



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

Appraisal Stage | Date Prepared/Updated: 12-Jan-2021 | Report No: PIDISDSA30659

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

Country West Bank and Gaza	Project ID P175414	Project Name Finance for Jobs II Additional Finance - Covid19 Response	Parent Project ID (if any) P159337
Parent Project Name Finance for Jobs II	Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 14-Jan-2021	Estimated Board Date 26-Feb-2021
Practice Area (Lead) Finance, Competitiveness and Innovation	Financing Instrument Investment Project Financing	Borrower(s) Palestine Liberation Organization (for the benefit of the Palestinian Authority)	Implementing Agency Ministry of Finance, 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

Unallocated
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	10.00
Total Financing	10.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS**Non-World Bank Group Financing**



Trust Funds	10.00
Special Financing	10.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

1. **This proposed Additional Financing (AF) of US\$10 million to the Palestine Liberation Organization (for the Benefit of the Palestinian Authority) is for the Finance for Jobs II Project (F4J II).**

The proposed AF of US\$10 million is the second AF under the F4J II Project and seeks to scale-up the Investment Co-Financing Facility (ICF) (Component 2) and Project Management (Component 4) components in order to support the private sector and respond to the economic impact of the Coronavirus 2019 (COVID-19) crisis. This AF aligns with and responds to pillar three of the World Bank Group COVID-19 Crisis Response Approach Paper, which focuses on promoting sustainable business growth and job creation by assisting countries to help firms survive the initial crisis shock, restructure, and become more resilient in the recovery. The ICF is a risk-sharing facility that provides co-financing to commercially viable and job-creating private sector investments that would otherwise not proceed due to high risk and context of fragility, conflict, and violence (FCV).

2. **As indicated in the Finance, Competitiveness and Innovation policy notes and analytical work, in the West Bank and Gaza and elsewhere, private-sector firms and workers, especially startups, small medium enterprises women and youth, are experiencing the economic brunt of the COVID-19 pandemic.**

Following three consecutive years of economic growth below two percent, an already fragile private sector and workforce is currently facing triple crises that reinforce each other: i) a resurgent COVID-19 outbreak, ii) a severe economic slowdown, and iii) deteriorating political stability. The COVID-19 outbreak has quickly evolved from a health emergency into a full-blown economic crisis, spreading rapidly throughout the financial sector and the real economy and damaging otherwise healthy firms.

3. **Recent reports suggest that due to COVID-19, the Palestinian gross domestic product is expected to decrease by 7.9% in 2020¹.**

The pandemic caught the already fragile Palestinian private sector by surprise, making cash flow planning and financial projections unreliable, and hurting businesses of every size, as has been the case worldwide. Many households, especially the poorest and the most vulnerable, may be forced to increase working hours with lower remuneration. Learning from previous global shocks such as the 2008 financial crisis, the recovery in employment is likely to be sluggish and high

¹ World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practice



unemployment and underemployment rates may persist for years. Although the economy is likely to evolve over the course of the pandemic, the risk that some private sector jobs and accompanying social benefits (such as social cohesion, reduced risk of social unrest and destabilization, as well as human capital investments and outcomes) are negatively impacted over the long-term is high. Therefore, the key challenge is, under budget constraints, to assist solvent and sound firms to weather the shock, ensure employment is protected where possible, and mobilize private capital to help rebuild the economy in a more sustainable manner.

4. **The new proposed COVID-19 related financing will be linked to F4J II as its parent project since it will provide financing to scale up the ICF component, and to add a technical assistance sub-component to support firms' adaptation to COVID-19 crisis.** Given the well-known reality faced by Palestinian firms and looking at similar experiences in other economies in the region and elsewhere, the F4J series of projects (SOP) can be further adapted to fit COVID-19 needs. With only 14% of firms in the West Bank and Gaza having a loan (compared to 26.5% in the MENA region)², support through financial intermediaries is not considered an inclusive channel.

5. **Given the nature of the employment crisis amidst COVID-19, an adjusted F4J SOP needs to address two immediate, interconnected, issues.** First, supporting workers whose employment prospects are affected because of a number of causes (quarantine, health concern, layoffs, or decreased demand); and second, the need to provide businesses with the support to adjust and expand operations in a post-COVID-19 reality. Lessons from previous crises warn against the medium and long-term costs of letting otherwise viable firms close. Helping maximize survival potential in firms so that they can continue to operate, expand and pay workers, as well as preserve the network of economic linkages they have is key for a quicker recovery.

6. **Ensuring liquidity and access to finance during the crisis and in the recovery phase have been recommended by the World Bank³ as necessary measures to allow firms to survive, and to ensure employment loss is minimized.** More importantly this will allow a quicker recovery and reduce transaction costs for both firms and workers. Support delivered through grants, designed to address clear situations of identified market failure, or crisis-related constraints is a recommended measure to support firm resilience and jobs. Experience thus far also recommends to design interventions that exclude insolvent firms and maximize support to solvent ones, as well as coupling financial support with technical assistance (investing in firm capabilities) to increase development effectiveness and the chances of survival.

C. Proposed Development Objective(s)

Original PDO

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

² West Bank & Gaza Enterprise Survey, WBG, 2019

³ Supporting Firm Resilience, WBG.



Current PDO

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

Key Results

7. The project targets outcomes on jobs and private capital mobilization. PDO-level indicators will remain the same as the parent project, but the targets will increase to reflect the new financing. Specifically, with the AF, the project is expected to create 3,500 jobs and mobilize US\$ 43 million in private capital. Table 1 below provides an update to the key results targeted.

Table 1. Revised Results Framework Targets

	Indicator Name	Current Cumulative Target (F4J II)	Revised Cumulative Target (AF)
PDO 1	Private Capital Mobilized	US\$ 25,000,000	US\$ 43,000,000
PDO 2	Number of jobs created	2,000 jobs	3,500 jobs
IRI 1	Beneficiaries of job-focused interventions	2,800	4,300
IRI 1.1	Beneficiaries of job-focused interventions – youth	1,900	2,500
IRI 1.2	Beneficiaries of job-focused interventions – female	800	1,100
IRI 5	Firms benefitting from private sector initiatives (direct and indirect)	56	92

D. Project Description

8. The proposed Additional Financing (AF) of US\$ 10 million to the F4J II project will allow a scale-up of the ICF component (Component 2) and the project management component (Component 4), adding a total of US\$ 8 million to the ICF, while an amount of US\$ 1.5 million will be allocated to the project management component. An amount of US\$ 0.5 million will be unallocated in case the need arises during project implementation to add funding to the other two components of F4J II (DIB and/or EE-MG) and/or to the ICF or project management component, as shown in table 2 below.

Table 2. Additional Financing Components and Costs

Components	Amounts in US\$ million
Component 1: DIB	0
Component 2: ICF (including technical assistance)	8
Component 3: EE-MG	0
Component 4: Project Management	1.5



Unallocated Funds	0.5
TOTAL	10

9. **The scaling-up of the ICF component will finance additional ICF proposals and the provision of technical assistance to support firms’ adaptation to COVID-19 crisis.** The design of the component builds on lessons learned, particularly on the effectiveness of twinning financial support and technical assistance. During and because of the pandemic, the demand for ICF investments continues to remain steady as some businesses are still proceeding with their investments and others have been forced to invest to adapt to a new economic landscape and changes in consumer behavior. The scaling up of the ICF will contribute to meeting this continuing demand as much as possible, while also focusing on investments that will help retain jobs in the economy.

10. **The ICF grant will be adapted to the COVID-19 context, with a more generous de-risking financing enhancement to respond to reduced investor appetite, a streamlined application and due diligence process to support firms more quickly and a technical assistance sub-component that will focus on enhancing the productive capabilities of beneficiary firms while also upgrading their production processes.** The grant to project cost ratio will be increased from 20 to 30 percent maximum of the total financing to beneficiary projects. Projects will be selected following open calls for proposals and the due diligence process will include screening, review, validation, deal structuring, implementation and monitoring of investment projects. The key performance criteria of the ICF component (job creation) will be maintained, and the Social Rate of Return (SRR) methodology will be applied in order to select the potential ICF investments.

E. Implementation

11. **The current implementation arrangements through the private sector project implementation agency (PIA) (DAI Global) will not be changed,** and US\$ 1.5 million of the AF will be allocated to support the PIA in screening, selecting, and monitoring a larger ICF facility. The PIA will continue to implement the AF through an Implementation Agreement with the Ministry of Finance.

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. ICF projects have primarily focused on agribusiness, light manufacturing and clean technology and have been located in both urban and rural areas.

G. Environmental and Social Safeguards Specialists on the Team

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



Zeyad Abu-Hassanein, Environmental Specialist
Charlene D'Almeida, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project's ICF component includes grant financing to subprojects that can present moderate E&S risks. Grant funding to the private sector has been open to different sectors, although the ICF projects (proposed to be scaled-up under this AF) have primarily focused on agribusiness, light manufacturing and clean technology. These subprojects are selected based on a number of criteria, mainly their potential to generate jobs, and can be in various industry sectors. The projects are relatively small in scale. The new, proposed COVID-19 related financing will be linked to the F4J II parent project since it will provide financing to scale up the ICF component, and to add a technical assistance sub-component to support firms' adaptation to COVID-19 crisis, however no major changes to the scale of projects, nature of activities or supported sectors is expected.

As with the original project, there 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.

The OP/BP 4.01 (Environmental Assessment) is applicable to the AF. The project continues to be classified as Category “B” in accordance with the World Bank’s OP/BP 4.01 due to potential adverse environmental and social impacts that are site-specific, reversible and remediable by applying appropriate mitigation measures. 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. Based on the project implementation so far, these potential adverse environmental and social impacts may include the following: construction-related air, noise, and water use and quality issues, pedestrian and vehicular traffic and other construction-related disruptions, and workers’ occupational health and safety, as well as labor and working conditions. Potential impacts may include additional agriculture-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, such as batteries and solar panels.

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. The parent project activities have been assessed against the COVID-19 Specific Risk Considerations and the risks and impacts are not considered significant as per Paragraph 4d (OP/BP 4.01).

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: Potential long-term impacts are not generally expected, however in rare cases 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. Activities supported by the AF will bring benefits to communities by providing further resources to an ecosystem for job-creation and enhancing technical capacity.

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.

Since the start of project implementation, overall safeguards rating has been Satisfactory, there are no non-compliance issues. The SORT risk rating for Environmental and Social is Moderate as per the latest Implementation Status Report of June 2020.



The updated Environmental and Social Management Framework (ESMF) for the first AF (disclosed in June 2018), outlines the process for environmental and social risk assessment and management as well as a capacity building plan for implementation to assure that the Project Implementation Agent (PIA) and private sector entities are familiar with the provisions of the Bank's social and environmental safeguards policies. The ESMF was prepared in compliance with World Bank safeguards policies for a Category B Project and with environmental and social laws of the Palestinian Authority. Moreover, from its current staff the PIA has appointed a safeguards specialist – an Environmental and Social Officer (ESO) on a part-time basis– familiar with Bank's safeguards policies, who ensures that this screening mechanism is fully functional, implemented, and regularly reported back to the Bank. The Gaza coordinator is also responsible for monitoring safeguards risks. In the process of preparing the AF, the ESMF is updated to integrate certain new aspects, most importantly the COVID-19 related guidelines and provisions, GRM aspects, as well as consultation outcomes.

For each potential ICF subproject, a social and environmental safeguards screening tool contained in the ESMF is applied, along with subproject specific instruments that are found necessary to cover both social and environmental aspects (for example, subproject-specific Environmental and Social Management Plans (ESMPs, and Environmental Guidelines for Contractors). Such instruments have been prepared regularly and are satisfactory to the Bank.

A project-level Grievance Redress Mechanism (GRM) has been established at the PIA with the following features: an assigned contact to manage the system, accessibility to communities, documentation of complaints using a log, and timely written responses to complaints. The GRM is functioning satisfactory to the Bank, as indicated in the latest ISR. As part of the proposed AF process, the client is currently updating the ESMF to address potential COVID-19 related risks covering health and safety, GBV, and stakeholder consultations. As subsequent subprojects are identified, beneficiaries will be identified and consulted as appropriate. Each subproject ESMP will include a site-specific consultation process, to take place during implementation.

No additional safeguards policies will be triggered and there will be no change in the project's safeguards category. The AF environmental and social risks are expected to be the same as parent project and are expected to be moderate. Activities supported by the AF will bring benefits to communities by providing further resources to an ecosystem for job-creation and enhancing technical capacity. Potential social risks such as inequitable access to project benefits for the most vulnerable groups, labor and working conditions, Gender Based Violence (GBV) and Sexual Exploitation and Abuse/Sexual Harassment will be mitigated appropriately by specific measures to be included in the updated ESMF and Project Operation Manual (POM). In addition, the PIA will continue to screen out any potential ICF investments with risks and impacts equivalent to World Bank environmental Category A.

The PIA has conducted a consultation meeting with the potential beneficiaries for the AF on November, 4, 2020. The ESMF was updated and will be disclosed prior to appraisal

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. 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 on the World Bank website.

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
01-Feb-2017	15-Mar-2017	

"In country" Disclosure

West Bank and Gaza

15-Mar-2017

Comments

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?

Yes

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

Yes

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

Yes

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

CONTACT POINT

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Borrower/Client/Recipient

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APPROVAL

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