Report Number: ICRR0023174

1. Project Data

Project ID	**Project Name**	
P151089	GZ: Finance for Jobs	
Country	**Practice Area(Lead)**	
West Bank and Gaza	Finance, Competitiveness and Innovation	
L/C/TF Number(s)	**Closing Date (Original)**	**Total Project Cost (USD)**
TF-A1490	31-Jan-2021	4,998,768.26
Bank Approval Date	**Closing Date (Actual)**	
18-Dec-2015	31-Jan-2022	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	5,000,000.00	5,000,000.00
Revised Commitment	5,000,000.00	5,000,000.00
Actual	4,998,768.26	4,998,768.26

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The West Bank and Gaza Finance for Jobs I Project (F4JI) was the first in the Finance for Jobs Series of Projects (F4JSOP). A Series of Projects (SOP) program is a World Bank instrument that assembles successor projects over a well-defined period as a holistic approach to achieve a long-term goal.

According to the Project Appraisal Document, the project development objective of the F4JSOP was "to mobilize private investment financing in high potential sectors and generate job opportunities for the West Bank and Gaza."

According to the Grant Agreement, the project development objective of the F4JI was "to test the effectiveness of selected financial interventions."

Because F4JI introduced different financial interventions to support the F4JSOP objective to mobilize private investment financing in high potential sectors, the ICR broke down the F4JI objective "to test the effectiveness of selected financial interventions" into three sub-objectives as follows. This ICR Review adopts these three objectives in assessing the efficacy and outcome of this operation.

1. To test the effectiveness of the matching grant facility, Entrepreneurship Ecosystem Matching Grant (EE-MG).
2. To test the effectiveness of the pipeline of job-focused private investments for the Investment Co-Financing Facility (ICF).
3. To test the effectiveness of the Development Impact Bond (DIB).

The ICR also created a "fourth" sub-objective – "Learning Outcomes" – with two results objectives, "number of Palestinian Authority staff trained" and "number of briefs/reports produced on lessons learned from the project." This ICR Review does not adopt a fourth sub-objective but assigns the two results indicators to the three sub-objectives.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had three components.

Entrepreneurship Ecosystem Matching Grant (US$1.6 million estimated at appraisal, US$1.2 million actual at closing) would fund: (a) the EE-MG, a specialized matching grant (cost-sharing) facility, to build a portfolio of investments in start-up and early-stage enterprises – the facility would provide matching grants of US$10,000-US$50,000 to finance eligible business development services for investment-ready start-ups and early-stage enterprises, with the balance provided by wholesale investment funds; and (b) capacity building activities that benefit prospective grant applicants and that include technical due diligence for proposals submitted by the grant applicants.

Capacity Building and Lessons Learned (US$2.175 million estimated at appraisal, US$2.2 million actual at closing) would support: (a) the Project Implementation Agency (PIA), the entity responsible for the administration of all aspects of the project, and the private sector to build a pipeline of job-focused private investments for the ICF – project feasibility studies would use "jobs-based" cost-benefit analyses (a social rate of return [SRR] methodology); (b) the conduct of market preparatory work and capacity building for the issuance of a DIB (a type of Social Impact Bond, or equity-like investment that pre-finances social programs and offers repayment to investors only on the basis of results achieved, and involves donor agencies either as full or joint funders of outcomes) – the preparatory work would include the design of the bonds, negotiations with investors, the hiring of an advisor, and selection of first service providers; and (c) capacity building activities (technical assistance, training, internships, placements, facilities, equipment, and software) for the Palestinian Authority to build partnerships with the private sector and for the Ministry of Finance to develop, assess, and manage innovative financing instruments.

Project Management Component (US$1.226 million estimated at appraisal, US$1.6 million actual at closing) would support overall project implementation, fiduciary, safeguards, monitoring and evaluation, communications, and technical expertise. The PIA would be responsible for: the implementation of the EE-MG, conduct of the feasibility study to assess potential job-focused investments, contracting of the DIB advisor, contracting of the specialized third-party independent verification agent to assess the DIB output and outcome performance against which payments would be made, and provision of the capacity-building support to the Palestinian Authority.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. The project was estimated to cost US$5 million at appraisal.

Financing. The project was financed by a grant of US$5 million from the Trust Fund for Gaza and the West Bank to the Palestinian Liberation Organization for the benefit of the Palestinian Authority. The amount disbursed was US$4.999 million.

Grantee Contribution. There was no financial contribution by the grantee to the project.

Dates. The project was approved on December 18, 2015, became effective on November 30, 2016, and closed on January 31, 2021, a year after the original closing date of January 31, 2020. The project was restructured twice, the first on June 28, 2017, and the second, on November 11, 2020.

Restructuring. The first restructuring in June 2017, with US$0.57 million disbursed (11.4 percent of the final disbursed amount), reallocated the project funds between disbursement categories. The second restructuring in November 2020, with US$4.57 million disbursed (91.4 percent of the final disbursed amount), changed the project components and costs, reallocated the project funds between disbursement categories, adjusted the results framework, and extended the loan closing date.

3. Relevance of Objectives

Rationale

Binding Constraints to Development. Although unemployment had been declining in both the West Bank and Gaza from their highs in 2014 (at the time of the war in Gaza), unemployment remained a major problem in the territory where a quarter of the labor force remained without jobs in 2016. The public sector supplied only 22 percent of jobs, leaving employment highly dependent on private activity. However, private investment remained anemic and was concentrated in low productivity sectors with weak employment prospects. The *Dialogue for Palestinian Jobs Creation* in 2014 and 2015 called for innovative ways to mobilize new private investment for jobs creation in a difficult investment climate. Consistent with the strategies articulated by the World Bank in *Jobs or Privileges - Unleashing the Employment Potential of the Middle East and North Africa* in 2015, the F4JSOP and this F4JI were to mobilize private sector financing and knowledge in support of entrepreneurship and job creation. This would be accomplished through the deployment of innovative financial instruments that addressed market and government failures, with an emphasis on private sector implementation. The focus on the private sector was to be combined with capacity building to strengthen collaboration between the government and private enterprise in the potential scale-up of these new financing approaches in succeeding operations of the F4JSOP.

Grantee Development Priorities. The objectives of the series of projects and of this first operation were aligned with development priorities of the West Bank and Gaza.

- At appraisal, the *National Development Plan 2014-16 – State Building to Sovereignty* (NDP) focused on four priorities – economic development and employment, good governance and institution building, social protection and development, and infrastructure. The project was aligned with the strategic objectives of first NDP priority, specifically that "investments creating job opportunities have increased."
- At closing, the *National Policy Agenda 2017-2022 – Putting Citizens First* (NPA) emphasized three pillars supporting the national vision of an independent and stable democratic state – path to independence, government reforms, and sustained development. The project was aligned with the priorities and policies of the third NPA pillar, specifically that of "creating job opportunities."

Bank Group Strategy. The objectives of the series of projects and of this first operation were consistent with the development strategy of the World Bank Group in the West Bank and Gaza.

- At appraisal, the *Assistance Strategy FY15-16 for the West Bank and Gaza* (AS15-16) committed Bank Group support organized around two pillars – strengthen the institutions of a future state to ensure service delivery to citizens, and support private sector led growth that increases employment opportunities. Specifically, the project was aligned with the second AS15-16 pillar and its associated outcome of innovative approaches to job creation.
- At closing, the *Assistance Strategy FY18-21 for the West Bank and Gaza* (AS18-21) committed Bank Group support organized around three pillars – setting the conditions for increased private sector investments and job creation, financing mobilized for specific investments and transactions structured, and addressing the needs of the vulnerable and strengthening institutions for improved citizen-centered service delivery. Specifically, the project was aligned with the first AS18-21 pillar and its associated outcome to build skills for the private sector job market. According to the AS18-21 (para 41), "With the support from the *Finance for Jobs I Project*, the entrepreneurship ecosystem matching grant will support early-stage startups and funds in mobilizing venture capital investment, while improving the number and quality of investment-ready entrepreneurship initiatives." The AS18-21 added (para 39), "The Bank's ongoing *Finance for Jobs* series of projects is piloting a development impact bond (DIB) to incentivize private investment for enhancing the skills of the workforce for improved job outcomes – not only more jobs, but higher quality, sustainable jobs. The WBG and the PA will act as outcome funders of the DIB, paying the private investors back for their

financing, including a return on their investment, if the specified development outcome is achieved for the targeted 2,000 youth (18-29 years old) that enter the training program."

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
To test the effectiveness of the matching grant facility, EE-MG.

Rationale
Theory of Change. The West Bank and Gaza economy lacks a steady stream of "investment-ready" start-ups that can generate jobs for the workforce. Evidently lacking in the entrepreneurial ecosystem are arrangements and mechanisms to finance the provision of business development services to aspiring entrepreneurs who are aiming to take their business ideas into bankable status. A matching grant facility was intended to deliver this financing in partnership with wholesale investment funds (early-stage, venture capital, growth capital, and post-accelerator funds) which, rather than being absorbed with the design of business plans, could then concentrate on financing enterprise products and projects. A first operation (in a series of projects) that created this matching grant facility would help build a pipeline of "investment-ready" startups that could then apply for early-stage equity financing under succeeding operations. The effectiveness of this financial intervention would be tested by the number of "investment-ready" start-ups that entered the pipeline and by the amount of capital mobilized by the wholesale investment funds for these pipeline enterprises.

Outputs. The project achieved the five outputs defined for the objective to test the effectiveness of the matching grant facility, EE-MG.

- The "number of investment-ready entrepreneurship initiatives in the pipeline for the EE-MG" reached 30 by closing, exceeding the target of 15. The 30 consisted of 21 that benefitted from the "regular" matching grant facility alone (excluding the RRP) and 9 that also benefitted from the RRP. Meanwhile, another 18 benefitted from the RRP alone. According to the ICR, the net 48 enterprises that benefitted from the "regular" and the RRP matching grant windows consisted of 44 enterprises in the information and communications technology (ICT) sector and another 4 in agribusiness and pharmaceuticals. Altogether, the beneficiary enterprises reported creating 209 jobs, of which 124 were full-time jobs and rest part-time or seasonal jobs.

- The “number of firms provided with working capital/COVID19 response grants” totaled 27 by closing, exceeding the target of 10. This includes the 9 that also benefitted from the “regular” matching grants facility (see above).
- The “proportion of beneficiaries that felt that the project investment reflected their needs” was 92 percent, exceeding the target of 85 percent. Specific to the RR: (a) 100 percent of beneficiaries reported that the interventions strengthened their resilience against the economic crisis; (b) 93 percent indicated that the window helped them sustain operations and employment during the COVID-19 crisis; and (c) 59 percent stated that the window strengthened their products and services.
- The "number of Palestinian Authority staff trained" was eight by closing, exceeding the target of four.
- The "number of briefs/reports produced on lessons learned from the project" was five by closing, exceeding the target of four.

Outcomes. The project achieved the sole outcome target defined for the objective to test the effectiveness of the matching grant facility, the EE-MG.

- The **“**private capital mobilized” amounted to US$8.44 million by closing, exceeding the target of US$6 million. The US$8.44 million was mobilized from a range of sources (the grantees themselves and other sources) by the following wholesale grantees: (a) the Ibtikar Fund – UD$7.564 million; (b) FLOW – US$0.528 million; and (c) the COVID-19 Rapid Response Working Capital Grant Window (RRP) – US$0.361 million. The Ibtikar Fund is a venture capital firm that invests in start-ups founded by Palestinian entrepreneurs. The RRP was introduced as a wholesale grantee following the onset of the COVID-19 pandemic to provide emergency grant financing to start-ups, early-stage enterprises, and small and medium enterprises to help these firms mitigate, adapt, and sustain operations during the crisis; the window was implemented jointly with another Bank operation, the Innovative Private Sector Development Project.
- Although not part of the targeted outcome, the EE-MG also accomplished the following, according to the ICR: (a) the wholesale grantees disbursed US$1.137 million, consisting of the Ibtikar Fund – US$0.669 million, FLOW – US$0.095 million, RRP – US$0.3 million; (b) the disbursement rate was 94.8 percent, against the revised project budget for the EE-MG component of US$1.2 million (see Section 2.D); (c) the grant-to-capital mobilized ratio reached 7.42 overall for the wholesale grantees, consisting of the Ibtikar Fund – 11.3, FLOW – 5.48, and RRP – 1.2.

Rating
High

OBJECTIVE 2

Objective
To test the effectiveness of the pipeline of job-focused private investments for the ICF.

Rationale
Theory of Change. Numerous private investments in key sectors of the West Bank and Gaza economy, including in agribusiness, light manufacturing, renewable energy, tourism, and information and communications technology, are often derailed because of market failures, including limited financing options, the lack of long-term funding, and exceptional FCS risks. Considering that many of these private projects

would otherwise be commercially sound and could deliver significant economic and social benefits in terms of job creation, an investment co-financing facility that addressed these market failures and social externalities would enable these projects to proceed. A first operation (in a series of projects) that assessed the commercial soundness of these project proposals, computed their social rates of return, and determined their compliance with environmental and social safeguards would build a pipeline of viable projects that succeeding operations could then consider for co-financing by the facility together with various other funding sources. The effectiveness of this financial intervention would be tested by the number of feasibility studies completed for the ICF pipeline.

Outputs. The project met the two outputs defined for the objective to test the effectiveness of the pipeline of job-focused private investments for the ICF.

- The "number of Palestinian Authority staff trained" was eight by closing, exceeding the target of four.
- The "number of briefs/reports produced on lessons learned from the project" was five by closing, exceeding the target of four.

Outcomes. The project met the sole outcome defined for the objective to test the effectiveness of the Pipeline of Job-Focused Private Investments for the ICF.

- The “number of feasibility studies completed for the Job-Focused Private Investments Pipeline” was nine by closing, exceeding the target of five. According to the ICR, the nine studies resulted in seven active projects for the ICF, for which the grants disbursed totaled US$6.443 million, the capital committed, US$34.887 million, and the jobs estimated, 2,122. The seven projects included the: (a) PRICO Solar Energy at Gaza GIE – grant disbursed of US$2 million, capital committed of US$2.925 million; (b) Massader for Natural Resources and Infrastructure Development – grant disbursed of US$2 million, capital committed of US$15.15 million; (c) Al Dalya for Agricultural Investment – grant disbursed of US$0.303 million, capital committed of US$3.013 million; (d) Fusion Fixed Broadband for Rural Network Project – grant disbursed of US$0.8 million, capital committed of US$4.7 million; (e) Afana Hatchery and Poultry Slaughterhouse Project – grant disbursed of US$0.6 million, capital committed of US$4.1 million; (f) BITC Garden for Agricultural Marketing – grant disbursed of US$0.33 million, capital committed of US$2.839 million; and (g) Al-Forat Agricultural Company – grant disbursed of US$0.4 million, capital committed of US$2.16 million.

Rating
High

OBJECTIVE 3
Objective
To test the effectiveness of the DIB.

Rationale
Theory of Change. DIBs – equity-like investments that offer repayment to investors only on the basis of results achieved – represent an innovative results-based financing model that leverage private sector investment and focus on achieving results. Private investors, rather than donors, pay upfront for interventions

that target specific outcomes and work with delivery organizations to ensure that the results are achieved. Outcome funders, typically donors and governments, would make payments to the upfront investors if the interventions succeeded. A DIB that financed job training, job search, and job placement services would serve to enhance the skills of the Palestinian workforce in a market-driven approach that fostered improved job outcomes, including the completion of beneficiaries' training, their placement into apprenticeships, internships, or work-based training schemes, and their ultimate employment. A first operation (in a series of projects) that established a special purpose vehicle for the bond and that structured the bond would pave the way for job training, search, and placement programs that succeeding operations could then implement. The effectiveness of this financial intervention would be tested by whether the bond was brought to market.

Outputs. The project achieved the three outputs defined for the objective to test the effectiveness of the DIB.

- The "legal formation of the Development Impact Bond Special Purpose Vehicle" was completed, achieving the target. The legal documents to form the Special Purpose Vehicle – the Finance for Jobs Consultancy Services Limited Liability Company (LLC) – were finalized and filed with the Companies Registrar and the Companies Controller signed the registration certificate. The documents included the articles of association and the bylaws.
- The "number of Palestinian Authority staff trained" was eight by closing, exceeding the target of four.
- The "number of briefs/reports produced on lessons learned from the project" was five by closing, exceeding the target of four.

Outcome. The project achieved the sole outcome defined for the objective to test the effectiveness of the DIB.

- The "DIB was taken to market (i.e., the SPV was structured)" in 2019, achieving the target. Following the legal formation and registration of the Finance for Jobs Consultancy Services LLC as the special purpose vehicle, (a) the DIB Manager signed the capital utilization request with the DIB upfront investors, representing the first capital drawdown from the upfront investors to the special purpose vehicle, and (b) the PIA signed the outcomes agreement with the upfront investors. Overall, the LLC managed to draw US$1.8 million in capital commitments from the investors that would provide the upfront funding: the European Bank for Reconstruction and Development (EBRD) – US$500,000, the Palestine Investment Fund (PIF) – US$525,000, the Semilla de Olivo (SDO), represented by Invest Palestine – US$300,000, and the Netherlands Development Finance Company (FMO) – US$475,000. Apart from securing capital commitments from the investors, the LLC also: (a) reached agreements with the investors on the institutional, operational, and implementation arrangements for the DIB, with the LLC being assisted in the negotiations by Social Finance U.K., the non-profit consultancy organization that partners with governments, service providers and the financial community to tackle social problems globally; and (b) completed the localization and customization of the DIB, with the World Bank and the four investors. The PIA contracted a specialized third-party independent verification agent (IVA) to assess the DIB output and outcome performance against which payments would be made by the outcome funders, the World Bank and the Palestinian Authority (i.e., the outcome funders would pay the bond upfront investors when the results are achieved).

Rating

High

OVERALL EFFICACY

Rationale

The degree of achievement of the objectives to test the effectiveness of the matching grant facility, EE-MG, to test the effectiveness of the pipeline of job-focused private investments for the ICF, and to test the effectiveness of the DIB are all rated high. The overall efficacy of the project is rated high.

Overall Efficacy Rating

High

5. Efficiency

Economic Efficiency. An economic rate of return or financial rate of return was not estimated for the project at appraisal. This limits the project's ability to better illustrate the costs and benefits of the approaches and nullifies the ability to benchmark expectations against actual performance.

At closing, the following benefit and cost numbers were cited (albeit, as at appraisal, no formal economic rate of return or financial rate of return was calculated).

- The EE-MG generated private sector investments of US$8.44 million. The project spent US$1.2 million for the matching grant facility.
- The ICF generated private sector capital commitments of US$34.887 million. The project spent US$1.1 million to build the pipeline of projects for the ICF.
- The DIB raised upfront investments of US$1.8 million. The project spent US$0.7 million for the preparatory and capacity building work for the DIB.
- The EE-MG generated 209 jobs.
- The RRP, part of the EE-MG, helped retain 143 jobs.
- The ICF would generate 2,112 jobs (from the 7 active ICF projects).

All were useful information to emphasize the cost effectiveness of the undertaking, but were somewhat limiting in better assessing the impact of the different interventions.

Operational Efficiency. The project was completed a year behind the original schedule, largely due to the delay in hiring the PIA from the private sector. The project funds were fully disbursed. Given the unusual circumstances of the project, the rating is Substantial, but only marginally so given the lack of cost effectiveness analysis.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objectives was high. The efficacy of the project was high. The efficiency of the project was substantial. The outcome of the project is rated highly satisfactory.

a. **Outcome Rating**
Highly Satisfactory

7. Risk to Development Outcome

The West Bank and Gaza faces substantial risks in sustaining the outcomes so far achieved with the series of projects objective "to mobilize private investment financing in high potential sectors and generate job opportunities." The risks arise largely from the West Bank and Gaza's vulnerability as a territory in a fragile and conflicted-affected situation (FCS).

Security and Political Risk. The West Bank and Gaza remains in the Bank's FCS List for FY2023, facing institutional and social fragility. Any deterioration in the territory's FCV status, including in relations with Israel, will not only discourage private sector investment in new job-creating enterprises and projects but, more seriously, hurt the capacity of the Palestinian Authority and the private sector to function effectively. In this case, the implementation of EE-MG grant-assisted projects, ICF pipeline projects, and DIB job-creation initiatives will be impaired.

Macroeconomic and Fiscal Risk. While the West Bank and Gaza economy has continued to recover from the COVID-19 shock (albeit at a slower rate in 2022 than with the initial rebound in 2021), the fiscal situation deteriorated sharply in 2022 because of extremely low aid flows (the government remains highly dependent on external aid). The authorities will likely need to reduce spending, as a proportion of GDP, in the near term to reduce the fiscal deficit. Constraints on the government's ability to finance and, hence, conduct its operations is unlikely to affect the management of this project if grant flows are forthcoming from succeeding operations in this series of projects.

Institutional Capacity Risk. Sustaining the gains made in mobilizing private investment for job creation requires a high degree of collaboration between the public and private sectors in innovative ways that had not been previously tested in many developing country settings, much less in the West Bank and Gaza. According to the Project Appraisal Document, the challenge for the public sector was re-orienting the government's engagement "from direct delivery and input-based metrics" to "facilitating private sector-led engagement based on market incentives and output-based metrics." Meanwhile, for the private sector, the task was for private investors to "adapt to absorb publicly provided complementary financing that serve job-creating private investment activities" as well as to "adapt business practices to provide services on an output/market basis."

8. Assessment of Bank Performance

a. Quality-at-Entry

Analytical Underpinnings. The design of the F4JSOP and this project were informed by the series of dialogues conducted by the Bank and the authorities, including the Palestinian Economic Policy Research Institute, with stakeholders from the domestic and international private, public, donor, and non-governmental sectors under the Dialogue for Palestinian Job Creation Technical Assistance in 2014 and 2015. The series of dialogues were themselves informed by substantive analytical work including: the *SABER West Bank and Gaza Country Report* (World Bank, 2013) on workforce development, the *West Bank and Gaza Investment Climate Assessment: Fragmentation and Uncertainty* (World Bank, 2014), and *Beyond Aid: A Palestinian Private Sector Initiative for Investment, Growth and Employment* (Portland Trust, 2013).

Donor Collaboration. The preparation of this project involved close collaboration among units within the World Bank. The Jobs Group, for example, contributed a working paper on measuring jobs-linked externalities in private investment projects. The Bank also formed operational partnerships with the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The ICF would support IFC investments.

Lessons Learned from Related Operations. The Bank considered lessons learned from operations in FCS settings in designing this project. According to the ICR, the Bank: (a) set clear and realistic objectives for this operation; (b) focused on private sector activities over public sector interventions; (c) selected the "right" stakeholders; (d) adopted a simple and streamlined results framework for the project; and (e) arranged a well-defined M&E plan.

Operational Risks and Mitigation Measures. The Bank rated the operational risk of the project to be high overall, including for technical design risk, political and governance risk, and macroeconomic risk. Technical design risk was high because of the innovative nature of the financial instruments being tested – the pilot nature of the EE-MG, the "jobs-based" benefit cost methodology to be applied to ICF investments, and the untested DIB. To mitigate the technical design risk, the Bank emphasized due diligence, focused on capacity building, and highlighted strong institutional arrangements – the use of the PIA for day-to-day administration of all project activities (albeit with overall project responsibility vested in the Ministry of Finance and Planning) including the management of the EE-MG, the creation of a Public-Private Advisory Board to review and evaluate proposals to address issues on jobs creation and private investment, the hiring of a DIB Advisor to design and prepare the DIB, and the appointment of a DIB Manager.

Quality-at-Entry Rating
Highly Satisfactory

b. Quality of supervision

Supervision. The Bank supervised the project adequately, fielding regular supervision missions notwithstanding difficult circumstances (sporadic episodes of violence in Gaza since the war in 2014 and the outbreak of the COVID-19 pandemic in 2020), employing virtual tools to conduct the missions as necessary, and producing 12 Implementation Status and Results Reports (ISRs) over five years (a little over the average twice-a-year reporting frequency of Bank investment project financing operations). The supervision was strengthened by having a co-task team leader in the field and another at headquarters. According to the ICR, the project team was recognized with two World Bank Middle East and North Africa (MENA) Vice Presidential Unit Awards for project supervision and the World Bank President's Excellence Award after the first ICF deal was signed

Adaptation. The Bank was responsive to changed conditions after the outbreak of the COVID-19 pandemic. This project and another Bank Operation, the Innovative Private Sector Development Project, devised the COVID-19 Rapid Response Working Capital Grant Window (RRP) – which, for this project, was made part of the EE-MG facility – to provide emergency grant financing to start-ups, early-stage enterprises, and small and medium enterprises to help these firms adapt and sustain their business operations during the COVID-19 crisis.

Quality of Supervision Rating
Highly Satisfactory

Overall Bank Performance Rating
Highly Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The Project Appraisal Document defined three outcome and five output (Intermediate results) indicators for the project. The three outcome indicators were assigned to the single objective "to test the effectiveness of selected financial interventions" while the five output indicators were assigned to the three project components – EE-MG, Lessons Learned and Capacity Building, and Project Management – rather than to the objective.

The indicators were well-defined, measurable, and had realistic targets.

The M&E plan designated the PIA as responsible for the day-to-day administration of the M&E activities of the project (the PIA was also responsible for overall planning, coordination, technical, fiduciary, and reporting and communication activities). The M&E activities were defined in the Project Operations Manual.

b. M&E Implementation

The M&E was implemented in accordance with the M&E plan. According to the ICR: (a) M&E data was collected regularly; (b) the PIA's capacity to collect and report the M&E data improved over time; and (c) several surveys of project beneficiaries and stakeholders, conducted during implementation, helped strengthen the M&E.

After closing, the ICR re-mapped the three outcome indicators and three of the five output indicators to the three project sub-objectives – "to test the effectiveness of the matching grant facility, EE-MG", "to test the effectiveness of the pipeline of job-focused private investments for the ICF" and "to test the effectiveness of the DIB." With two of the intermediate results objectives unassigned – "number of Palestinian Authority staff trained" and "number of briefs/reports produced on lessons learned from the project" – the ICR created a "fourth" sub-objective, "Learning Outcomes," to account for these results.

c. M&E Utilization

The M&E data was useful to the Bank, which reported the project results in the ISRs.

The M&E data was also useful to project management and decision-making, helping inform the restructuring of the project in 2017 and 2020.

Moreover, according to the ICR, the M&E data helped support the preparation of the five briefs/reports on lessons learned from the project (a project output or intermediate result, for which the target was four briefs/reports).

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental Safeguards. The project was classified as an environmental assessment category "B" at appraisal (i.e., some type of environmental assessment/review/plan is required, but limited in scope and flexible in structure, reflecting corresponding the limited environmental impacts of the project and the anticipated relatively straightforward mitigation). It triggered environmental safeguard policies OP/BP 4.01 - Environmental Assessment and OP 4.09 - Pest Management. An initial Environmental and Social

Management Framework (ESMF) prepared by the authorities was found lacking but was subsequently revised, providing for a more structured process for screening and categorizing sub-projects. The PIA, which started out with little capacity for environmental and social risk screening, assessment, monitoring, and supervision, was supported by the Bank with training and assistance. According to the ICR: (a) the quality of Environmental and Social Management plans prepared pursuant to the ESMF improved over time; (b) the PIA fielded qualified safeguards experts to monitor and supervise sub-projects in Gaza; and (c) no major safeguards compliance issues were raised. The ratings for overall safeguards, OP/BP 4.01, and OP 4.09 were maintained at satisfactory up to project closing (ISR of September 2021).

Social Safeguards. The project did not trigger any social safeguards policy. A Grievance Redress Mechanism (GRM) was introduced in 2019 and a GRM Manual was prepared and widely disseminated. A PIA Grievance Officer helped sub-projects to develop their own GRMs, with the PIA monitoring the grievance redress process across sub-projects. According to the ICR: (a) the capacity to install and operate GRMs improved over time; (b) the quality of public consultations over project design also improved, with the PIA ensuring that the requisite consultations were conducted; and (c) no major complaints were received regarding the project.

b. Fiduciary Compliance

Procurement. The rating for procurement improved from moderately satisfactory through most of project implementation to satisfactory at closing (ISR of September 2021). Simplified procurement guidelines were prepared after early problems emerged with procedures governing procurement by start-ups assisted under the EE-MG. A procurement specialist was hired to help improve the technical capacity of the PIA. The Bank provided support and training to the PIA procurement staff throughout project implementation.

Financial Management. The rating for financial management also improved from moderately satisfactory through most of 2020 to satisfactory by 2021, including at closing (ISR of September 2021). Payments by start-ups in cash rather than through bank accounts (the grantees initially found it difficult to open accounts) reflected weaknesses in internal control by the PIA. The PIA responded effectively to strengthen institutional controls – it updated the project operations manual and the grants manual to clarify the financial requirements on grants, and it conducted training sessions for grantees on financial management.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment

Outcome	Highly Satisfactory	Highly Satisfactory
Bank Performance	Highly Satisfactory	Highly Satisfactory
Quality of M&E	Substantial	Substantial
Quality of ICR	---	Substantial

12. Lessons

Two lessons are drawn from the ICR, with some adaptation.

The series of projects (SOP) can be an appropriate instrument when innovative solutions are being introduced and in FCS settings where institutional capacity is fledgling. In this operation, the Bank and the authorities sought to test three innovative financial solutions to mobilize private sector financing for job creation initiatives – the matching grant facility for business development services, the investment co-financing facility for jobs-based projects, and the development impact bond. The SOP instrument was an appropriate choice because the projects activities had to be carefully phased over time, substantial effort was needed to build knowledge and consensus among stakeholders, and the financial instruments being tested required staging and adjustment as experience with their deployment evolved.

Integrating social benefits in the assessment and choice of private sector projects can result in a project pool with greater developmental impact. In this project, the Bank developed a social rate of return methodology to analyze and rank job-creation projects proposed by the private sector for financing by the ICF. Seven of nine project proposals subjected to the feasibility assessment managed by the PIA graduated to the pipeline by closing. The projects drew capital commitments of about US$35 million from private investors. Importantly, for the job-creation goals of the F4JSOP, these projects could generate about 2,112 jobs.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

<u>Consistency with Guidelines.</u> The ICR is consistent with OPCS guidelines on ICRs for investment financing projects.

<u>Conciseness.</u> The account of the project's performance is well-informed and concisely presented. The mechanics of the three financial interventions were earlier described at length in the Project Appraisal Document and did not need to be repeated in the ICR.

Results Orientation. The efficacy assessment is outcome-oriented and based on achieving the results targets. However, the ICR did not have to create a fourth sub-objective to account for the "number of Palestinian Authority staff trained" and "number of briefs/reports produced on lessons learned from the project." These results indicators pertained to all three sub-objectives and could be listed under each.

Quality of Evidence. The ICR presents ample evidence to support its assessment of the Bank’s performance at design and at implementation. In the absence of a formal benefit-cost analysis in the Project Appraisal Document, the ICR lists benefits and costs that, while not framed in a formal analysis, inform the efficiency section, nonetheless.

Quality of Analysis. The assessment of the efficacy of the program is candid. Appended as Annex 5, an ICR prepared by the Borrower and Implementing Agency provides useful details

Lessons. The ICR draws lessons that would be valuable to the public and private sectors that are testing innovative job creation solutions and financing options under difficult investment climate and FCS settings.

a. Quality of ICR Rating

Substantial