



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

Appraisal Stage | Date Prepared/Updated: 14-Mar-2017 | Report No: PIDISDSA19948



BASIC INFORMATION

A. Basic Project Data

Country West Bank and Gaza	Project ID P159337	Project Name Finance for Jobs II	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 13-Mar-2017	Estimated Board Date 20-Jul-2017	Practice Area (Lead) Finance & Markets
Lending Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Planning	Implementing Agency DAI Global, LLC	

Proposed Development Objective(s)

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 Grants (EE-MG)
Project Management and Capacity Building

Financing (in USD Million)

Financing Source	Amount
Special Financing	0.00
West Bank & Gaza - IBRD Funded	8.00
Total Project Cost	8.00

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue

B. Introduction and Context



Country Context

1. 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 has witnessed a sharp deceleration in economic growth, from over 8 percent during 2007-2011 to 3 percent during 2012-2015. This was followed by 8 real growth percent in the first quarter of 2016 based on latest available data. Growth was mainly driven by a rebound in Gaza where the economy is estimated to have expanded by 21 percent in the first quarter of 2016 due to an upsurge in construction activity which grew by 190 percent, year-on-year. This was enabled by a significant increase in the amount of construction material entering Gaza in recent months. The West Bank economy expanded by 4.2 percent in the first quarter of 2016 and growth was concentrated in services and household consumption financed by bank loans.¹

2. The weak growth trajectory in large part reflects mounting fiscal difficulties. Successful reform efforts through a general containment in the wage bill and efforts to curtail net lending; and previous 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 to 13 percent range since 2010 -- on the back of a large wage bill and weak revenue performance. The PA's situation remains fragile with a US\$765 million financing gap projected for 2017, since recent trends in foreign aid have projected the full 2016 donor support at under US\$700 million (down from about US\$2 billion in 2008). This decline in foreign aid (from 32 percent of GDP in 2008 to 6 percent in 2015) has also significantly contributed to weak economic growth.

Sectoral and Institutional Context

3. 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% of the workforce².

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

5. 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

¹ Economic Monitoring Report to the Ad Hoc Liaison Committee September 19, 2016

² <http://www.pcbs.gov.ps>. Data for 2014.



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)

Development Objective(s) (From PAD)

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

Key Results

6. Building on the expected results of the first F4J project, the key PDO-level results that will be measured in this second F4J II project for both the DIB and ICF instruments are: Private Capital Mobilized and Jobs Created.

7. **Private capital mobilized:** As in the first project, this indicator will also be measured under F4J II as a key PDO level indicator. It will encompass the total private investment mobilized as a result of the two innovative financing instruments launched under the F4J II project.

8. **Jobs created:** Jobs are expected to be created as a result of each of the financing instruments. The 2013 Jobs WDR defines a job as follows “while precise definitions vary, jobs are labor activities that generate income, monetary or in kind, without violating fundamental rights and principles at work. Jobs can take the form of wage employment, self-employment, and farming. They can be formal or informal”. This being said, this project aspires not just to create “jobs” but to create (i) “better quality jobs”, defined as jobs created in formal labor, farmer and entrepreneurial sectors, with higher productivity levels, and likely to be sustainable (with a duration of at least 6 months) and (ii) inclusive jobs, defined as jobs for those categories of the labor force who are traditionally more distant from the market or more vulnerable such as women, youth, or people living in particularly remote or disadvantaged areas.

D. Project Description

9. The F4J II project is proposed as the second project within the F4J SOP. In a SOP programmatic approach, a series of two or more projects are designed for implementation over time, building on lessons learned and achievements from previous projects in the series. This experimentation and learning is integral to the F4J SOP. The series commenced with a first project (F4J; P151089) that undertakes the upstream detailed design, capacity building, and testing of one of three selected innovative financial instruments (an Entrepreneurship Ecosystem Matching Grant [EE-MG] facility), along with generating initial lessons learned.³

10. As the second project in the SOP, the proposed F4J II project would provide the funding required to test two additional innovative financing instruments that seek to incentivize private investment and create jobs— a Development Impact Bond (DIB) and an Investment Co-Financing Facility (ICF). It would provide ongoing

³ Reference to publically disclosed Project Appraisal Document (PAD) for F4J (P151089): [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/08/Companies receiving capacity building/handholding services /090224b083c36f1e/2_0/Rendered/PDAAddF/West0Bank0and00ce0for0Jobs0Project.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/08/Companies%20receiving%20capacity%20building/handholding%20services/090224b083c36f1e/2_0/Rendered/PDAAddF/West0Bank0and00ce0for0Jobs0Project.pdf)



project management support for the SOP. Each instrument targets different aspects of either the demand side (firm start-up and growth stages) or the supply side (skills, market intermediation) of the jobs challenge. The SOP is designed in such a way to allow for flexibility and scaling up or down of funds as need be between the three instruments based on performance. Learning and knowledge generation from these instruments is also key. An overview of each of these three instruments includes the following:

- A **Development Impact Bond (DIB)** to mobilize private sector financing, technical and management expertise for enhancing skills development and employment outcomes amongst youth and women;
- **Investment Co-Financing Facility (ICF)** to provide risk-sharing grant financing support of commercially sound job-creating private sector investments that may otherwise not be considered viable due to market and institutional failures and other FVC risk considerations; and
- An **Entrepreneurship Ecosystem Matching Grant (EE-MG)** instrument in support of early stage finance and startups, particularly to build the pipelines of early stage investment funds.

Component 1: Development Impact Bond (DIB) for Skills Development for Employment

11. Impact bonds have recently emerged as innovative results-based financing models that leverage private sector investment and focus on achieving results. A DIB is an instrument whereby investors – rather than donors - pay upfront for interventions to achieve agreed results, and work with delivery organizations to ensure that the results are achieved. Outcome funders (typically donors in DIBs and governments in Social Impact Bonds) make payments to investors if the interventions succeed. The proposed DIB will be focused on enhancing the skills of the Palestinian workforce in a more market-driven way in order to foster improved job outcomes. The DIB would target an estimated cohort of approximately 2000 (depending on final DIB design) aged 18 to 29.

Component 2: Investment Co-Financing Facility (ICF)

12. This component will finance a risk-sharing ICF instrument to leverage potential larger job-creating private sector investment activity. Current assessments indicate that a number of sound private investments in sectors such as tourism, ITC, agribusiness, renewable energy, and light manufacturing, are unable to move forward due to exceptional FCV risks, market failures, and limited financing options, including lack of long term debt financing. These are nevertheless fundamentally commercially sound investments that are likely to generate significant social and economic benefits through the creation of formal jobs. Given the social externalities of this prospective job creation, there is a public good case to be made for financing support to be provided to enable these private sector investments to proceed. The F4J II project includes a “first mover” ICF investment, co-financed with the IFC that will be fully scoped, structured, and ready to receive investment by the time this project would be presented to the World Bank Board. The project entails the installation of solar panels on the roof of the factories and warehouse facilities in the Gaza Industrial Estate (GIE) or Gaza Industrial Park (GIP).

Component 3: Entrepreneurship-Ecosystem Matching Grants (EE-MG)

13. The first F4J project launched financing (\$1.5m) for testing an Entrepreneurship Ecosystem Matching Grant (EE-MG). In the F4J II, this is a zero budget component which will allow the project to allocate funds to the EE-MG based on performance under the F4J I, demand from potential recipients, and possible additional external funds raised. The EE-MG is a specialized fund designed to improve the number and quality of investment-ready entrepreneurship initiatives by enhancing the capacity of enterprises to absorb funding from the investment vehicles already in place.



Component 4: Project Management

14. The first F4J project is financing the majority of the overall project implementation arrangements through the PIA. The F4J II will also include an allocation of project management funds that may be flexibly deployed depending on demand and performance of the instruments.

E. Implementation

Institutional and Implementation Arrangements

15. Subject to satisfactory performance, the F4J implementation arrangements will be in place for the duration of the SOP. The overall project implementation arrangements entail three levels. At the apex is the 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 and oversight of the DIB Outcomes. The PIA includes specialized management team for the DIB.

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

The F4J II project will be implemented throughout the West Bank and Gaza Strip. It will likely be implemented predominantly in localities where private sector activity is concentrated. Notably, the F4J II project will partially fund a “first mover” sub-project in the Gaza Industrial Estate (GIE) to install PV solar panels on the roofs of the factories and warehouse facilities which will allow the GIE to have stable and cheaper electricity to meet needs for two to three shifts of existing tenants. A subproject Environmental Management Plan (EMP) has been prepared.

G. Environmental and Social Safeguards Specialists on the Team

Tracy Hart, Helen Z. Shahriari, Justin Pooley, Lori Ann Conzo, Amarilis Beltran Netwall

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.
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	Yes	The ESMF will screen to determine whether potential sub-projects are likely to include the purchase and/or use of pesticides, herbicides, rodenticides, etc. F4J sub-projects will not be excluded solely on their inclusion of pest management chemicals. A Pest Management Plan (PMP) is 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:

There is expected to be no potential large-scale, significant, or irreversible impacts 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 is 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. Specific to the GIE PV Solar Panel Project, key environmental issues include labor and working conditions for workers, occupational health and safety, water use given the arid environment, and the safe structural design and introduction of modules on rooftops.

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) will be hired as part of the PIA to assess and manage safeguards related issues. The recruitment process is currently ongoing. PIA ESO capacity will be supported by Bank environmental and social safeguards specialists during the course of F4J II implementation, as well as in any subsequent F4J projects. Safeguards staff will not be needed for implementation of Component 1 (Skills Development Impact Bonds) and Component 3 (Entrepreneurship-Ecosystem Matching Grants) since these components will not trigger any Bank safeguards policies. 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 standards; (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. Three stakeholder consultations were held for F4J I in the summer of 2015; one stakeholder consultation has been held during F4J II preparation in November 2016 for the specific subproject financing of solar panels for the Gaza Industrial Estate (GIE). 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. The ESMF also establishes a GRM for the project. An English and Arabic language Executive Summaries of the ESMF, as well as the English-language full-version ESMFs, will be disclosed in-country as well as in the Info-Shop. A draft GIE PV Solar subproject EMP will also be disclosed.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank 01-Feb-2017	Date of submission to InfoShop 15-Mar-2017	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure



West Bank and Gaza
15-Mar-2017

Comments

The updated ESMF for F4J II and the GIE EMP will be disclosed at this time.

Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission to InfoShop
NA		

"In country" Disclosure

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)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

NA

Is a separate PMP required?



NA

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

NA

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?

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

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APPROVAL

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The World Bank

Finance for Jobs II (P159337)
