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Report No: PAD2952

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF US$5 MILLION

TO THE

PALESTINE LIBERATION ORGANIZATION
(FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY)

FOR THE

FINANCE FOR JOBS II PROJECT

July 20, 2018

Finance, Competitiveness and Innovation Global Practice
Middle East And North Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective July 20, 2018)

Currency Unit =	New Israeli Shekel (NIS)
NIS1.00 =	US$0.28
US$1.00=	NIS3.56

FISCAL YEAR
July 1 – June 30

Regional Vice President:	Ferid Belhaj
Country Director:	Marina Wes
Senior Global Practice Director:	Ceyla Pazarbasioglu-Dutz
Practice Manager:	Jean Pesme
Task Team Leader(s):	Abdalwahab Khatib, Stefanie Ridenour

ABBREVIATIONS AND ACRONYMS

AS	Assistance Strategy
AF	Additional Financing
BDS	Business Development Services
BF	Blended Finance
CBA	Cost-Benefit Analysis
DA	Designated Account
DCE	Discrete Choice Experiment
DIB	Development Impact Bond
EE-MG	Entrepreneurship Ecosystem Matching Grant
EMP	Environmental Management Plan
EPC	Engineering, Procurement, and Construction
EOCL	Economic Opportunity Cost of Labor
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
ESO	Environmental and Social Officer
FCI	Finance, Competitiveness, and Innovation
FCV	Fragility, Conflict, and Violence
FM	Financial Management
FY	Fiscal Year
F4J	Finance for Jobs
GA	Grant Agreement
GDP	Gross Domestic Product
GIE	Gaza Industrial Estate
GOI	Government of Israel
GP	Global Practice
GRM	Grievance Redress Mechanism
IA	Implementation Agreement
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
ICF	Investment Co-Financing Facility
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFR	Interim Financial Report
IRR	Internal Rate of Return
ISR	Implementation Status and Results Report
MDB	Multilateral Development Bank
MDTF	Multi-Donor Trust Fund
MENA	Middle East and North Africa Region
MFD	Maximizing Finance for Development
MW	Megawatt
MIGA	Multilateral Investment Guarantee Agency
MOFP	Ministry of Finance and Planning
MTR	Mid-Term Review
M&E	Monitoring and Evaluation
OM	Operations Manual
PA	Palestinian Authority

PC	Project Counterpart
PDO	Project Development Objective
PIA	Project Implementation Agency
POM	Project Operations Manual
PPAB	Public-Private Advisory Board
PRG	Partial Risk Guarantee
PSEF	Private Sector Enhancement Facility
SME	Small and Medium-Sized Enterprise
SOE	Statement of Expenditure
SOP	Series of Projects
SPF	State and Peacebuilding Fund
SRR	Social Rate of Return
TA	Technical Assistance
TFGWB	Trust Fund for Gaza and West Bank
TTL	Task Team Leader
WA	Withdrawal Application
WBG	World Bank Group

BASIC INFORMATION – PARENT (Finance for Jobs II - P159337)

Country	Product Line	Team Leader(s)		
West Bank and Gaza	Special Financing	Abdalwahab Khatib		
Project ID	**Financing Instrument**	**Resp CC**	**Req CC**	**Practice Area (Lead)**
P159337	Investment Project Financing	GFCMW (9282)	MNC04 (5562)	Finance, Competitiveness and Innovation

Implementing Agency: Ministry of Finance and Planning, Project Implementing Agency (DAI)

Is this a regionally tagged project?
No

Bank/IFC Collaboration	Joint Level
Yes	Joint Project - involving co financing with IFC (loan, equity, budget, other) or staffing

Approval Date	Closing Date		Original Environmental Assessment Category	Current EA Category
27-Jul-2017	29-Oct-2021		Partial Assessment (B)	Partial Assessment (B)

[ ] Situations of Urgent Need or Capacity Constraints	[ ] Financial Intermediaries (FI)
[ ] Series of Projects (SOP)	[ ] Project-Based Guarantees

Development Objective(s)

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

Ratings (from Parent ISR)

	Implementation	Latest ISR
	21-Nov-2017	28-May-2018
Progress towards achievement of PDO	MS	MS
Overall Implementation Progress (IP)	MS	MS
Overall Safeguards Rating	S	S
Overall Risk	H	H

BASIC INFORMATION – ADDITIONAL FINANCING (Finance for Jobs II Additional Financing - P167675)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P167675	Finance for Jobs II Additional Financing	Restructuring, Scale Up	No
Financing instrument	Product line	Approval Date	
Investment Project Financing	Special Financing	10-Aug-2018	
Projected Date of Full Disbursement	Bank/IFC Collaboration	Joint Level	
28-Feb-2022	Yes	Complementary or Interdependent project requiring active coordination	

Is this a regionally tagged project? No	
[ ] Situations of Urgent Need or Capacity Constraints	[ ] Financial Intermediaries (FI)
[✓] Series of Projects (SOP)	[ ] Project-Based Guarantees
[ ] Disbursement-linked Indicators (DLIs)	[ ] Contingent Emergency Response Component (CERC)
[ ] Alternative Procurement Arrangements (APA)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
Grants	8.00	0.35	7.65	4.4 %

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Finance for Jobs II Additional Financing - P167675)

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

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any other Policy waiver(s)?

[ ] Yes [✓] No

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Jobs

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Abdalwahab Khatib	Team Leader (ADM Responsible)		GFCMW
Stefanie Lynn Ridenour	Team Leader	Impact Bonds	GFCMW
Lina Fathallah Rajoub	Procurement Specialist (ADM Responsible)	Procurement	GGOPM
Riham Hussein	Financial Management Specialist	Financial Management	GGOMN
Andrianirina Michel Eric	Team Member	Finance Officer	WFACS

Ranjeva			
Ekaterina Grigoryeva	Environmental Safeguards Specialist	Envionrmental Safeguards	GEN07
Federica Ricaldi	Team Member	Jobs Methodology	GPSJB
Helen Z. Shahriari	Social Safeguards Specialist	Social Safeguards	GSU05
Jade Elena Garza Ndiaye	Team Member	Entrepreneurship	GFCAE
Julie Aurelie Carles	Team Member	IFC	CN3IN
Maria Ariano	Team Member	Operations	GFCFC
Mark Eugene Ahern	Team Member	Program Leader	MNC04
Matthias Timm	Team Member	Analyst	GFCE1
Natalia Robalino	Counsel	Country Lawyer	LEGAM
Peter J. Mousley	Team Member	DIB Advisor	MNC02
Raneen Hassan Hasuna	Team Member	PSEF	MNC04
Steve W. Wan Yan Lun	Team Member	Operations	GFCMW
Suha Salim Ayoub Rabah	Team Member	Program Assistant	MNCGZ
Youssef Issa Tawfiq Habesch	Team Member	IFC	CMEWJ

Extended Team

Name	Title	Organization	Location

WEST BANK AND GAZA

FINANCE FOR JOBS II ADDITIONAL FINANCING

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I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction and Summary of the Parent Project

1. **This Project Paper seeks the approval of the World Bank Board of Executive Directors to provide Additional Financing (AF) of US$5 million to the Palestine Liberation Organization (for the Benefit of the Palestinian Authority) for the Finance for Jobs II Project (F4J II) (Grant No. TF0A5297).** The proposed AF of US$5 million will be financed as a part of the Private Sector Enhancement Facility (PSEF) initiative under Pillar 2 of the FY18-21 Assistance Strategy for the West Bank and Gaza. The AF would help to scale up the Investment Co-Financing Facility (ICF) component (Component 2) of the F4J II project and finance eligible job-creating investment opportunities identified from the private sector. The AF could finance proposals received through the recent ICF call for proposals completed in April 2018, or from future calls for proposals as needed. The ICF is a risk-sharing facility that provides co-financing to commercially viable private sector investments that would otherwise not proceed due to the high risk fragile, conflict, and violence (FCV) environment. 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 Maximizing Finance for Development (MFD) agenda and the FY18-21 Assistance Strategy for the West Bank and Gaza.

2. **The Finance for Jobs Series of Projects (F4J SOP) comprises two grants: 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 (TFGWB) and US$1.5 million from the State and Peacebuilding Fund (SPF) (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 AF will be linked to the F4J II as its parent project since it will provide additional financing to the ICF component.

3. **The F4J SOP was designed as an initiative to pilot new approaches and generate lessons learned, with the objective of scaling up the instruments that deliver results.** The Project Development Objective (PDO) was designed to capture this "testing" nature of the SOP: "To test the effectiveness of selected financial interventions in incentivizing private sector investment and job creation." The instruments tested target various aspects of the job creation challenge in West Bank and Gaza, including skills development, job matching, support to investment funds and startups, and co-financing of private investments. The F4J II project has four components: (1) Development Impact Bond (DIB), (2) Investment Co-Financing Facility (ICF), (3) Entrepreneurship Ecosystem Matching Grant (EE-MG), and (4) Project Management.

B. Rationale for Additional Financing and Strategic Context

4. **Boosting private sector-led job creation is vital to achieving the WBG strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner.** The F4J SOP and AF also implement the WBG's MFD agenda to "help countries maximize their development resources by drawing on private financing and sustainable private sector solutions to provide value for money and meet the highest environmental, social, and fiscal responsibility standards, and reserve scarce public financing for those areas where private sector engagement is not optimal or available." The Gaza solar first mover investment developed under the F4J SOP (further described below) has been featured as an innovative

example of how MFD can be operationalized in FCV situations by drawing on the instruments and expertise of each of the WBG institutions.

5. **The AF contributes to the WBG Middle East and North Africa (MENA) Strategy, which encourages the type of informed risk taking, innovation, and private sector engagement that characterizes the F4J SOP.** The AF contributes to renewing the social contract between government and citizens, gaining citizen trust through promotion of social and economic inclusion, and creation of greater private sector-led jobs. It will also contribute to the reconstruction and recovery in Gaza.

6. **The AF is also aligned with the West Bank and Gaza Assistance Strategy (AS) FY18-21 (Report No. 115201-GZ) discussed by the Board of Executive Directors in December 2017, which reflects a major shift towards prioritizing private sector-led growth and job creation.** This includes support to policy and institutional reforms essential to the emergence of private sector activity (Pillar 1), as well as to the identification, structuring and financing of transactions, and providing risk mitigation and blended finance essential to their realization (Pillar 2).

7. **This shift in strategy was driven by a need to respond to the dire economic situation in the West Bank and Gaza,** and especially to try to alleviate unemployment, which has reached close to 50 percent in Gaza and 18 percent in the West Bank in Q1 2018. The youth unemployment rate in Gaza is nearly 60 percent, one of the highest in the world. The real gross domestic product (GDP) dropped to only 2.4 percent in 2017 according to the Palestine Central Bureau of Statistics (PCBS).

8. **In support of Pillar 2 of the West Bank and Gaza Assistance Strategy, the WBG is establishing a PSEF initiative that will operationalize the MFD approach by leveraging IBRD, IFC, and MIGA instruments.** 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 to support job creation, inclusive economic opportunity, and transformative social benefits. It will 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) to complement the political risk insurance currently administered by MIGA. The PSEF will be established as a multi-donor trust fund where the Bank has allocated seed funding in the initial amount of US$20 million from its own TFGWB resources, out of which US$5 million will be allocated to the proposed AF.

9. **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, the PSEF will capitalize on the F4J as an existing project that has already invested a considerable amount in implementation arrangements, pipeline development, and an innovative methodology for screening ICF investments for jobs externalities (the Social Rate of Return [SRR] methodology). It will build on lessons already learned through the F4J, and continue to generate further lessons that can be applied to the overall PSEF approach, with the aim of applying 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, send a strong signal to the market, and encourage further investments beyond those supported through the F4J SOP.

C. Parent Project Performance

10. **The overall performance of the parent project is on track, especially considering the increasingly difficult political and security situation, as well as the highly innovative nature of the project components**. In both F4J I and II projects, progress towards achievement of the PDO and Overall Implementation Progress have been consistently rated Moderately Satisfactory or higher in their Implementation Status and Results Reports (ISR), the most recent in May 2018. The F4J SOP is on track to achieve the PDO-level outcomes, namely to test the effectiveness of selected financial interventions incentivizing private sector investment and job creation.

11. **Project implementation continues to progress**. A key feature of the F4J SOP was to structure the projects so that F4J I provides financing for the foundational market building activities, while the F4J II finances the launch of the instruments. The Project Implementation Agency (PIA), recruited competitively by the Ministry of Finance and Planning (MOFP) under the F4J I project, has continued to build its capacity in delivering the project. The PIA's performance is rated satisfactory in the May 2018 ISRs. The PIA mobilized quickly to deploy the first instrument tested – the Entrepreneurship Ecosystem Matching Grant (EE-MG), which has resulted in one investment fund and eight startups supported. Intensive preparatory work to launch the DIB and ICF instruments in the market has also been ongoing under the F4J I.

12. **Gaza solar first mover ICF investment***:* The ICF will be the first component to disburse from the F4J II project with the Gaza solar investment deal, which was signed on February 20, 2018. This ICF "first mover" is a joint deal involving the private sector company as the sponsor (PRICO), IBRD, IFC, and MIGA financing a US$12 million investment to install rooftop solar panels on factories in the Gaza Industrial Estate (GIE). When the new solar array comes online, it will power all 32 businesses in the GIE and will allow some businesses to add additional shifts. It could create up to 800 new jobs, and will form the largest solar array in the West Bank and Gaza. IBRD's contribution to the financing package through the ICF will be US$1.7 million to be disbursed in a single tranche (about 50 percent of the US$3.5 million ICF allocation under the parent grant). The project team has worked to finalize due diligence and sign contracts, so that this can proceed swiftly. PRICO recently secured a cabinet decision to operate as a generator of electricity and distributor. This will enable the Gaza solar deal to proceed and construction to begin.

13. **Additional ICF investments:** The PIA recently completed a public call for proposals in April 2018 to support additional job-creating private investments under the ICF component which generated significant interest from the private sector. The PIA is currently screening the proposals according to the eligibility and performance criteria established in the Project Operations Manual (POM). It will then complete field visits to select sub-projects and undertake due diligence. Additional details on pipeline expectations are provided below in Section II. Future market outreach would be conducted on an as-needed basis.

14. **Disbursements have also continued at a steady pace for the F4J SOP**. As recorded in the latest ISRs of May 2018, disbursement for the F4J I project was 42 percent. The F4J II disbursement rate is currently lower at 4.4 percent, but will increase to over 20 percent once the Gaza solar investment proceeds, which is expected to move forward imminently following the cabinet decision referenced above. The DIB is a results-based financing instrument, and as such disbursements are not expected until early 2019 (pending the finalization of investor commitments, expected by September/October 2018). Furthermore, it is important to recognize that the innovative instruments tested under the F4J SOP are

far from "business as usual," and as such it takes a considerable investment in upstream market building before the instruments can be launched – especially in an FCV environment. As such it was always accepted as a part of the project design that disbursements may take some time to materialize relative to traditional Bank projects in order to achieve the expected results.

II. DESCRIPTION OF ADDITIONAL FINANCING

15. **The main change proposed through the AF is to add financing to Component 2 (ICF) to scale up the ongoing activities and finance additional ICF investments.** Of the US$5 million in AF, US$0.5 million will be allocated to Component 4 (Project Management) to support the PIA in screening, selecting, and monitoring a larger ICF facility. The relevant target indicators in the Results Framework (RF) have been revised upwards to reflect the AF (see Table 2 below for a summary).

16. **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. Table 1 describes the new cost allocation by component proposed under the AF.

Table 1. Cost Allocation by Component

		Cost Allocation (US$, millions)		
	Current	**AF**	**Reallocation**	**Total**
Component 1: Development Impact Bond	5.0	0.0	0	5.0
Component 2: Investment Co-Financing Facility	3.5	4.5	0	8.0
Component 3: Entrepreneurship Ecosystem Matching Grant	0.0	0.0	0	0.0
Component 4: Project management	1.0	0.5	0	1.5
Total	**9.5**	**5.0**	**0**	**14.5**

17. **<u>Component 2 proposed changes (ICF):</u> Approximately three to four additional ICF investments are expected to be financed with the AF based on current pipeline expectations.**[1] The PIA has been actively developing a pipeline of strategic investments with the private sector that could have substantial development impact and economic and social spillovers in the West Bank and Gaza. The PIA conducted an outreach campaign and call for proposals through social media and traditional media, as well as workshops and meetings with private investors, companies and representatives of the private sector to explain the overall objectives of the F4J project and the expectation of the ICF instrument. This generated significant interest amongst the Palestinian private sector, resulting over US$140 million in ICF funding applications. Following completion of the call for proposals, the PIA has been screening the approximately 120 applications received from across the West Bank and Gaza. Following the first stage of screening, the potentially more promising opportunities appear to be primarily in sectors such as agribusiness, light manufacturing, and clean technology. For the initial longlist of about 20 proposals, the average funding gap (average grant size requested) is about US$1.6 million, and each project's estimated job creation potential is above 100 jobs (direct plus indirect). As in the first mover Gaza solar investment, there is a strong possibility for collaboration with IFC on future ICF investment opportunities depending on the

[1] All figures presented in this paragraph are indicative only at this stage until the ICF proposals can be fully validated, screened, and assessed by the PIA.

financing structure and needs of the private sector. The team will maintain active collaboration with IFC, as well as other potential development partners.

18. **The eligibility and performance criteria already established under the F4J SOP for the ICF and documented in the POM will be maintained.** This includes the key performance criteria of the ICF component – primarily that the investments supported must lead to job creation. The PIA will assess each proposal to establish eligibility for ICF support to ensure that each project is commercially sound, but prevented from proceeding due to market failures. It will also ensure that the proposal could not be otherwise financed privately. Subsequently, the PIA will conduct due diligence of each planned investment including compliance with safeguards, financial analysis, and computation of the SRR that reflects the proposal's job-creation (see Appraisal Summary below for details). All ICF investments proposed for support will need to obtain World Bank No Objection before the allocation can proceed. This also includes compliance with the ICF disbursement conditions. If viable ICF investment proposals exceed available funding, priority will be given to those investments that offer the highest social benefit as measured by project job outcomes through the SRR.

19. **Component 4 proposed changes (Project management): The current implementation arrangements through the private sector PIA (DAI Global) will not be changed, and US$0.5 million of the AF will be allocated to support the PIA in screening, selecting, and monitoring a larger ICF facilit**y. The PIA will continue to implement the AF through an Implementation Agreement with the MOFP. The PIA is fully operational and performing satisfactorily with key staff on board including a project coordinator, financial management and procurement specialists, and technical staff. The AF could finance: (i) additional staffing and project management costs, including potentially one additional Investment Officer (either full or part time as needed); and (ii) additional feasibility studies and external consultants.

20. **Closing Date: The closing date of the AF will align with the closing of the parent project in October 2021.** Based on the significant demand from the ICF call for applications, it appears at this stage that the AF could be deployed within this timeframe. However, because the disbursement of funds relies heavily on the private sector, which can ebb and flow due to market shifts or FCV risk, the WBG team will utilize the Mid Term Review targeted for October 2019 to assess whether additional time would be needed to fully disburse the AF.

21. **Changes in Results Framework**: **The PDO as well as the PDO-level and intermediate results indicators will remain the same.** Private capital mobilized and jobs created will continue to be the two PDO-level indicators. The results indicator targets relevant to the ICF have been revised upward to reflect the AF. The details are reflected in the summary table below and in the Results Framework, and have been computed based on current pipeline expectations and assumptions.

Table 2: Revised Results Framework Targets

	Indicator Name	Current Target (F4J II)	Revised Target (AF)
PDO 1	Private Capital Mobilized	4,000,000 USD	8,500,000 USD
PDO 2	Number of jobs created	1300 jobs	2200 jobs
IRI 1	Beneficiaries of job -focused interventions	2500 beneficiaries	3400 beneficiaries
IRI1.1	Beneficiaries of job-focused interventions - youth	1700 beneficiaries	2130 beneficiaries

IRI 1.2	Beneficiaries of job-focused interventions - female	450 beneficiates	620 beneficiaries
IRI 5	Firms benefitting from private sector initiatives (direct and indirect)	40 firms	56 firms

III. KEY RISKS

22. **As with the parent project, the overall risk rating for the AF is high.** This is based on the following assessment of risks rated high and substantial: Political and Governance, Macroeconomic, Sector Strategies and Policies, Technical Design, Institutional Capacity, Fiduciary, and Stakeholders.

23. **Political and governance risk remains high.** In the recent past, the West Bank and Gaza has suffered continued unrest characterized by widespread demonstration across the country, most recently in early May 2018. There is a risk that further tensions between the government and civil society could affect the performance of the project by slowing the momentum of attracting additional investment that are targeted under the DIB and the ICF. While political and governance risk cannot be fully mitigated by the project, the PIA will aim to mitigate these risks through broad consultations and sharing information about the project activities with stakeholders.

24. **Macroeconomic risk remains high.** The lack of progress towards peace and reconciliation creates an unsustainable economic situation. Donor support has significantly declined, and a financing gap persists despite the PA's fiscal performance having improved in 2017. The Palestinian internal polity remains divided between Gaza and the West Bank, with grave uncertainty about the reconciliation process. Initial recovery from the 2014 war in Gaza has ended a short-lived growth spurt resulting in the deterioration of economic conditions. A recent liquidity squeeze in Gaza has led to a rapid collapse in humanitarian conditions, including access to medical treatment, electricity, and clean water. Unemployment in Gaza reached close to 50 percent in Q1 2018 compared to 18 percent in the West Bank. Only 41 percent of those aged 15 to 29 are active in the labor market. Despite a low participation rate, unemployment amongst this category reached a staggering 65 percent in Gaza. The West Bank and Gaza ranked 114th out of 190 economies in the 2018 Doing Business report—26 spots better from the 2017 ranking (140th).

25. **Sector Strategies and Policies**: This risk continues to be rated as substantial due to the multitude of policy constraints that can impact the private sector in unpredictable ways. There is also the associated risk that the private sector will not be sufficiently incentivized to respond in the ways anticipated. Commercial or political risks could hamper private sector activity. The project will mitigate this risk by crowding in private sector funding and expertise, including through the already established Public-Private Advisory Body (PPAB).

26. **Technical Design of the Project or Program:** The technical design risk is substantial due to the innovative nature of F4J II, as the project's objective is to stimulate demonstration and first mover effects. While implementation risks will be mitigated through the private sector PIA, the technical design risk remains substantial due to F4J II's novel, three-part implementation arrangements, as well as its focus on testing new instruments in a FCV environment.

27. **Institutional capacity for implementation and sustainability is maintained as Substantial.** Although project activities over the last FY have enhanced the capacity of the PIA and all key positions are filled, there is a risk of a potential spillover effect from the current political and governance challenges. The risk is mitigated somewhat as the implementing agency has adequate funding available, and it is fully staffed. The project will continue to provide technical assistance and capacity building to the MOFP and PIA through the subcomponent under implementation in the F4J I project. Capacity will also be further strengthened by complementary technical trainings where needed.

28. **Fiduciary: The risk rating is maintained as Substantial**. This is based on a financial management (FM) risk rating of Substantial and a procurement risk rating of Moderate. Risks are mitigated through an experienced private sector entity being in place– the PIA – which has good capacity, and close supervision by the Bank team, as well as regular audits. Mitigating measures are currently in place since the PIA was established under the F4J I project and has continued to perform well under the F4J II. The PIA will continue to be responsible for all FM, disbursement, and procurement aspects of the AF. Details are included below in the Appraisal Summary sections on FM and procurement.

29. **Stakeholders risk remains Substantial,** taking into account potential stakeholder coordination challenges related to the implementation the ICF – which relies on external private sector engagement to be successful. The PPAB, which includes multiple public and private organizations, serves to mitigate this risk going forward by providing a dedicated body and forum for relevant stakeholders to convene. The PPAB plays an important advisory role in the F4J SOP. During the several meetings that have already been convened, it has served as a sounding board and critical feedback loop between the project counterpart, PIA, and other public and private stakeholders. The PPAB is also a platform for capturing lessons learned on jobs and private investment from the F4J SOP that can be disseminated in the West Bank and Gaza.

IV. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

30. The F4J SOP developed a new SRR methodology to assess and measure the value of the social returns arising from job creation for the ICF component. The SRR methodology was tested and calibrated using the Gaza solar first mover investment. In addition to the increased (net) labor incomes that underpin the standard approach to estimating the economic benefit streams from additional jobs, there may be externalities from jobs that benefit society at large but are not captured in the measurement of (present or future) private income streams.

31. As a part of its established ICF due diligence process, the PIA will apply the SRR methodology to capture not only individual benefits from jobs already captured in the Economic Rate of Return (ERR), but also jobs-related benefits including social externalities which benefit society at large. There are two types of externalities that the project will measure as deriving from the creation of jobs: (i) labor externality and (ii) social externality. The labor externality is the difference between the wage and the economic opportunity cost of labor (EOCL). The presence of high unemployment and/or underemployment leads to a market price of labor that can deviate from the opportunity cost of labor. The social externality is the value to society for better outcomes for groups such as youth, women, or marginalized groups. This can

be considered a "multiplier" of the private gain. If society has preferences for reducing poverty and or inequality, sustainable jobs for the poor will have a direct effect on this – hence have a social externality. Similarly, in FCV settings, there can be social externalities linked to jobs for young men, which reduce the risks of criminality and radicalization and contribute to social stability. Jobs for young women can also produce externalities by facilitating human capital accumulation in their children, partly through reduced fertility, leading to health and nutrition gains for children, and partly through increased women-controlled incomes, leading to more spending on early childhood development. Additional detail on the SRR methodology can be found in the F4J II PAD.

Box 1: Key Lessons Learned from the Gaza Solar experience, including utilizing the Social Rate of Return (SRR) methodology

The SRR tool calculated the social values of jobs based on willingness to pay of the Palestinian respondents of a Discrete Choice Experiment (DCE). These results were multiplied by the number and type of jobs that the project will create, and added to the discounted stream of benefit in the ERR calculation, to obtain a new SRR. Based on the 620 indirect jobs plus 7 direct jobs of the Solar Power project in Gaza, and on the assumption that the additional labor in the GIE will be created gradually by a proportion of 20 percent in 2019, 25 percent in 2022, 30 percent in 2023, and 25 percent in 2024, the financial and economic results are presented in the table below:

	Without externalities	With Labor Externalities (SRR /1)	With Social externalities (SRR /2)
Rate of Return	10.1 %	19%	31%
Present value of Economic Benefit (discounted at 14%)	--	60,428,000 ILS	101,486,000 ILS
Present Value of Economic Cost (discounted at 14%)	--	45,476,000 ILS	37,227,000 ILS
Benefit to Cost Ratio	--	1.33	2.73

As reported in the table, the IRR of the project increases from 10.1 percent to 19 percent by incorporating the labor externalities (i.e. correcting for the opportunity cost of labor) to 31 percent incorporating also the Social externalities (as estimated by DCE). The benefit to cost ratio rises from 1.33 to 2.73, representing a strong justification for the project based on its economic rationale.

Furthermore, sensitivity analysis shows that in order for the SRR to coincide with the Dividend IRR (with grant and VAT recovery, 18 percent) and all other factors being equal, the project would need to create 30 percent less of the expected jobs. In other words, even if the project fails to create the 620 indirect jobs that are expected, there would be a strong justification to be implemented, as long as it creates at least about 200 jobs (30 percent). Under this threshold, there would be no justification (only from a jobs perspective) to support such investment.

The results of the DCE (conducted in the context of the Gaza project) will be applied to all future projects being assessed under the ICF, using the same methodology as in the first mover. This will allow the team to assess the private return of the project and the additional economic and social returns, which might justify public financing under the ICF.

Further lessons learned from the overall application of the SRR methodology show that before applying the SRR to the specific projects in the pipeline, the PIA will require continued support from the WBG team to take on the function of pre-screening and due diligence on project proposals. This function had been previously undertaken by the IBRD and IFC teams for the Gaza first mover. The PIA is now confronted with a large number of proposals in the pipeline and being able to clearly identify those that merit public support is key. The Bank team is assisting the PIA to build the capacity to effectively pre-screen proposals against the rationale for ICF support. Given the large number of applications and the limited time, this activity has been reinforced through Bank's technical inputs in the process, and is expected to be closely monitored during project implementation.

32. Among the key lessons learned from developing and applying the SRR, a clear preference for jobs held by women emerged. Respondents from the DCE value significantly more programs that promote skilled workers, jobs in the Gaza strip, and even more programs that promote jobs for women. This is probably linked to the particularly low labor force participation of women in the labor market at 19 percent (among the lowest in the world). Following the economic downturn liked to the restrictions on movement of goods and labor imposed by Israel, and the shrinking of the Israeli market for Palestinian labor (traditionally occupied by men), women have been called to step in for economic activities in Palestinian society, searching for jobs in the formal sector and reviving households' enterprises (food production, selling or bartering food coupons, for example). The nature of women's work is however not captured by standard labor force indicators; often women's work remains hidden since it may not be formal wage work. Supporting women's participation in the labor market, and sensitizing the private sector towards the importance of women's work is henceforth a key desirable outcome of this AF, and will be pursued under the new ICF pipeline's investments.

33. By scaling up the ICF component through the AF, it is estimated that an additional three to four ICF investments could be supported based on current pipeline expectations. This would result in approximately additional 900 jobs created (direct and indirect) and support an additional nearly 180 female beneficiaries, along with an additional 360 youth beneficiaries. It is expected to mobilize approximately US$5 million in private capital from the ICF contribution to private investment projects.

B. Technical

34. As in the F4J SOP, the premise of the technical design for the AF is that private sector investment in the West Bank and Gaza confronts extreme political and market risk. The fragmentation of factor and product markets can raise market-clearing prices to prohibitive levels. The fiscal constraints and limited financial intermediation impacting the Palestinian economy can further close off traditional avenues to address financing gaps on what would otherwise be commercially sound investments. For instance, key infrastructure – in other economies appropriately supplied as a public good by government – may be absent in the West Bank and Gaza. If the private sector is to pursue market opportunities that will generate jobs, innovative public-sector-supported approaches to mitigate these failures will be essential

in many cases. The Gaza solar first mover investment has demonstrated that such an approach to de-risk an investment can enable the private sector project to move forward even in a highly complex and fragile environment like Gaza.

35. Through scaling up the ICF component, the AF will seek to address and mitigate (to the extent possible) these risks that continue to hamper private sector investment. The AF will seek to enable job-creating private sector investments to move forward through deployment of the risk-sharing ICF instrument. As in the first mover Gaza solar ICF investment, there is strong possibility for collaboration with external partners, which could include IFC and MIGA, as well as other private sector and development partners.

36. The overall value-added provided by the WBG derives not only from its technical capacity to assist the PA to address the above challenges. It also entails the WBG's unique ability to mobilize wider financing from the private sector and other donors, and the PA's trust in partnering with the WBG to pilot a highly nontraditional program, characterized by high risk but also high potential.

C. Financial Management

37. The overall AF risk from an FM perspective is Substantial.

38. The fiduciary arrangements instituted in the parent project will also apply to the AF. The FM arrangements as documented in the F4J II Project Appraisal Document, POM, and the FM Manual will continue to be applicable for the AF. The PIA will continue to handle all FM and disbursement aspects of the AF and report to the Project Counterpart (PC) at the MOFP, as well as the Bank periodically. The FM arrangements for the AF will ensure that funds are used for the purposes intended. The PC at the MOFP has experience with the Bank FM and disbursement guidelines. A US dollar Designated Account (DA) will be opened at a Bank of Palestine-Ramallah in the West Bank and managed by the PIA for the AF. Withdrawal Applications (WA) will be endorsed by the MOFP and funds will be directly deposited into the DAs managed by the PIA. Preferably, the ICF Component will disburse through Direct Payment so that the advance will be mainly used for project management.

39. The FM arrangements at the PIA are considered satisfactory. The project is in compliance with all financial covenants and reporting will continue according to the agreement in the legal documents and disbursement letter. The project will continue to submit quarterly Interim Financial reports (IFRs) that encompass the AF transactions. These IFRs will be submitted to the Bank within 45 days of the end of the quarter using the same formats agreed under the original grant. The project will continue to have its financial statements audited by an auditor acceptable to the World Bank. The audit report which includes the audited financial statements of all sources of finance will be prepared under the Terms of Reference agreed with the Bank for the original grant. The audit reports will be submitted to the World Bank within 6 months of the end of the fiscal year. In regard to disbursement, the project will continue to use all disbursement methods (advance to designated account, reimbursement, direct payment and special commitments) available for the AF. The same disbursement conditions for the ICF under the parent project will apply to the AF.

40. The PC at the MOFP will keep accounting records and ensure that the AF activities are recorded in the PA accounting system (Bisan). This will be done throughout the life of the AF. This can be done on

a batch basis with day-to-day accounting undertaken by the PIA. The system, currently used by other projects at the MOFP, will have a separate cost center that will be used for F4J II accounts.

41. To ensure sound management of F4J resources, the PIA has an Amended Implementation Agreement (IA) with the MOFP, supported by an OM for both F4J I and II. The OM has details covering all administrative, financial and accounting, budgetary, and human resources procedures relevant to both F4J projects. The PIA updated the OM to correspond with the AF so that the OM covers all projects and financing in the F4J SOP rather than having separate OMs.

D. Procurement

42. The overall procurement risk for the F4J IIAF is moderate.

43. Procurement of new activities under the AF will be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers - Procurement in Investment Project Financing, Goods, Works, Non-Consulting, and Consulting Services', dated July 1, 2016, revised November 2017; 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', revised as of July 1, 2016; and the provisions stipulated in the Grant Agreement.

44. All procurement activities under the AF will continue to be carried out by the PIA. In particular, the PIA will carry out procurement for the Project Management component (Component 4) and will oversee procurement by grant recipients under Component 2. Procurement will be carried out in accordance with well-established private sector procurement methods or commercial practices that have been found acceptable to the Bank and documented in the OM. Given their demand-driven nature, procurement packages in Component 2 may not be defined upfront. For Component 4, the PIA will prepare, for the Bank's approval, an updated procurement plan to include additional activities to be financed under the AF.

45. Procurement performance is Satisfactory as per the May 2018 ISR. Procurement is carried out by the PIA in accordance with the approved procurement plan and the procedures outlined in the POM. Procurement of the engineering, procurement and construction (EPC) contract under the only approved ICF grant for the Gaza solar project was completed and the PIA will review the contract prior to its signature. The PIA is reviewing the ICF applications received by the announced submission deadline. Applications which meet the ICF criteria will be identified and further followed up by the PIA. Among other requirements, selected ICF applications will undergo a procurement assessment by the PIA and will be requested to submit a simplified procurement plan as a pre-requisite for signing the grant implementation agreement.

E. Social (including Safeguards)

46. As a scale up project, the AF has the same social safeguards aspects as F4J I and II. The proposed AF will not change safeguards arrangements that are currently in place for the parent project. No additional safeguards policies will be triggered and there will be no change in the project's safeguards category. The environmental Category B will be maintained as in the parent project. The PIA will continue to screen out any potential ICF investments with risks and impacts equivalent to World Bank environmental Category A.

47. Activities supported by F4J II are expected to generate socioeconomic gains and have an overall positive effect. Initial assessments identified the following sectors as offering the greatest job-creation prospects: (i) tourism, (ii) ICT, (iii) agribusiness, (iv) renewable energy, and (v) light manufacturing. The local economy has unique challenges associated with labor force mobility. The PIA will be tasked with identifying potential negative social and gender impacts and introducing practices intended to minimize these in subprojects through adequate screening and monitoring. Proactive measures will also ensure that projects with women and youth as primary beneficiaries are prioritized through the application of the SRR methodology (see Economic Analysis section for further details).

48. Overall, adverse social impacts are anticipated to be low. Any land requirements (temporary or permanent) for investments to be financed under the AF will be met through lands that are under PA control or owned by private entities. Therefore, any subprojects that may trigger the World Bank Policy OP4.12 (Involuntary Resettlement) by involving relocation of households, temporary or permanent land seizure, and impacts on livelihoods, including those that may occur through restriction of access to resources, will be excluded. In cases where land may be purchased through a "willing seller–willing buyer" approach or in cases of voluntary land donation, the PIA will need to document for power of choice, including documentation that the owner was made aware of his or her rights of refusal to sell or donate. In addition, the PIA should make certain that subproject developers/implementers ensure that the owner(s) have access to a project-level grievance redress mechanism, that the land is free of any competing claims, and that there are no renters or squatters on the land. This documentation – in case relevant (i.e. subproject requires acquisition of land) – must be provided for subprojects to be considered eligible for financing. In other words, if the appropriate documentation is not provided, the subproject will be considered ineligible. To screen for these exclusions, the PIA will rely on guidelines in the Environmental and Social Management Framework (ESMF), as well as E&S eligibility criteria in the OM, which includes a rigorous subproject screening process to be done by the PIA. The main categories covered under the screening include but are not restricted to the following enquiries:

- Subproject investments require the acquisition of private land (temporarily or permanently) for development
- Restriction of access to natural resources (for example, pasture, fishing locations, and forests) occurs for households and communities as a result of subproject-level investments
- Subproject-level investments result in involuntary relocation of individuals, families, or businesses
- Subproject investments result in the temporary or permanent loss of economic activities, like crops, fruit trees, businesses, or household infrastructure (such as granaries, outside toilets, and kitchens)
- The subproject results in adverse impacts on individuals/entities encroaching on state lands

49. Current compliance with social safeguards is rated Satisfactory as per the latest ISR of May 2018. The updated Environmental and Social Management Framework (ESMF), disclosed on June 27, 2018, outlines a capacity building plan for implementation to assure that the PIA and private sector entities are familiar with the provisions of the Bank's social safeguards policies. 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, including OP4.12, 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. 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.

F. Environment (including Safeguards)

50. The OP4.01 (Environmental Assessment) is applicable to the AF. The project continues to be classified as Category "B" in accordance with the World Bank's OP4.01 due to potential adverse environmental and social impacts that 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, and workers' occupational health and safety. 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.

51. As a scale up project, the AF has the same environmental safeguards aspects as F4J I and II. The ESMF and OM for F4J II was updated and streamlined to account for lessons learned during project implementation to date. The updated ESMF was disclosed on June 27, 2018. To date, there is only one ICF subproject (rooftop solar installation in the Gaza Industrial Estate), for which adequate assessment was carried out and risk mitigation instruments, including an ESMP, have been prepared by the subproject sponsor and duly reviewed by the PIA. Additionally, the PIA hired a consultant in Gaza to conduct regular monitoring activities during construction and operation. This has allowed the PIA to strengthen its practical understanding of the World Bank and IFC E&S requirements and adequately fulfil its oversight role. The PIA will continue to screen all potential ICF investments and, if no category A equivalent risks have been identified, proceed to work with subproject sponsors to conduct proper assessment. Compliance with environmental safeguards is rated Satisfactory.

52. Key changes to the ESMF 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, and (iii) more clearly articulating the screening, monitoring, and reporting process by providing a detailed workflow diagram for the PIA.

53. 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. However, subprojects that manufacture, transport, and/or directly finance the use of pesticides will be screened out as part of the overall subproject screening in line with

the ESMF and not eligible for financing.

54. The ESMF, prepared in compliance with World Bank safeguards policies for a Category B Project and with environmental and social laws of the PA**,** includes the following:

- Identification and description in detail of the nature and extent of environmental and social impacts;
- An environmental and social screening checklist for potential subprojects, which includes a "negative list" of subproject characteristics to be ineligible for funding (those that may trigger any other safeguards policies besides OP4.01);
- Proposed mitigation measures for each category of subprojects to be considered as part of the evaluation of potential subprojects under F4J II;
- An assessment of environmental and social safeguards expertise in the PIA, as well as a capacity building plan, including training, budget, and timetable; and
- Results of stakeholder consultations with concerned potential stakeholders, including the potentially involved NGOs, private sector organizations, and concerned government agencies and private sector organizations.

55. **Screening process, mitigation measures and monitoring arrangements:** For each potential ICF subproject, a social and environmental safeguards screening tool will be applied, along with subproject-specific instruments that will be necessary to cover both social and environmental aspects (for example, subproject-specific ESMPs, Environmental Guidelines for Contractors).

56. **Public consultations and information disclosure:** 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 GIE PV Solar Panel Subproject. As subsequent subprojects are identified, beneficiaries will be identified and consulted as appropriate. Each subproject EMP will include a site-specific consultation process, to take place during implementation. The ESMF also establishes a GRM for the project. An updated ESMF including the AF was disclosed on the World Bank's external website and on the PIA website on June 27, 2018.

57. **Capacity for safeguards implementation:** Compliance with environmental safeguards is currently rated Satisfactory. The PIA has appointed an ESO from its staff on a part time basis. The project ESMF and OM include a capacity building plan to train in subject areas, including but not limited to: (i) pre-project screening, monitoring, and reporting; (ii) Palestinian Environmental Quality Authority and World Bank environmental and social safeguards standards; (iii) stakeholder consultations, grievance redress mechanisms, and involuntary resettlement policies; and (iv) design and preparation of subproject EMPs. Training would be, as necessary, for MOFP staff, PIA staff, and interested parties from the private sector.

G. Other Safeguard Policies (if applicable)

58. No other safeguards policies are triggered under the AF.

V. WORLD BANK GRIEVANCE REDRESS

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit *http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service*. For information on how to submit complaints to the World Bank Inspection Panel, please visit *www.inspectionpanel.org*

VI. SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Safeguard Policies Triggered	✓	
Change in Implementing Agency		✓
Change in Project's Development Objectives		✓
Change in Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Change in Disbursements Arrangements		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in Procurement		✓
Other Change(s)		✓

VII. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

Private Capital Mobilized
Unit of Measure: Amount(USD)
Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	8,500,000.00	Revised
Date	01-Sep-2017	11-May-2018	29-Oct-2021	

Number of jobs created
Unit of Measure: Number
Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	2,200.00	Revised
Date	01-Sep-2017	11-May-2018	29-Oct-2021	

Intermediate Indicators

Beneficiaries of job-focused interventions
Unit of Measure: Number
Indicator Type: Core

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	3,400.00	Revised
Date	01-Sep-2017	11-May-2018	29-Oct-2021	

Beneficiaries of job-focused interventions - Youth
Unit of Measure: Number
Indicator Type: Custom Supplement

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	2,130.00	Revised

Beneficiaries of job-focused interventions - Female
Unit of Measure: Number
Indicator Type: Core Supplement

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	620.00	Revised

Firms benefiting from private sector initiatives
Unit of Measure: Number
Indicator Type: Core

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	56.00	Revised
Date	01-Sep-2017	11-May-2018	29-Oct-2021	

COMPONENTS

Current Component Name	Current Cost (US$, millions)	Action	Proposed Component Name	Proposed Cost (US$, millions)
Development Impact Bond (DIB) for Skills Development and Employment	5.00	No Change	Development Impact Bond (DIB) for Skills Development and Employment	5.00
Investment Co-Financing Facility (ICF)	3.50	Revised	Investment Co-Financing Facility (ICF)	8.00
Entrepreneurship Ecosystem Matching Grant (EE-MG)	0.00	No Change	Entrepreneurship Ecosystem Matching Grant (EE-MG)	0.00
Project Management	1.00	Revised	Project Management	1.50
TOTAL	**9.50**			**14.50**

Expected Disbursements (in US$)

Fiscal Year	Annual	Cumulative
2018	350,000.00	350,000.00

2019	4,410,000.00	4,760,000.00
2020	4,800,000.00	9,560,000.00
2021	4,000,000.00	13,560,000.00
2022	550,000.00	14,110,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● High	● High
Macroeconomic	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial
Environment and Social	● Moderate	● Moderate
Stakeholders	● Substantial	● Substantial
Other		
Overall	● High	● High

COMPLIANCE

Change in Safeguard Policies Triggered

Yes

Safeguard Policies Triggered	Current	Proposed
Environmental Assessment OP/BP 4.01	Yes	Yes
Performance Standards for Private Sector Activities OP/BP 4.03	No	No
Natural Habitats OP/BP 4.04	No	No
Forests OP/BP 4.36	No	No

Pest Management OP 4.09	Yes	No
Physical Cultural Resources OP/BP 4.11	No	No
Indigenous Peoples OP/BP 4.10	No	No
Involuntary Resettlement OP/BP 4.12	No	No
Safety of Dams OP/BP 4.37	No	No
Projects on International Waterways OP/BP 7.50	No	No
Projects in Disputed Areas OP/BP 7.60	No	No

LEGAL COVENANTS – Finance for Jobs II Additional Financing (P167675)

Sections and Description
No information available

Conditions

Type	Description
Disbursement	No withdrawal shall be made in respect to ICF Financing under Category 1 of the Grant Agreement, unless: (i) ICF Agreement for a particular ICF Financing of ICF Sub-Project has been entered into between the ICF Enterprise and the PIA, on behalf of the Palestine Liberation Organization, containing terms and conditions satisfactory to the World Bank; (ii) private investors in the ICF Enterprise have committed an aggregate of at least 80% in equity or debt of the total investment size; (iii) all investors in the ICF Enterprise have entered into an agreement to ensure the full funding of the ICF Sub-Project from its start up to completion stages, under the terms and conditions acceptable to the World Bank; and (iv) ICF Enterprise has put in place disbursement monitoring mechanisms, acceptable to the World Bank.

VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : West Bank and Gaza
Finance for Jobs II Additional Financing

Project Development Objectives

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

Project Development Objective Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: Private Capital Mobilized		Amount(USD)	0.00	8,500,000.00	Semiannual	DIB Manager/PIA	DIB Manager/PIA/MOFP
Description: The core indicator track the amount of direct financing (in the form of equity and/or debt) mobilized by private entities, using private funding, to finance investments within an IBRD/IDA operation or investments (PE, GE, RE, SF, and GU) directly linked to that operation.								
Revised	Name: Number of jobs created		Number	0.00	2,200.00	Quarterly	DIB Manager/PIA	DIB Manager/PIA/MOFP
Description: The number of jobs created as a result of the two financing instruments tested (DIB and ICF). Target values were calculated using specific assumptions for a $5 million DIB and $8 million ICF contribution (revised to include the Additional Financing to the ICF).								

Intermediate Results Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: Beneficiaries of job-focused interventions	✓	Number	0.00	3,400.00	Semiannual	PIA	PIA
Revised	Beneficiaries of job-focused interventions - Youth		Number	0.00	2,130.00	Semiannual	PIA	PIA
Revised	Beneficiaries of job-focused interventions - Female	✓	Number	0.00	620.00	Semiannual	PIA	PIA
Description:								
No Change	Name: Number of DIB benefciaries that start DIB program and complete a career assessment		Number	0.00	2,100.00	Quarterly	DIB Manager	DIB Manager
No Change	Number of DIB benefciaries that start DIB program and complete a career assessment -- Women		Number	0.00	600.00	Quarterly	DIB Manager	PIA/DIB Manager

Description: Number of beneficiaries recruited into the DIB program and formally start the program through a career assessment.								
No Change	**Name:** Number of DIB beneficiaries that complete training programs		Number	0.00	1,400.00	Quarterly	DIB Manager	PIA/DIB Manager
No Change	Number of DIB beneficiaries that complete training programs -- Women		Number	0.00	350.00	Quarterly	DIB Manager	PIA/DIB Manager
Description: Number of beneficiaries that have completed training programs (e.g. technical skills, soft skills, language, etc) through the DIB program.								
No Change	**Name:** Number of DIB beneficiaries accepted into internships or apprenticeship programs		Number	0.00	730.00	Quarterly	DIB Manager	PIA/DIB Manager
No Change	Number of DIB beneficiaries accepted into internships or apprenticeship programs -- Women		Number	0.00	150.00	Quarterly	DIB Manager	PIA/DIB Manager
Description: Number of beneficiaries accepted into internships, apprenticeship or another work-based training programs.								
Revised	**Name:** Firms benefiting from private sector initiatives	✓	Number	0.00	56.00	Semiannual	PIA	PIA
Description:								

No Change	**Name:** Beneficiaries that feel project investments reflected their needs (percentage)		Percentage	0.00	85.00	Quarterly reporting	PIA/Local partners	PIA
Description: This will measure the extent to which decisions about the project reflected community preferences in a consistent manner.								

Target Values

Project Development Objective Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Revised	Private Capital Mobilized	0.00	2,000,000.00	5,000,000.00	7,500,000.00	8,500,000.00	8,500,000.00
Revised	Number of jobs created	0.00	200.00	825.00	1,600.00	2,200.00	2,200.00

Intermediate Results Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Revised	Beneficiaries of job-focused interventions	0.00	500.00	1,500.00	2,600.00	3,400.00	3,400.00
Revised	Beneficiaries of job-focused interventions - Youth	0.00	250.00	1,500.00	1,900.00	2,130.00	2,130.00
Revised	Beneficiaries of job-focused interventions - Female	0.00	80.00	400.00	540.00	620.00	620.00
No Change	Number of DIB benefciaries that start DIB program and complete a career assessment	0.00	600.00	2,100.00	2,100.00	2,100.00	2,100.00
No Change	Number of DIB benefciaries that start DIB program and complete a career assessment -- Women	0.00	200.00	600.00	600.00	600.00	600.00
No Change	Number of DIB beneficiaries that complete training	0.00	200.00	1,200.00	1,400.00	1,400.00	1,400.00

	programs						
No Change	Number of DIB beneficiaries that complete training programs -- Women	0.00	50.00	300.00	350.00	350.00	350.00
No Change	Number of DIB beneficiaries accepted into internships or apprenticeship programs	0.00	80.00	850.00	730.00	730.00	730.00
No Change	Number of DIB beneficiaries accepted into internships or apprenticeship programs -- Women	0.00	20.00	120.00	150.00	150.00	150.00
Revised	Firms benefiting from private sector initiatives	0.00	10.00	26.00	40.00	56.00	56.00
No Change	Beneficiaries that feel project investments reflected their needs (percentage)	0.00	75.00	80.00	85.00	85.00	85.00