



The World Bank

Technology for Youth and Jobs Additional Financing (P180570)

Additional Financing Appraisal Environmental and
Social Review Summary
Appraisal Stage
(AF ESRS Appraisal Stage)

Date Prepared/Updated: 01/20/2023 | Report No: ESRSAFA510



BASIC INFORMATION

A. Basic Project Data

Country	Region	Borrower(s)	Implementing Agency(ies)
West Bank and Gaza	MIDDLE EAST AND NORTH AFRICA	The Palestine Liberation Organization (for the benefit of the Palestinian Authority)	Ministry of Telecommunications and Information Technology via a private sector implementing agency
Project ID	Project Name		
P180570	Technology for Youth and Jobs Additional Financing		
Parent Project ID (if any)	Parent Project Name		
P172571	Technology for Youth and Jobs		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	11/28/2022	2/28/2023

Public Disclosure

Proposed Development Objective

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

Financing (in USD Million)	Amount
Current Financing	15.00
Proposed Additional Financing	15.50
Total Proposed Financing	30.50

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]



The project creates new market opportunities for the Palestinian IT services sector by strengthening the supply and demand, providing it with a supportive business infrastructure, and by enabling access to markets and investments.

The additional financing will scale up all existing components of the project. No additional geographical locations will be covered under the AF.

Component 1: Improving IT service capabilities

The AF will increase the funding for Human Capital Improvement Stipends (sub-component 1.1) to allow more Palestinians IT workers to gain the skills they need to be competitive for international commercial IT services contracts. This funding will be available through three funding windows: internships stipends, on-the-job training stipends, and expatriate stipends.

Advisory services to enhance managerial capabilities (sub-component 1.2) will be expanded to close the managerial and organizational gaps that hold back the productivity of Palestinian IT sector SMEs. This sub-component will scale up the ability of the project to provide technical assistance (TA) on management, organizational development, strategy, and leadership and where needed and relevant, energy efficiency, through a structured program. The TA will build both general good managerial practices as well as those required specifically by existing and potential clients. The interventions to identify and address gender imbalances in the IT sector (sub-component 1.3) will be scaled up as a means to help the sector reach its full potential. This sub-component will expand the support for the gender assessment and allocate additional resources towards the potential interventions to address these challenges.

Component 2: Improving the IT services ecosystem

The seed grant program for stimulating private investment (sub-component 2.1) will be expanded to build on momentum to date and accelerate the process of enhancing the competitiveness of the Palestinian IT ecosystem. All three windows will be expanded to allow for an all-of-ecosystem approach to expanding opportunities. The grant program for shared R&D hubs (sub-component 2.2) will be expanded to accelerate the Palestinian IT firms' transition from price competition to competing on skill and expertise. Improved shared R&D capabilities will help build more advanced skills among firms and unlock new and more business opportunities, in particular from large international clients, which in turn will enable firm growth and job creation. The IT business infrastructure grant program (sub-component 2.3) will be scaled up, particularly in Gaza, to provide more businesses with the minimum infrastructure needed to operate high-quality IT service firms. Scaling up this grant program will allow more firms in Gaza's context of fragility, conflict, and violence (FCV) with exorbitant unemployment rates to access equipment that help improve their competitiveness and create additional good and sustainable jobs.

Component 3: Improving market access and increasing demand and investments

Increased resources for awareness raising and market linkages (sub-component 3.1) will accelerate the increase in IT exports by scaling up the matching of qualified Palestinian IT firms to international buyers. By scaling up matchmaking services between international buyers and qualified Palestinian IT services firms to boost IT exports and improve the Palestinian image as a n outsourcing destination. Scaling up promotion and facilitation of FDI in the IT Palestinian ecosystem (sub-component 3.2) will further strengthen the capabilities of key agencies to manage the entire FDI cycle. The AF will allow the strategic investor outreach campaign to reach more prospective investors and build a stronger investment funnel. It will also allow for strengthening of the investment process including navigating the launch of local entities in the WB&G.

Component 4: Project management and implementation support



Project management and implementation support will be increased to further strengthen the capacity of both the PIA and MTIT in overseeing the expanded project activities. Project management cost will increase proportionally with the amount of the AF to allow the PIA to manage an increased number of grant applications, their evaluations, and disbursements.

The proposed additional financing will not result in a change in the Project Development Objective (PDO) or implementation arrangements. The PDO indicators will not change either, but their results targets will be updated and increased, as will some of the intermediary indicators. No additional safeguards policies will be triggered and there will be no change in the project’s safeguards category. Project Management Cost will be increased to allow the Project Implementation Agency (PIA) to manage an increased number of grants applications, their evaluations, and disbursements. A Grants Officer, Tech Investment and Partnerships Specialist will be included in the PIA staff to support the delivery of the additional support to private sector.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The AF, just like the parent project ("Techstart"), covers both West Bank and Gaza, and activities will take place mainly in urban areas where firms are running ICT service businesses. The AF will scale up all existing components of the project and no additional geographical locations will be covered.

Briefly, the Palestinian economy started to rebound from the COVID-19 shock in 2021 and continued to recover in the first quarter of 2022, albeit at a slower rate amidst high unemployment and a persistent fiscal deficit. Unemployment reached 24.2% in 2022 in the Palestinian territories – down from 26.4% in 2021 (13.8% in the West Bank and 44.1% in Gaza). Easing restrictions and increased vaccination helped boost economic growth to 7.1% in 2021 and in 2022 the economy continued to recover. However, economic activity is yet to return to its pre-pandemic levels. Multiple ongoing crises since 2020 have had a significant impact on the Palestinian economy, firms, and workers. The impact of the war in Ukraine added additional shocks to the West Bank and Gaza 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 and without timely support, there will be persistent harm to otherwise-healthy firms, and some could close down.

Unemployment rate among IT graduates in the West Bank and Gaza, in particular among women, is highly driven by skills gaps arising from limited links between universities and industry and lack of research labs and equipment. In 2018, the percentage of unemployment among computer sciences graduates was 43% among males and 75% among females, and for engineering graduates was 39% among males and 69% among females. Skills gaps include specialized technical skills, practical training, soft skills, and creative thinking. A higher unemployment rate among women computer science graduates is in part reflective of the West Bank and Gaza’s broader labor market where unemployment rates are significantly higher among skilled women (47%) relative to skilled men (18%), which stands in sharp contrast to the near education parity at the postsecondary level by gender. Skilled female unemployment is especially high in Gaza, at 61% versus 38% in the West Bank.

The AF will scale up all components of Techstart and no changes to the project components are envisioned. The environmental and social risks of the AF remain the same as Techstart and are described in Section II.A (below); the



Environmental and Social Risk Classification (ESRC) remains Moderate. Finally, like Techstart, the AF is not expected to include any civil works, except minor interior works for installation of IT networks, software, and other related equipment.

D. 2. Borrower’s Institutional Capacity

The AF will be implemented by the Techstart PIA, that is DAI Global United Kingdom (UK) an international consulting firm. DAI has been successfully implementing similar Bank financed projects including Finance for Jobs (F4J) Series of Projects (F4J 1 and 2), and Innovative Private Sector Development (IPSD). The current F4J 1 and 2 and IPSD are under the Bank's old safeguards - Category B and Category C respectively - and have satisfactory E&S performance. In addition to safeguards requirements, the F4J-2 and IPSD projects also implement a comprehensive set of risk mitigation measures for labor management, stakeholder engagement and gender-based violence/sexual exploitation and abuse/sexual harassment (GBV/SEA/SH) that are line with the Bank's Environmental and Social Framework (ESF) requirements. These additional measures were introduced in 2020 to enable the projects to address COVID-19 related economic impacts in the West Bank and Gaza.

The DAI has also gained satisfactory experience of implementing the ESF as Techstart, the parent project, is under ESF. Currently, ESS1, 2, 3, 4 and 10 are relevant for Techstart and a project Environmental and Social Management Framework (ESMF, including E&S screening and risk mitigation measures also including for Community Health and Safety); Labor Management Procedures (LMP); Stakeholder Engagement Plan (SEP); and Environmental and Social Commitment Plan (ESCP) are being implemented for the project. The ESF requirements were also integrated into all the project design manuals. The PIA has recruited a part-time Environmental and Social Officer (ESO), who is responsible for managing and supervising the ESF requirements for Techstart and at present, a part-time position is assessed as being sufficient for both Techstart and the AF. The PIA staff and the ESO in particular have benefitted from several rounds of awareness raising and training regarding the Bank's E&S safeguards and the ESF. For example, in May and June 2022, the ESO participated in two training sessions led by the Bank's regional and country ESF teams including a 5-day ESF in Practice training, and a deep dive on ESS2. The trainings were targeted towards implementing agencies working across the West Bank and Gaza and were provided in both Arabic and English to ensure active participation and learning.

The E&S risk management performance of Techstart continues to remain satisfactory and in compliance with the project's ESCP commitments across all applicable standards. Briefly, the ESO shared information regarding E&S aspects and the project in general in multiple rounds of consultations, in the West Bank and Gaza, and awareness raising sessions for potential applicants. The PIA assessed all applications along different criteria, also including E&S aspects, and subsequently monitored 24 firms selected under Techstart during grant implementation. All firms were screened in accordance with the ESMF and E&S mitigation measures were included in the grant agreements of selected firms. The ESO provided an E&S checklist and explained all applicable measures to selected firms prior to the signing of grant agreements. During grant implementation, all beneficiary firms submitted simple E&S progress reports to the ESO who, in turn, ensured that all firms complied with the E&S mitigation measures included in the grant agreements. Grievance mechanisms (GMs) for beneficiaries and workers, with relevant features to address potential SEA/SH complaints, have been established and are functioning well. The PIA also continues to submit comprehensive and good quality E&S performance reports to the Bank in accordance with the reporting schedule agreed in the ESCP. Finally, the ESO continues to inform beneficiary firms about the E&S management requirements during every project consultation and awareness raising session. As stated earlier, a part-time ESO position is currently assessed as being sufficient for both Techstart and the AF; however, if the need for enhancing E&S capacity



arises during implementation, the capacity will be strengthened as required (e.g. upgrading the ESO to a full-time position). The Bank’s country E&S team will also continue to provide additional capacity building and training support to the PIA/ESO.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The environmental risks associated with the project are the same as for the parent project. They are mainly associated with the expected increased number of IT equipment, and therefore increase of e-waste. The inappropriate management of this e-waste could cause serious health problems for workers, the surrounding community and the environment. DAI developed an E- Waste Management plan (approved by the Bank in August 2021) that was implemented and adopted by all project beneficiaries throughout project implementation. DAI has recruited a part-time ESO, who is responsible of managing and supervising the parent project's overall E&S aspects and will continue to support the AF. The PIA is in compliance with the ESCP requirements during the reporting periods of the parent project. The environmental risk management performance rating of the PIA has been satisfactory throughout the implementation of parent project.

Social Risk Rating

Moderate

The social risks of the AF remain the same as the parent project/Techstart. The social risks are limited in nature and scale, and can be summarized as follows: (1) risks related to social exclusion in its various forms that would need to be mitigated by ensuring that project benefits, such as grants and job opportunities, can be accessed by and optimized for the most vulnerable, women and youth, including those from poor communities, (2) risk of exposure of youth, including vulnerable youth, and women to GBV/SEA/SH and/or poor working conditions, (3) risks related to labor and working conditions for workers and beneficiaries, and (4) risks related to data privacy. 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 (if applicable) to qualify.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The parent project/Techstart and AF are aimed at increasing economic opportunities in tech-enabled services sector and comprise various co-investments with private sector enterprises providing IT/ business process outsourcing services (e.g. training; HR; accounting; customer support). Eligible companies, that may include SMEs and Multi-national corporations, can apply for grants to invest in 1) human capital through on-the-job training programs or salaries of new employees and 2) fixed costs to establish new enterprises or subsidiaries or 3) improving basic IT infrastructure such as office furniture, IT equipment. Technical assistance is also being provided for awareness-raising campaigns to promote the IT sector and women’s leadership in the sector; these TA activities are considered low risk

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from a social and environmental perspective. Social risks under ESS1 include the risk of social exclusion, risk of exposure of women and youth to GBV/SEA/SH and poor working conditions and labor management risks.

Under the Parent Project, DAI prepared an ESMF that provides appropriate environmental and social mitigation measures for all project activities including establishing environmental and social criteria as eligibility requirements and conditions for private sector enterprises that want to access the grants. The ESMF also assesses different environmental and social risks/impacts and the types of interventions that would require a site-specific environmental and social assessment and management instrument. In November 2021, and in view of the fact that the project includes multiple small sub-projects of low to moderate E&S risk, the E&S screening, review, clearance and disclosure requirements for sub-projects/grants were revised by the Bank to make the process more efficient. Under this simplified approach, for low and moderate risk grant applications, requisite E&S mitigation measures are included in the grant agreements and sub-project ESMPs, that need to be cleared by the Bank, are not required.

Environmental and Social Assessments (ESAs) of grants were conducted in accordance with the ESMF, SEP, LMP and relevant mitigation measures included in the grant agreements. An updated project ESMF, reflecting the new simplified approach and the description of the scale up under the AF, has been shared with the Bank for review and clearance on November 14, 2022 and will be disclosed on the PIA website and on the Bank system in time for AF appraisal (December 22, 2022).

Finally, the parent project ESCP has been updated to cover the AF activities and will be reviewed and cleared by the Bank and disclosed in-country and on the Bank system by AF appraisal (December 22, 2022).

ESS10 Stakeholder Engagement and Information Disclosure

The parent project SEP has been updated to include the AF scale-up will also be used for the AF. The SEP includes measures for stakeholder consultation, information dissemination and disclosure, and grievance redress. The parent project and AF have various stakeholders including private sector firms, comparatively small IT firms, individuals, young, male and female, engineers and IT professionals, educational and academic institutions, and other government agencies such as MTIT and the Ministry of Finance (MoF). Comparatively vulnerable categories include (but are not limited to) poor women, women and youth with disabilities, women and youth in Gaza etc. The SEP also includes details of the project GM that includes features to accept and address potential SEA/SH related complaints with a separate log coding, including referral mechanisms, confidential reporting and ethical documentation of GBV cases. The updated SEP, with a description of the AF, will be reviewed and cleared by the Bank and disclosed in-country and on the Bank system by project appraisal. Commitment to implement the SEP is included the ESCP. Finally, the SEP, being a living document, may be revised and updated to incorporate any emerging issues or needs for engaging with stakeholders during project implementation. Stakeholder consultation meetings shall be conducted in line with the national restrictions (when and if applicable) regarding public gatherings during COVID-19 surges and the World Bank's guidance note on "Public Consultations and Stakeholder Engagement in World Bank-supported operations when there are constraints on conducting public meetings".

Under the parent project, PIA conducted six main stakeholder engagement activities. In March 2021, a consultation meeting was held with project stakeholders to introduce the TechStart project, its objectives, components, risks and mitigation measures and the project's environmental and social risk management instruments. This engagement



activity provides an opportunity for project beneficiaries and partners to interact with and provide their feedback and concerns to the PIA. In July 2021, the PIA held a launching event for the “Gaza Tech and Innovative Recovery Program”, which aimed to provide urgent financial support to Palestinian tech and tech-enabled companies that were damaged partially or fully by the 2021 war on Gaza. The purpose of the financial support was to help beneficiary firms recover from the losses to their business operations and infrastructure. In August 2021, the PIA also organized an information session to launch the “COVID-19 Support Program”, which aimed to provide financial support to Palestinian companies struggling through the economic impact of the COVID-19 pandemic. During 2022, two consultation meetings were conducted (in March 2022 and August 2022) to introduce the the Human Capital Improvement Stipends Program (HCIS program) and its stipend windows. This funding was aimed at helping IT firms and startups to increase opportunities to attract new international clients by employing several measures to retain, enhance, and train their employees. Finally, in October 2022, an information session was held to initiate the “Pioneer program”, that aims to improve the IT Ecosystem by providing seed grants to stimulate private investment, upgrading IT business infrastructure and providing grants for shared R&D Hubs.

During the parent project implementation, the PIA also continued and ensured frequent and timely disclosure of project information for all events and information sessions via social media platforms (Facebook, Instagram and LinkedIn), the project website (www.techstart.ps), the MTIT website and its social media platforms, and local newspapers. Information regarding the project GM has similarly been disseminated and continues to be shared in ongoing consultations.

The parent project GM is available to receive and address concerns emerging during implementation in a transparent and accountable manner. It includes an appeals process for complainants who are not satisfied with the resolution outcome, and provides accessible and multiple grievance uptake channels—online and offline, telephone (using +970-2-298 8530), email (using Techstart_Complaints@dai.com), in person and electronically through an electronic grievance submission form link provided on the Techstart website (www.techstart.ps). A record of grievances receives is also maintained by the PIA. Thus far, the parent project has recorded four project specific grievances that were related to selection of beneficiaries. In line with the GM manual, all complaints were documented, processed, resolved and closed within the time frame stipulated in the GM manual. The PIA provided written responses and clarification about the selection criteria used by the technical committee, and reasons for not accepting the grant proposals. Two complainants who were not satisfied by the responses provided by PIA also contacted the Bank's task team to get further clarification about the beneficiary selection process. The GM also accepts anonymous grievances. The GM manual prepared for the parent project will be used for the AF. Finally, the GM will remain functional throughout the project lifecycle and will be periodically analyzed and strengthened as required.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

Project workers include the DAI and benefitting Palestinian IT Service Companies. New workers will be hired by the IT Service Companies with the aim of upskilling their workforce and providing support for online companies’ staff. The categories of project workers are Direct Workers (DAI workers who are full-time or part time formally transferred to



the project), Contracted Workers e.g. consultants engaged by DAI or MTIT and workers who will be employed by the benefitting IT service companies.

The main labor risks identified for the project pertain to poor working terms and conditions, and potential risks of GBV/SEA/SH at the workplace. DAI has prepared LMP for the Parent project that identifies project workers, describes the labor related risks associated with the project and provides measures to manage labor related risks and issues. The LMP was based on the Palestinian national laws and regulations and measures were integrated into the LMP to meet the requirements of ESS2 and in accordance with the World Bank Group Environmental, Health and Safety Guidelines (EHSGs). Additional mitigation measures include prohibiting the hiring of any person under the age of 18, the use of forced labor and SEA/SH in the workplace. The LMP also provides a GM for project workers with special features to address potential SEA/SH complaints. Finally, the LMP also includes a CoC for project workers to prevent SEA/SH in the workplace. The parent project LMP has been updated for the AF, reflecting the scale up under the AF, and shared with the Bank for review and clearance on November 14, 2022. The updated LMP will be disclosed on the PIA website and on the Bank system in time for AF appraisal (December 22, 2022).

A workers' GM was established in the PIA to receive and process workers' grievances including an anonymous uptake mechanism. The workers' GM will also be used for the AF. Beneficiary companies were also requested to establish a GM for their workers prior to the project launching. The ESO is responsible for monitoring grievances managed at the companies' level and regularly evaluates the effectiveness of the GM.

Finally, the provisions of the LMP do not apply to MTIT civil servants and DAI workers who may work full-time or part-time for the project but have not been transferred formally to the project. These workers will remain subject to the terms and conditions of their existing employment agreement, except for the LMP provisions for forced labor, child labor and safety consideration.

ESS3 Resource Efficiency and Pollution Prevention and Management

The project will include installation of ICT equipment, office facilities, tools and business infrastructure. The relevance of ESS3 is mainly related to ensuring efficient energy consumption, and adequate management of e-waste, and other related solid wastes. DAI developed an E- waste management plan (approved by the Bank in August 2021) that was implemented and adopted by all project beneficiaries throughout project implementation.

ESS4 Community Health and Safety

The risk of exposure of youth, including vulnerable youth and women to SEA/SH and/or poor working conditions has been identified. Data privacy issues has also been identified as a risk and measures to protect private information are included in the grant agreements. The project level GM also includes specific procedures for addressing potential GBV/SEA/SH complaints including confidential reporting and ethical documentation of any GBV/SEA/SH cases. The project will not engage security personnel.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 is not currently relevant. No land acquisition or resettlement is required under the project.



ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS6 is not currently relevant. Biodiversity and the living natural resources are not impacted by the project activities.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant. There are no known indigenous peoples/sub-Saharan African Historically Underserved Traditional Local Communities in Palestinian Territories.

ESS8 Cultural Heritage

ESS8 is not currently relevant. No tangible or intangible cultural heritage will be impacted by the project activities.

ESS9 Financial Intermediaries

ESS9 is not currently relevant. There are no financial intermediaries involved in the project.

B.3 Other Relevant Project Risks

Delays in implementation could pose additional contextual risks to the operation, particularly in Gaza due to the hard constraints on entry of materials and equipment. Managing the environmental, social and citizen engagement aspects is quite new to the implementing agencies in the ICT business, which adds to the contextual risk that should be considered during the implementation arrangements.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:

N.A.

IV. CONTACT POINTS

Public Disclosure



World Bank

Contact: Andreja Marusic Title: Senior Private Sector Specialist

Telephone No: 473-0583 Email: amarusic@worldbank.org

Contact: Mirela-Iulia Cojocaru Title: Senior Private Sector Specialist

Telephone No: 5220+6512 / 972-2-2366512 Email: icojocaru@worldbank.org

Borrower/Client/Recipient

Borrower: The Palestine Liberation Organization (for the benefit of the Palestinian Authority)

Implementing Agency(ies)

Implementing Agency: Ministry of Telecommunications and Information Technology via a private sector implementing agency

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s):	Mirela-Iulia Cojocaru, Andreja Marusic
Practice Manager (ENR/Social)	Lia Carol Sieghart Cleared on 19-Jan-2023 at 16:31:54 GMT-05:00
Safeguards Advisor ESSA	Aki Tsuda (SAESSA) Concurred on 20-Jan-2023 at 15:48:8 GMT-05:00

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