation of sub-project ESMPs. Safeguards training will be offered to Ministry of Finance and Planning staff, PIA staff, and interested parties from the private sector.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Key stakeholders include the Ministry of Finance and Planning; international, regional, and local private sector investors and entities; local job skill development, marketing, and matchmaking private sector entities and NGOs; as well as local private sector enterprises. Stakeholder consultations were completed during preparation of F4J I and F4J II. Three stakeholder consultations were held for F4J I in the summer of 2015; one stakeholder consultation was held during F4J II preparation in November 2016 for the specific subproject financing of solar panels for the Gaza Industrial Estate (GIE). Since the AF is a simple scale up of available funding and there are no changes to project's design or risk profile, additional consultations were not carried out. However, as subsequent subprojects are identified, subproject specific beneficiaries will be identified and consulted as appropriate. Each sub-project EMP will include a site-specific consultation process to take place during F4J implementation, as well as a project-level grievance mechanism (the subproject financed to date incorporated these elements successfully). The ESMF also establishes a GRM for the project. The ESMF was revised and disclosed in-country as well as in the Info-Shop.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
12-Jun-2018	27-Jun-2018	

"In country" Disclosure

West Bank and Gaza
27-Jun-2018

Comments

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:

N/A

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?
No

The World Bank Policy on Disclosure of Information

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

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

All Safeguard Policies

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

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

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

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

CONTACT POINT

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APPROVAL

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