

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA15925

Date ISDS Prepared/Updated: 10-Nov-2015

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I. BASIC INFORMATION

1. Basic Project Data

Country:	West Bank and Gaza	Project ID:	P151089
Project Name:	West Bank and Gaza: Finance for Jobs (P151089)		
Task Team Leader(s):	Peter J. Mousley, Abdalwahab Khatib		
Estimated Appraisal Date:	08-Nov-2015	Estimated Board Date:	18-Dec-2015
Managing Unit:	GFM11	Lending Instrument:	Investment Project Financing
Sector(s):	General industry and trade sector (20%), Vocational training (20%), SME Finance (20%), Other domestic and international trade (20%), Other non-bank financial intermediaries (20%)		
Theme(s):	Other economic management (25%), Micro, Small and Medium Enterprise support (25%), Other Private Sector Development (25%), Trade facilitation and market access (25%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	5.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source		Amount	
Borrower		0.00	
Special Financing		5.00	
Total		5.00	
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The SOP development objective (PDO) is to mobilize private investment financing in high potential sectors and generate job opportunities for the West Bank and Gaza.

The F4J PDO is to test the effectiveness of selected financial interventions.

3. Project Description

This project (F4J) will represent the first of an anticipated Series of Projects (SOP). In a SOP programmatic approach, a series of two or more projects are designed for implementation over time, building on lessons learned and achievements from previous project(s) in the series. A programmatic framework is proposed as it would allow for a phased approach, commencing with a market readiness and capacity building engagement, together with the upstream detailed design and selected testing of innovative financing in support of private sector led approaches to job-creating investments. This initial project would also entail the design of the robust measurement methodologies to be applied to assess the overall SOP PDO results. Subsequent projects in the SOP series would, building on the foundational work of the F4J, provide for further product testing and potentially scaled-up funding to specific financial products. This experimentation and learning is integral to the F4J project objectives and to the likelihood of success of the overall objectives this F4J SOP programmatic initiative.

Component 1: Entrepreneurship Ecosystem Matching Grant (EE-MG) (\$1.5 million)

While the innovation and entrepreneurship ecosystem in the Palestinian territories is nascent, it is currently gaining substantial momentum. Ranging from seed-stage accelerators, training boot-camps, entrepreneurship university courses, to the establishment of FDI and locally funded venture capital funds, current initiatives are expanding the segment of educated professionals who opt for income generation through entrepreneurship over the traditional job market. As a response to, and to capture the momentum of the rapidly growing sector, local and international institutional investors were quick to commit new capital to invest in Palestinian startups and SMEs, mainly – but not exclusively – in the technology sector. In recent years, several donors have also funded entrepreneurship-support programs. However a clear gap remains between available support services and the development of a steady stream of “investment-ready” startups required to maintain the feasibility of early seed, venture and growth-capital funds. This has resulted in significant locked up capital on the investor side.

Component 1 will finance the EE-MG, a matching grant (cost-sharing) facility targeting early stage investment funds seeking to build an investible pipeline of projects. The EE-MG will be a specialized fund designed to improve the number and quality of investment-ready entrepreneurship initiatives by enhancing the capacity of enterprises to absorb funding from the investment vehicles already in place. The matching grant funds would be used to finance business development services (BDS) for entrepreneurs in the range of US\$10-50K. This can include production/design/quality development; marketing/distribution and other business management support services (refer to Annex 2 for further details). These services would be made available at a “wholesale level” to investment funds that satisfy specific eligibility criteria related to job creation and business growth potential. Depending on the outcome of F4J I (in terms of private investments mobilized) and pipeline demand, additional support could be made available via future SOP projects through an expansion of the matching grant and/or financing into early stage equity financing facilities.

The EE-MG will select existing investment funds based on their overall financial strength and other criteria, including adequate capitalization, satisfactory management quality and agreement to pursue development goals in the selection of projects (e.g. jobs created especially for women and youth and level of private sector investment mobilized). Eligible Investment Fund grantees will use the EE-MG

to finance BDS procured from the market from one of two windows: (i) to develop a business idea to bankable status; (ii) build the internal capacity of existing investment funds to provide in-house advisory services.

The Project Implementing Agency (PIA) will have the overall responsibility for the implementation of the EE-MG including management of grant funds, investment fund selection and accreditation, compliance with grant eligibility criteria, due diligence prior to and after grant awards, issuing grant agreements, setting disbursement conditions and conducting verification in addition to monitoring and evaluation.

Component 2: Market Readiness and Capacity Building (\$1.75 million)

Subcomponent 2.1: Building a Pipeline of Job-Focused Private Investments Requiring Financial Enhancements (\$0.9 million)

Initial analysis in consultation with leading Palestinian investors indicate that investment opportunities do exist, even within the currently constrained investment climate, including in agro-processing, IT and light manufacturing - particularly in the case of this last sub-sector via existing industrial park/facility locations. Given the social externalities of job creation, there is a public good case to be made for support to be provided to enable these projects to proceed.

In order to assess these benefits and the social rate of return they provide in order then to determine the merits of financial “enhancements”, detailed feasibility work is required. This component will finance these assessments and assist the PA and private sector to build a pipeline of job-focused private sector investments. A cost-benefit analysis (CBA) methodology will be utilized to capture and calculate the potential social value of the jobs created, including three types of additional “social externality” returns: (i) women and more vulnerable beneficiaries; (ii) social stability and; (iii) human capital accumulation. Subsequent projects in the F4J SOP could provide the financial enhancement products to help close private financing investment gaps in order to capture these additional social returns.

These private investment “assessment” funds will be allocated and managed by the PIA through a competitive “Call for Proposal” process based on job-creating and cost effectiveness criteria. The PIA will also be responsible for the technical oversight of the CBA activities to be undertaken. The development of this CBA methodology, to be applied under the F4J I, will be led by the Jobs CCSA.

Subcomponent 2.2: Developing the DIB for Skills (\$0.5 million)

This subcomponent will finance the market preparation work and capacity building needed for the Development Impact Bond (DIB) instrument. Box 1 provides an introduction to impact bonds. The proposed DIB will be focused enhancing the skills of the work of the Palestinian workforce. The DIB will require intensive preparation work during the first year of project implementation to: (i) ensure a sound design (including cohort selection, services, outcomes) and related pricing, implementing arrangements); (ii) develop the monitoring and evaluation methodology and put in place the baseline requirements; and (iii) prepare the DIB market, including strengthening of service providers and attracting private investors.

In respect of (iii) above, the activities to be undertaken here would complement and build from the success of the World Bank’s Education to Work Transition projects and other donor efforts in

building capacity for service providers. The capacity building is anticipated to include the following range of activities, although this will be continuously tailored to market-demand: (a) supporting potential providers in developing market-targeted training courses; (b) working with education institutions to improve linkages to the private sector; (c) raising awareness of the DIB amongst education institutions and employers, including job portal enhancements.

The knowledge learning and enhanced capacity generated from this component will not only prepare the market for the DIB financing under subsequent SOP phases, it will also help lay the foundation for any future investments in subsequent DIBs in the West Bank and Gaza.

Subcomponent 2.3: Capacity Building to the Palestinian Authority (\$0.35 million)

There are numerous market failures confronting the PA as it seeks to address job priorities in what is a uniquely fragile and conflict-affected economy. These are highlighted in the 2014 ICA. Much of this lies beyond the control of the PA through the policy, legal and regulatory instruments currently within its purview. One area where more can be done is through stronger PA partnerships with the private sector. More specifically, it requires more innovative approaches to risk-sharing between the public and private sectors in order to finance new job creating investments.

Effectively assessing social and economic returns and structuring financial arrangements that provide both private and public sector with a more manageable distribution of the different project risks that confront the investment choice in the West Bank/Gaza is a specialized expertise. As such it commands a premium market price and is something that governments generally recruit on an as required basis. Notwithstanding this, governments need to have the capacity to manage such externally provided expertise and follow through on recommendations as to financing in ways that ensure fiscal prudence, balance the incentives to avoid the market distortions that can undermine the social gains targeted and ensure effective implementation, monitoring and evaluation of activities and outputs/outcome.

The capacity of the Ministry of Finance in respect of the additional responsibilities that come with assessing (including safeguards), developing and potentially managing innovative financing instruments will need to be augmented. The project will support this – building on a core private sector implementation platform detailed in section C below – through a package of capacity building comprising technical assistance (TA), training (TRN), secondments, internships and placements (SIP) and essential facilities, equipment and software (FES).

Component 3: Project Management (US\$ 1.75 million)

This component will support overall project implementation, fiduciary, safeguards, M&E, communications and technical expertise. As detailed further below, the PIA would be recruited by the MOF from the private sector. The PIA would then be responsible for the contracting of the DIB Advisor (D-Adv) management of the EE-MG for the entrepreneurship ecosystem sub-component, contracting the feasibility study work to be undertaken to assess potential job-focused investments and provision of the capacity building support to the PA. The specific composition of the PIA will include the following eight positions: (i) PIA Manager and senior economist; (ii) procurement specialist; (iii) financial management specialist; (iv) safeguards specialist; (v) project finance specialist; (vi) M&E specialist; (vii) communications officer; (viii) project coordinator in Gaza. In addition, the MOF would be responsible for contracting the specialized third party Independent Verification Agent (IVA) to assess the DIB performance for output and outcome payments from the

project.

As the tracking of outcomes is critical to the DIB instrument, this project component will also provide support to activities such as the building of a baseline, data collection, and outcomes measurement.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be implemented throughout the West Bank and Gaza Strip. The project will likely be implemented predominantly in the West Bank in Ramallah and other localities where private sector activity is concentrated. However, the project is expected to support the development of one or more private sector investments in the Gaza Strip.

5. Environmental and Social Safeguards Specialists

Hana Salah (GSU05)

Tracy Hart (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This project is categorized as "B" due to potential adverse environmental and social impacts which are site-specific and reversible; thus easily remediable by applying appropriate mitigation measures. Given current information, these potential adverse environmental impacts may include the following: construction-related air, noise, and water quality issues; worker occupational health and safety. Preparation will continue to focus the menu of possible sub-projects. An ESMF will offer guidance on the potential breadth of sub-project technical interventions. The ESMF does so through offering environmental and social screening checklists, possible environmental impacts for each of the five possible "high job-creating" sectors, sample environmental and social management plans (ESMPs), institutional arrangements, training activities, and monitoring and report of safeguards compliance. If additional sectors are to be financed, the ESMF will be revised and redisclosed. The ESMF, including Executive Summaries in English and Arabic, will be disclosed in-country and at the Bank's Infoshop prior to appraisal.
Natural Habitats OP/BP 4.04	No	The ESMF sub-project screening will exclude any sub-project which involves natural habitats.
Forests OP/BP 4.36	No	The ESMF sub-project screening will exclude any sub-project which involves forests.
Pest Management OP 4.09	Yes	The ESMF will screen to determine whether potential sub-projects are likely to include the purchase and/or use of pesticides, herbicides, rodenticides, etc. F4J sub-

		projects will not be excluded solely on their inclusion of pest management chemicals. A Pest Management Plan (PMP) is included in the ESMF.
Physical Cultural Resources OP/BP 4.11	No	The ESMF sub-project screening will exclude any sub-project with potential impact on known physical cultural resources. Chance find procedures will be included in the ESMF in the case that physical cultural resources are discovered during sub-project implementation.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous peoples in the service area.
Involuntary Resettlement OP/BP 4.12	No	Any land requirements (temporary or permanent) for investments to be financed under the projects will be met through lands that are state owned or owned by private companies. Therefore, any projects that may trigger the World Bank Policy OP 4.12 will be excluded that involve relocation of households, temporary or permanent land take, and impacts on livelihoods, including those that may occur through restriction of access to resources. To screen out for these exclusions, the projects will rely on guidelines in the Operations Manual, which includes a rigorous sub-project screening.
Safety of Dams OP/BP 4.37	No	This policy is not applicable.
Projects on International Waterways OP/BP 7.50	No	This policy is not applicable.
Projects in Disputed Areas OP/BP 7.60	No	This policy is not applicable.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

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

According to initial analysis, the following sectors: (i) agriculture; (ii) IT and digital entrepreneurship; (iii) tourism; (iv) construction; and (v) energy have been identified as offering strong growth and job creation prospects, potentially generating around 40% of the jobs needed to reduce unemployment by 10% to 2030. While more than 20 sectors and sub-sectors were assessed, the five prioritized sectors have been selected because they have the greatest capacity and potential to maximize immediate and long-term opportunities and spur broader multiplier effects in other sectors and across the economy under the existing policy framework. In other words, sectors that offer not only maximum potential for growth and employment but also greatest scope for private sector intervention and ownership under existing constraints, including restrictions on movement and access and other Israeli policies.

There is expected to be no potential large-scale, significant, or irreversible impacts associated with support of the sectors identified above. Support to agriculture is expected to be in processing, marketing, and/or export sub-sectors. Support to energy is expected to be in the creation and

adoption of alternative energy sources, such as photovoltaics and wind energy.

Any land requirements (temporary or permanent) for investments to be financed under the project will be met through lands that are state owned or owned by private companies. Any sub-projects that may trigger the World Bank Policy OP 4.12 will be excluded, which include those that involve relocation of households, temporary or permanent land take, and impacts on livelihoods, including those that may occur through restriction of access to resources. To screen for this exclusion, the projects will rely on guidelines in the Operations Manual (OM), which will include a rigorous sub-project screening process to be done by the F4J PIA. In cases where land may be purchased through a willing-seller willing-buyer approach or in cases of voluntary land donation (VLD), the F4J PIA will need to document for power of choice. This documentation must be provided for sub-projects to be considered eligible for screening. In other words, if the appropriate documentation is not provided, the sub-project is considered ineligible.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

This project is categorized as "B" due to potential adverse environmental and social impacts which are site-specific and reversible; these are easily remediable by applying appropriate mitigation measures. Given current information, these potential adverse environmental impacts may include the following: construction-related air, noise, and water quality issues; pedestrian and vehicular traffic and other construction-related disruptions; as well as worker occupational health and safety. Potential long-term impacts may include additional agricultural-related effluents within fields, hothouses, and/or warehouses; construction industry management of construction phase impacts; and e-waste and other lifecycle disposal management associated with alternative energy source development. The first F4J in the SOP will continue to focus the menu of possible sub-projects as well as further identification of potential impacts, risks, and mitigations for potentially selected sub-projects.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The ESMF screens out for category "A" sub-projects as well as sub-projects will would involve natural habitats, forests, physical cultural resources, dam safety, and involuntary resettlement.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

An environmental and social safeguards officer (ESO) will be hired as part of the PIA to assess and manage safeguards related issues. PIA ESO capacity will be supported by Bank environmental and social safeguards specialists during the course of F4J preparation and implementation, as well as in any subsequent F4J projects. Safeguards staff will not be needed for implementation of the second component of the project (Skills Development Impact Bonds) since this component will not trigger any Bank safeguards policies. The ESMF and OM includes a capacity building plan to train in subject areas including, but not limited to, (i) pre-project screening, monitoring, and reporting; (ii) Palestinian EQA and World Bank environmental and social safeguards standards; (iii) stakeholder consultations, grievance mechanisms, and involuntary resettlement policies; and (iv) design and preparation of sub-project ESMPs. Capacity screening, ESMP preparation, construction supervision, monitoring, and reporting. Training will be for Ministry of Finance staff, PIA staff, and interested parties from the private sector. This is to occur as part of F4J's first phase so that capacity is built prior to sub-project implementation in the second-phase of F4J.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure

on safeguard policies, with an emphasis on potentially affected people.
Key stakeholders include the Ministry of Finance; international, regional, and local private sector investors and entities; local job skill development, marketing, and matchmaking private sector entities and NGOs; as well as local private sector enterprises. Three stakeholder consultations have been held during F4J preparation: July 9th, July 30th, and August 5th, 2015. As the sub-projects have not yet been identified, sub-project specific beneficiaries cannot be identified and included in the consultation processes at this time. Each sub-project ESMP will include a site-specific consultation process, to take place during F4J implementation. An Arabic and English and Arabic language Executive Summaries of the ESMF, as well as the English-language full-version ESMFs, will be disclosed in-country as well as in the Info-Shop.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	09-Oct-2015
Date of submission to InfoShop	06-Nov-2015
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	00000000
"In country" Disclosure	
West Bank and Gaza	04-Nov-2015
<i>Comments:</i> www.pmf.ps	
Pest Management Plan	
Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	09-Oct-2015
Date of submission to InfoShop	06-Nov-2015
"In country" Disclosure	
West Bank and Gaza	04-Nov-2015
<i>Comments:</i> www.pmf.ps	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment			
Does the project require a stand-alone EA (including EMP) report?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
OP 4.09 - Pest Management			
Does the EA adequately address the pest management issues?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Is a separate PMP required?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader(s):	Name: Peter J. Mousley, Abdalwahab Khatib	
Approved By		
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 11-Nov-2015
Practice Manager/ Manager:	Name: Rolf Behrndt (PMGR)	Date: 11-Nov-2015