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**INTERNATIONAL FINANCE CORPORATION**

**AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE LEBANESE REPUBLIC**

**FOR THE PERIOD FY17-FY22**

**JUNE 15, 2016**

**Mashreq Country Management Unit  
Middle East and North Africa Region  
International Bank for Reconstruction and Development  
The International Finance Corporation  
The Multilateral Investment Guarantee Agency**

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## CURRENCY EQUIVALENTS

JUNE 8, 2016

1 US\$      1,506 LBP

## FISCAL YEAR

January 1 to December 31

## ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics	ICT	Information and Communication Technology
BdL	Banque du Liban	IDF	Institutional Development Fund
BMLWE	Beirut Mount Lebanon Water Establishment	IEG	Independent Evaluation Group
BRT	Bus Rapid Transit	IFC	International Finance Corporation
BWWP	Ba'albeck Water and Wastewater	IMF	International Monetary Fund
CAS	Central Administration of Statistics	LBP	Lebanese Pound
CDR	Council for Development and Reconstruction	LCRP	Lebanon Crisis Response Plan
CE	Citizen Engagement	LSCTF	Lebanon Syria Crisis Trust Fund
CEA	Country Environmental Analysis	LTF	Lebanon Trust Fund
CFF	Concessional Financing Facility	LNG	Liquefied Natural Gas
CHUD	Cultural Heritage and Urban Development Project	MEHE	Ministry of Education and Higher Education
CMA	Capital Markets Authority	MENA	Middle East and North Africa
CoA	Court of Account	MIGA	Multilateral Investment Guarantee Agency
CPF	Country Partnership Framework	MoF	Ministry of Finance
CPS	Country Partnership Strategy	MSME	Micro, Small and Medium Enterprises
CPSPR	Country Partnership Strategy Progress Report	NPTP	National Poverty Targeting Project
CSOs	Civil Society Organizations	NSSF	National Social Security Fund
CTB	Central Tender Board	OMSAR	Office of the Minister of State for Administrative Reform
DSPs	Distribution Service Providers	PCB	Polychlorinated Biphenyls
EDL	Electricité du Liban	PHC	Primary Health Care
EDP	Education Development Project	PFM	Public Financial Management
EFMIS	Emergency Fiscal Management Reform Implementation Support	RACE	Reaching All Children with Education
ESIA	Environment and Social Impact Assessment	SCD	Systematic Country Diagnostic
ESPISP II	2 <sup>nd</sup> Emergency Social Protection Implementation Support Project	SMEs	Small and Medium Enterprises
EU	European Union	SMP	Statistical Master Plan
FMR2	2 <sup>nd</sup> Fiscal Management Reform Project	SPBF	State and Peace Building Fund
FY	Fiscal Year	SPPP	Social Protection and Promotion Project
GBWSP	Greater Beirut Water Supply Project	STEP	Subsidized Temporary Employment Program
GDP	Gross Domestic Product	UK	United Kingdom
GEF	Global Environment Fund	UN	United Nations
GoL	Government of Lebanon	UNHCR	United Nations High Commissioner for Refugees
HBS	Household Budget Survey	UNDP	United Nations Development Programme
IBRD	International Bank for Reconstruction and Development	UNICEF	United Nations Children's Fund
		WBG	World Bank Group

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**FY17-FY22 COUNTRY PARTNERSHIP FRAMEWORK FOR  
THE LEBANESE REPUBLIC**

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# FY17-22 Lebanon Country Partnership Framework

## I. Introduction

1. **This Country Partnership Framework (CPF) presents the World Bank Group (WBG) program and the associated results framework for Lebanon for the period FY17-FY22.** Lebanon's last Country Partnership Strategy (CPS) covered the period FY11-FY14, and the Country Partnership Strategy Progress Report (CPSPR) was delivered on April 18, 2013. During the FY15-FY16, political paralysis in government impeded decision making and hindered the World Bank's ability to effectively engage on a forward-looking strategy<sup>1</sup>. While the political dynamics remain largely the same, the Government of Lebanon (GoL) has focused more attention on addressing its development challenges in relation to the impact of the Syria crisis in recent months. The WBG, along with other international partners, has been working very closely with the Government to scale up assistance in this regard, including through the new Middle East and North Africa Concessional Financing Facility (CFF)<sup>2</sup>. Furthermore, the US\$494 million in IBRD-financed projects that were held up in Parliament have been approved, and the entire portfolio is now under implementation. As a result of these developments, a more enabling and productive dialogue has facilitated the formulation of a strategic plan for the coming years.

2. **In a fragile and conflict-prone environment, this CPF aims at mitigating the immediate, and potentially long-lasting impact of the Syria crisis on Lebanon, while strengthening state institutions, addressing existing vulnerabilities, and bolstering efforts on longer term development challenges, all through interventions that foster inclusion and shared prosperity.** This two-pronged approach is aligned with the overarching objective of the WBG's Regional Strategy for the Middle East and North Africa (MENA), the focus of which is to contribute to building peace and stability by tackling the social, economic and institutional drivers of conflict. The CPF will work through two focus areas as a way to renew the social contract between the state and the citizens: (i) expand access to and quality of service delivery; and (ii) expand economic opportunities and increase human capital. Through these two focus areas, the WBG will help Lebanon mitigate the economic and social impact of the Syria crisis, safeguard the country's development gains, and enhance the prospects for stability and development in the coming years. The International Finance Corporation (IFC), specifically, will continue to support private sector development in order to increase employment opportunities across key sectors. These objectives are strongly linked to the *Resilience* and the *Renewing the Social Contract* pillars of the new WBG MENA strategy and also contribute to the *Reconstruction and Recovery* pillar. In this context, the CPF posits that Lebanon is providing the world with a regional and global public good by hosting unprecedented numbers of refugees (the largest per capita in the world) and that efforts must be made to help the Government finance this public good at the terms and magnitude that are commensurate with the scale of the challenge, with a view to ensuring peace and stability in the country and beyond.

3. **The CPF will contribute to strengthening the relationship between the state and its citizens, a critical ingredient for peace and stability.** In this regard, the theme of governance and renewing the social contract cuts across the CPF with the aim of regaining the trust of citizens through the promotion of social and economic inclusion and enhancing the quality of public services. The CPF draws extensively on the Lebanon Systematic Country Diagnostic (SCD), the WBG MENA Strategy, and the significant developments that have emerged under the MENA CFF (see paragraph 4 below). The CPF also draws on the development priorities presented by the Government of Lebanon at the London Conference on February

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<sup>1</sup> It is important to note that even in times of political paralysis, IFC has been able to continue to engage with the private sector and expand its investment and advisory activities.

<sup>2</sup> The Concessional Financing Facility is the result of a partnership between the WBG, the UN and the Islamic Development Bank Group to mobilize the international community to address the financing needs of countries in the MENA region impacted by the Syrian refugee crisis, with an initial focus on Jordan and Lebanon. By combining donor grant contributions with multilateral development bank loans, the CFF will enable these countries to borrow from multilateral development banks at concessional terms. In April 2016, donors pledged initial contributions of US\$140 million in grants and US\$1 billion in concessional loans to the CFF.

4, 2016.<sup>3</sup> The humanitarian-development continuum is another aspect of the WBG's engagement that has matured over the last years, and a consensus has emerged regarding the need to shift from a purely humanitarian approach to a combined humanitarian-development engagement to address the impact of the refugee crisis. In this regard, the Bank is working hand in hand with the United Nations (UN) agencies and the donors to provide a holistic response to the crisis and to respond to the evolving realities created by the persistence of the Syria conflict and its impact on Lebanon and the region. Across the CPF and throughout the country program, the gender dimension will be stressed and operationalized in line with the recommendations of the WBG Gender Strategy.

4. **The CPF is based on four principles of engagement: selectivity, implementation, partnerships, and flexibility.** The Lebanon program will tackle the country's priorities through select, high impact investments and analytical inputs in priority sectors where there is political commitment for change. It will focus on effectively implementing the large portfolio of existing projects and will consider demonstrable implementation as a critical factor for moving ahead on new operations and determining the overall financial envelope. New private sector engagements will largely be driven by market demand and opportunities that will arise based on reform efforts and investor sentiment, and IFC will continue to engage actively in business development to identify new players to support. IFC will also continue to support its existing portfolio clients, especially as they seek to establish regional and/or global footprints. The CPF will strengthen partnerships that are central to addressing the fallout of the Syria crisis, notably with bilateral donors and relevant UN agencies. In this regard, the WBG, the UN and the Islamic Development Bank have developed a new Concessional Financing Facility that seeks to: (i) raise a greater volume of financing for countries impacted by the influx of refugees and countries affected by conflict and economic downturns; (ii) create a unique platform among international financial institutions and the UN to strengthen coordination on development assistance to the MENA region; and (iii) provide financing at more advantageous terms for MENA countries, be it at concessional terms for countries impacted by the Syria refugee crisis, or at multilateral development bank terms for countries in conflict who currently borrow at less beneficial rates from commercial lenders. The financing facility would deliver support for Lebanon's development priorities impacted by the influx of refugees, with grants from supporting countries combined with lending from multilateral development banks, bringing down the effective interest rate on loans to concessional terms. And finally, running through six years, the CPF will be flexible to allow the Bank Group the necessary agility to adapt to an increasingly fluid and unpredictable environment.

5. **The CPF benefited from a series of stakeholder consultations, including those held in connection with the SCD and the WBG Gender Strategy.** Consultations were held with civil society, academia, think tanks, and private sector representatives in Beirut and Tripoli. Additional sessions were conducted with government representatives, Parliamentarians, the United Nations, and donors, as well as a sample of the Lebanese diaspora and youth. These consultations were held between February and May 2015 and helped to inform the strategy and program interventions. A second round of consultations were held in January 2016, with government representatives, parliamentarians and youth to discuss the new direction of the CPF, including its alignment with the WBG MENA Strategy and the priorities identified by the Government for concessional financing.

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<sup>3</sup> Leaders of Germany, Kuwait, Norway, the United Kingdom, and the United Nations hosted the "Supporting Syria and the Region 2016" Conference in London, bringing together over 60 countries, international organizations, business, civil society, Syrians and people affected by the conflict to agree to a comprehensive new approach on how to respond to this protracted crisis, building on the 2014 Berlin Conference and the three Kuwait Pledging Conferences.



## II. Country Context and Development Agenda<sup>4</sup>

### A. Sociopolitical and Institutional Factors

6. **Lebanon is a small open country—culturally, politically and economically—of high middle income status with a population of 4.5 million people in 2015, not taking into account the approximate 1.5 million Syrian refugees residing in the country.** Lebanon’s diverse sectarian make up has, at the best of times, served as a conduit for cultural and religious variety as well as socio-political liberties, and at worst, accentuated domestic linkages to regional and international conflicts resulting in civil strife. Lying at the epicenter of one of the most volatile regions in the world, Lebanon is continuously exposed to political and security shocks and has developed a level of resilience that is difficult for outsiders to envisage. This resilience, however, is not a guarantee against internal tensions as evidenced by the devastating civil war that lasted from 1975 to 1990 and fundamentally altered conditions across sectors—governance, infrastructure, and the macro-economy—compromising the country’s development path.

7. **The country remains fragile with elevated risks of violence and conflict due to the impact of a confessional system of governance that has paralyzed the decision-making process and left Lebanon vulnerable to external influence.** Upon independence, the Lebanese state inherited a confessional system of governance, based on an unwritten National Pact<sup>5</sup> securing the stability of the state; this arrangement reached its limits in the late 1960s, and consecutive governments have failed to reform it since then. Decades of recurrent conflict, political instability, and deep social and economic inequalities resulted in the state being ‘hollowed out’ in the face of confessional/sectarian<sup>6</sup> interests and the imperative of preserving confessional peace at the expense of effective and efficient government. The Arab-Israeli conflict severely tested Lebanese national existence, leading to the aforementioned civil war and the dislocation of hundreds of thousands of Palestinians to Lebanon, the majority of whom ended up in substandard living conditions. Lebanon’s civil war formally ended through the 1989/90 Taef Accord which aimed at making the confessional system more equitable; however, its partial implementation enabled the (wartime) elite to solidify its power behind the veil of a confessional system. More recently, the Syria conflict has caused unprecedented seismic ripples and a 25-30 percent surge in the population as a result of the refugee influx. In addition to conventional socio-economic burdens, these demographic changes have caused severe disruptions to the delicate confessional/sectarian balance.

8. **Since the start of the Syria conflict more than five years ago, Lebanon has accepted close to 1.5 million refugees from Syria, with 1.07 million officially registered with the UNHCR.** In addition, there are some 42,000 Palestine refugees from Syria, 35,000 Lebanese returnees, and a pre-existing population of more than 270,000 Palestine refugees in Lebanon. The number of people in-country has therefore risen by 37 percent since the crisis began. Today, nearly one in every three people in Lebanon is a person displaced from Syria or a Palestine refugee, and over 3.3 million people in a population of 5.9 million are considered poor or vulnerable<sup>7</sup>. Among the registered refugees, 52 percent are unable to meet their survival needs. Due to historical considerations, Lebanon did not establish camps for the refugees; hence, their presence throughout the country in host communities, although over time informal tented settlements have grown throughout the country (Figure 1). The Government of Lebanon has allowed access to schools, primary health care centers and hospitals, social development centers and other public services,

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<sup>4</sup> This section draws heavily from Chapters 1, 2, and 5 of the Lebanon Systematic Country Diagnostic (World Bank, 2015).

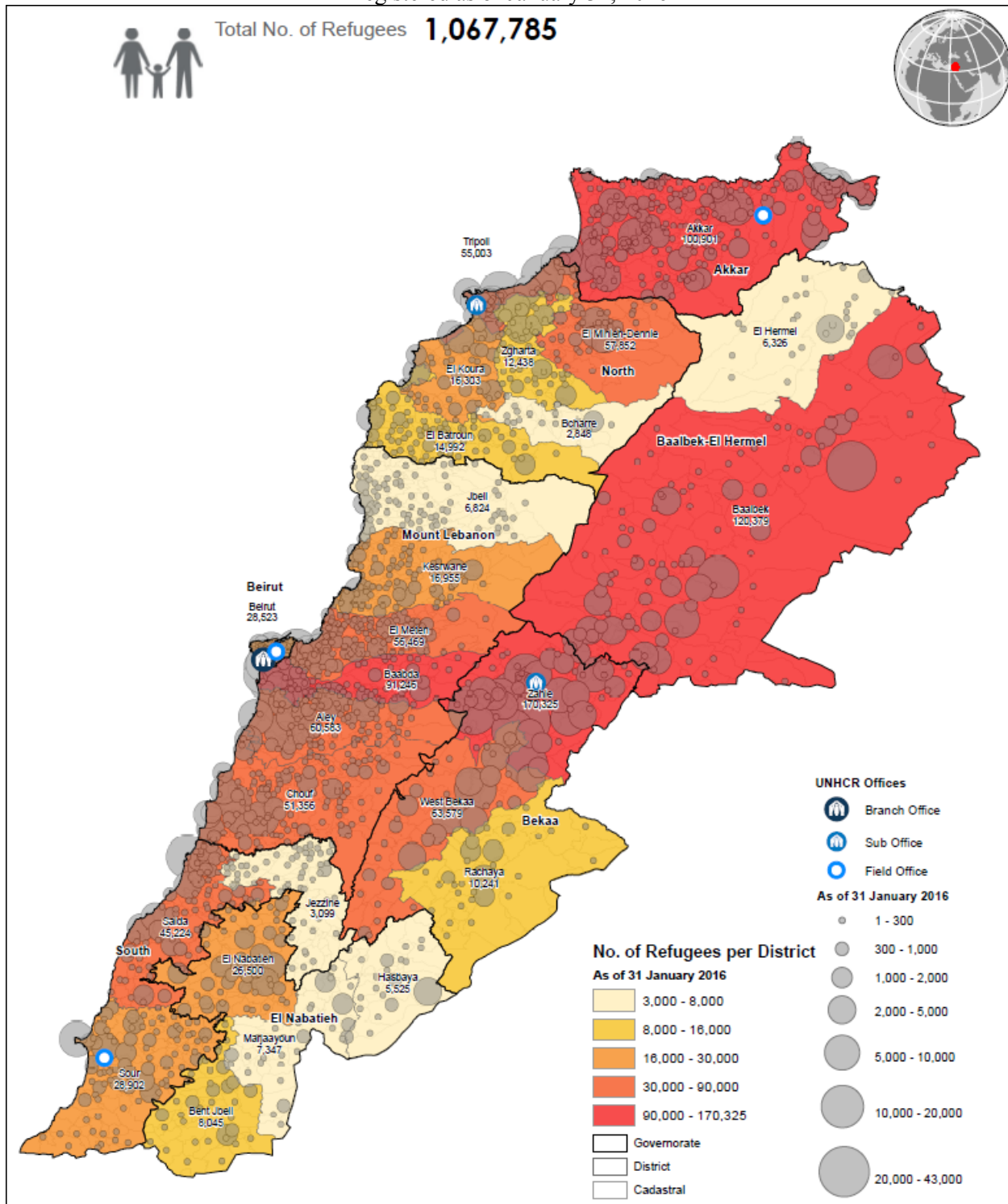
<sup>5</sup> The National Pact (al Mithaq al Watani) is an unwritten agreement that came into being in the summer of 1943, laying the foundation of Lebanon as a multi-confessional state.

<sup>6</sup> Following the terminology used in the Lebanon SCD, the term “confessional” is used in the CPF to refer to a consociational system of government based on a proportional distribution of political and institutional power among religious sects. In Lebanon, this definition of confessionalism is often used interchangeably with sectarianism, though the latter is also commonly used to denote forms of political and social identity, organization and action based on religious difference and often exclusive interests. Throughout the CPF, we use the term “confessional” to denote the political system and its functioning, and ‘sect’ and ‘sectarianism’ to denote the specific interests, actions and organization of religious identity-based groups.

<sup>7</sup> See 2015-16 Lebanon Crisis Response Plan

but access is dependent upon availability of funding from the international community. Formal access to the labor market is limited, however, surveys indicate that more than 80 percent of working age refugee men are working, primarily in the informal sector.

**Figure 1: Map of Syrian Refugees in Lebanon**  
Registered as of January 31, 2016



Source: Refugee population and location data by UNHCR-January 31, 2016. www.unhcr.org

9. **While Lebanon faces stark and pressing development challenges, reform efforts to improve the quality of institutions and promote growth have been limited.** The difficulty in reaching consensus in Lebanon is primarily due to a system of political governance that protects vested economic interests, leaving large constraints to Lebanon’s economic development unaddressed. Missed reform opportunities, are prevalent, especially as in many cases the technical solutions are well known and are clearly visible in the deteriorating infrastructure sector (e.g., the electricity sector), the poor quality of public institutions that are unable to provide satisfactory service levels, a dysfunctional business environment, and an unsustainable macroeconomic environment, among others.

10. **In spite of these challenges, Lebanon is well known for its high level of human development, as well as its large educated and successful diaspora.** The country benefits from a large and resilient remittance base (6.1 percent of GDP in 2015), a dynamic private sector, a large and profitable banking sector (total assets exceeding 350 percent of gross domestic product (GDP) and overall bank activity per annum growth between 8-9 percent<sup>8</sup> in 2014-15). Lebanon has in the past benefitted from international community support when the country faced difficult times<sup>9</sup>.

## **B. Recent Economic Developments and Outlook**

11. **Since the end of the civil war, the Lebanese economy has expanded at a moderate pace, but with high volatility due to frequent shocks** (Figure 2). While real GDP grew by an estimated 4.8 percent on average from 1993 to 2015, the volatility around that average was large at 3.7 percent (one standard deviation). The services sector—historically a key growth driver<sup>10</sup>—has been severely impacted by events since 2011 and has contributed significantly to Lebanon’s low growth in recent years (Figure 3). In contrast, the agricultural sector accounted for, on average, 5.6 percent of real GDP. Given its dominant share of the Lebanese economy, the deceleration in growth observed in the services sector (primarily by domestic trade and tourism) since 2011 dragged growth down significantly. More recently, growth has been driven by Syria-related economic activity in Lebanon<sup>11</sup> and private consumption (supported by Banque du Liban (BdL) subsidized loans), in addition to periphery sectors such as pharmaceuticals<sup>12</sup> and the information, communication and technology (ICT) sector.<sup>13</sup> Nonetheless, economic activity remains insufficient to regain pre-crisis growth rates or even reach potential output.

12. **High dependence on the real estate and tourism sectors—which are sensitive to security shocks—imparts strong and relatively frequent volatility to the Lebanese economy.** The real estate sector has accounted for 50 to 70 percent of total gross fixed capital formation since 1997. Moreover, given the fact that the sector tends to attract mainly unskilled labor, which in Lebanon is provided by foreign

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<sup>8</sup> IMF Article IV Report, July 2015

<sup>9</sup> Specifically, in what became known as Paris I (2001) and Paris II (2002), the international community provided US\$2.4 billion in direct financial support (non-project financing), combined with a financial contribution from Lebanon’s financial sector (Banque du Liban and commercial banks). In 2007, following the 2006 war with Israel, Paris III generated further billions in international assistance for the reconstruction effort.

<sup>10</sup> Between 1997 and 2011—latest utilized final national accounts—the services sector accounted for an average of 74 percent of real GDP compared to 49 percent for the group of comparator countries with the same GDP per capita (PPP terms) as Lebanon in 2013 (Azerbaijan, Belarus, Cuba, Gabon, Mauritius, Mexico, Romania, Suriname, Turkey, Uruguay and Venezuela).

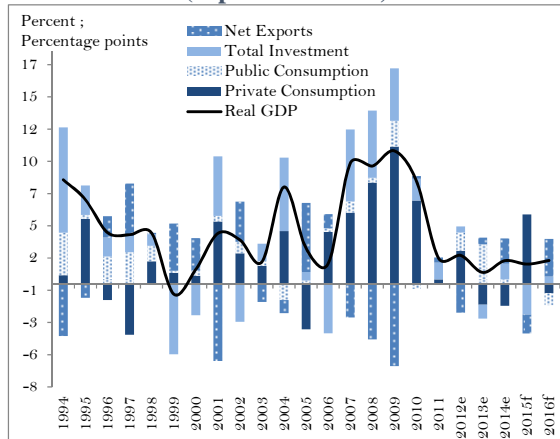
<sup>11</sup> Positive economic impact and contribution of Syrian nationals in consequence of the war in Syria is expanded on in the spring 2015 issue of the Lebanon Economic Monitor.

<sup>12</sup> According to Société Générale de Banque du Liban, in its EcoNews, No. 36 (September 2015), pharmaceutical output and capacity have increased significantly over the past five years following a series of new investments in the industry geared mainly towards export markets.

<sup>13</sup> The percentage of individuals using the internet jumped from 52 percent in 2011 to 74.7 percent in 2014, while fixed broadband subscriptions almost tripled to reach over 1.1 million persons, and mobile-cellular telephone subscriptions expanded by 127 percent over the same period (International Telecommunication Union).

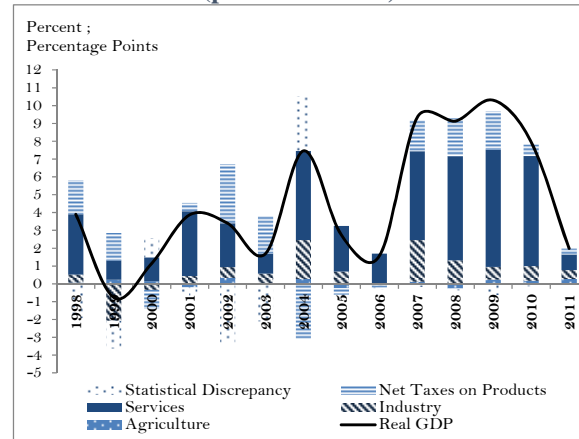
workers, mainly Syrians, economic growth from the sector has not resulted in significant employment gains for Lebanese nationals. Thus, while the real estate and construction sectors accounted for a large share of GDP (17.9 percent on average between 2004 and 2011), they employed on average only 7.8 percent of the Lebanese workforce between 2004 and 2009.<sup>14,15</sup> The tourism sector, hotels and restaurants, as well as the wholesale and retail trade sectors, accounted for 16.8 percent of GDP between 2004 and 2011. Due to the strong implications of security conditions on foreign sentiment with regard to tourism and real estate<sup>16</sup>, these sectors have been highly susceptible to political and security shocks, especially since 2011.

**Figure 2: GDP growth and its contributors (expenditure side)**



Source: CAS and World Bank staff calculations. Data stop in 2011 as these are the latest utilized national accounts data.

**Figure 3: GDP growth and its contributors (production side)**



Source: CAS and World Bank staff calculations. Data stop in 2011 as these are the latest utilized national accounts data.

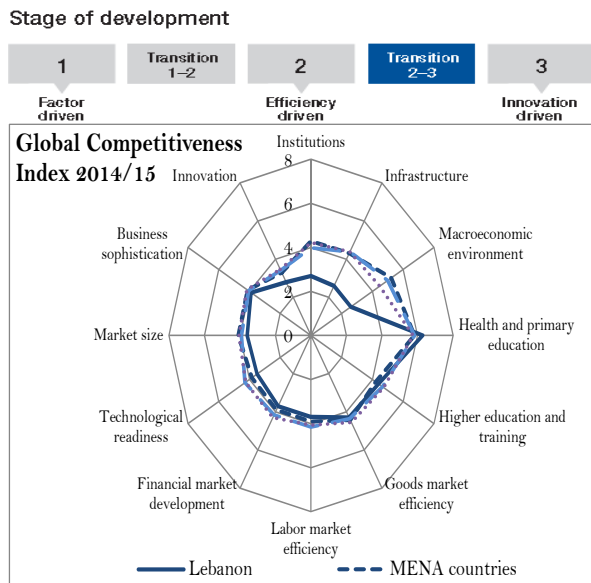
13. **Lebanon’s macroeconomic environment is subject to significant vulnerabilities.** According to the World Economic Forum’s Global Competitiveness Index, the weakness of the macroeconomic environment is Lebanon’s biggest constraint both in absolute terms and also compared to other countries (Figure 4). Lebanon’s macroeconomic environment is ranked as the second worst in the world according to the Global Competitiveness Index ranking of 144 countries. A high debt level, sizable twin deficits (fiscal and current accounts), a large banking system, and a highly dollarized pegged economy present significant macroeconomic vulnerabilities which have been present for nearly two decades. Nonetheless, Lebanon has in recent years avoided a crisis in times of duress due to a number of powerful stabilizing forces, including reliable and sizable inflows from a large diaspora that are channeled via a liquid and well-regulated domestic banking sector, which in turn finances internal and external balances. Confidence in this system is reinforced by the effective oversight and regulation of the Central Bank, as well as high liquidity and capital buffers in the banking system.

<sup>14</sup> The latest utilized national accounts data are for 2011.

<sup>15</sup> Similar findings arise across the MENA region where the real estate sector accounts for around 46 percent of FDI, but contributed only 19 percent of job creation between 2003 and 2011.

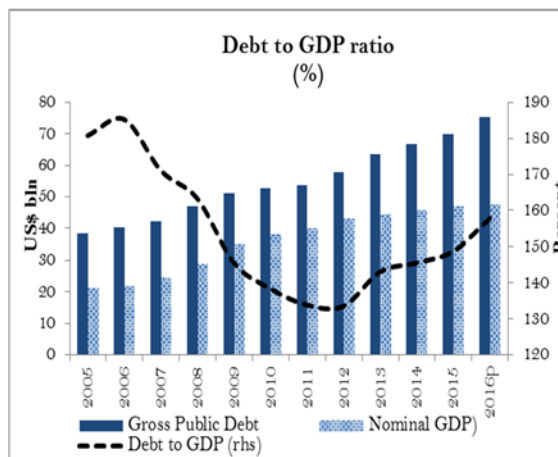
<sup>16</sup> Real estate developments in prime locations, especially those around Beirut and mountain resorts, were heavily dependent on foreign funding (Gulf Cooperation Council investors and Lebanese expatriates) which was severely compromised by the regional turmoil. This has to some extent been mitigated by repeated stimulus packages from the Banque du Liban (through subsidized loans offered by commercial banks) that aim to improve access to affordable mortgages. However, even when combined with increased housing demand stemming from the wealthier Syrian refugees, this could not completely compensate for the loss of Gulf Cooperation Council and expatriate demand which focused on luxury units in prime areas.

**Figure 4: Lebanon's Comparative Competitiveness**



Source: World Economic Forum, 2014/15 Global Competitiveness Index and World Bank staff calculations.

**Figure 5: Lebanon Gross Public Debt**



Source: BdL MoF and World Bank staff calculations.

14. **Determined under a confessionally oriented regime, fiscal policy is captured, inefficient, unproductive, non-transparent and lacks basic accountability.** The budget process is in disarray. The last voted budget law was for 2005 and was voted in 2006. None of the post-war budgets were voted within the time period stipulated by the Constitution, and the last officially closed fiscal accounts are those of 2003 (although 1993 through 2003 need major adjustments). Spending has been conducted largely through treasury advances and ad-hoc measures. Even prior to 2005, fiscal policy was non-transparent. Lack of proper oversight, including over extra-budgetary entities that receive significant government funding, helps entrench a culture of non-transparency and capture of fiscal policy for confessional purposes.

15. **Post-war reconstruction costs and a non-transparent captured fiscal policy led to a surge in public debt.** Until a few years ago Lebanon had the highest debt-to-GDP ratio in the world. A period of strong growth from 2007 to 2010 reduced the debt-to-GDP ratio from 185 percent of GDP in 2006 to 133.5 percent in 2012, though it has risen since (Figure 5). The large underlying structural fiscal deficit has not been addressed; rather it has widened, in part due to the introduction of permanent revenue-eroding measures (e.g., the value added tax exemption on diesel). Tumbling growth since 2011 and the large fiscal burden associated with Syrian refugees' access to public services have pushed the debt-to-GDP ratio higher again (to 148.7 percent as of end-2015), resulting in a marked deterioration of the country's macroeconomic environment.

16. **According to the Economic and Social Impact Assessment (ESIA) carried out by the World Bank in 2013, the fiscal costs related to the Syria crisis have been considerable, amounting to an estimated US\$2.6 billion over the 2012-2014 period.** In addition to lost economic activity resulting from the insecurity and uncertainty spillovers that negatively affect investor and consumer confidence, direct fiscal costs were estimated to comprise US\$1.1 billion in lost revenues and US\$1.5 billion in increased expenditures (mostly related to the increased demand for public services). On top of these fiscal costs, the ESIA also highlighted the large negative impact on access to and quality of public services due to the substantial increase in demand for these services by the large refugee influx. Furthermore, the ESIA estimated that on top of the US\$1.5 billion already spent by the central government through end-2014, an additional US\$2.5 billion in spending would be needed to bring the access to, and quality of, public services in Lebanon back to their pre-conflict levels. Forthcoming data from surveys of refugees and host

community populations will provide additional insights into the impact of the Syria crisis on the local population and refugees along several dimensions.

17. **Real GDP growth in 2015 is estimated to have been 1.5 percent and is expected to remain significantly below potential in the medium term (at around 2.5 percent), reflecting the impact of regional turmoil and an absence of reforms.** Current World Bank staff projections no longer assume that the end of the Syria crisis occurs within the projection period of 2016-2018, but instead assume that the spillovers remain contained despite occasional security events. The return to potential output growth critically hinges on a resolution of the conflict in Syria, which would likely result in marked improvement in the security and political situation in Lebanon.

18. **Absent significant structural reforms on either revenue or spending, Lebanon's public finances are projected to remain structurally weak and deteriorating.** In 2015, reduced transfers to Electricité du Liban (EdL) declined by 2.2 percent of GDP, but were offset by 3.2 percent of GDP in lower revenues partially due to the unsustainability of the one-off revenue measures in 2014<sup>17</sup>. Lebanon was still able to register a positive primary balance in 2015, but not due to sustainable policy measures. Looking ahead, an increase in debt servicing caused by pass through from higher global interest rates (i.e., US Federal Reserve Board-related) will raise current spending. Moreover, upon the easing of political paralysis, some limited public sector wage increases may be introduced as well as higher transfers to municipalities. As a result, the fiscal balance is expected to deteriorate over the medium term. While sustained fiscal adjustment efforts would be needed to bring down the high public debt-to-GDP ratio, no such efforts are planned at this time, and economic discussions are limited because political issues dominate the current agenda (including election of the President of the Republic<sup>18</sup>). The last comprehensive fiscal adjustment program was adopted by the Government in 2007 in the context of the Paris III conference, and due to weak implementation of that program, much of it remains pending today.

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<sup>17</sup> One-off revenue measures in 2014 primarily involved an unsustainable surge in transfers from the telecom sector related to the collection of past telecom transfer arrears.

<sup>18</sup> The term of office of the President of the Republic of Lebanon, Michel Suleiman, ended on May 25, 2014. The presidential office continues to be vacant.

Table 1: Selected Economic Indicators 2013-2018

	2013	2014	2015	2016	2017	2018
	Est.	Est.	Est.		Proj.	
<b>Real sector</b>	(annual percentage change, unless otherwise specified)					
Real GDP	0.9	1.8	1.5	1.8	2.3	2.5
CPI Inflation (p.a)	2.7	1.2	-3.7	1.5	2.5	3.0
<b>Investment &amp; saving</b>	(percent of GDP, unless otherwise specified)					
Gross Capital Formation	30.4	31.2	27.6	27.9	29.0	29.0
Gross National Savings	3.8	4.5	4.4	6.6	6.5	5.9
<b>Central Government Finance</b>	(percent of GDP, unless otherwise specified)					
Revenue (including grants)	21.2	23.8	21.6	21.8	23.3	23.1
o/w. tax revenues	15.1	15.1	14.2	14.2	15.6	15.7
Total expenditure and net lending	30.7	30.4	28.9	29.2	32.0	31.9
Current	28.8	28.8	27.3	27.5	30.4	30.3
o/w Interest Payment	8.5	9.2	8.7	9.1	10.6	10.7
Capital & Net Lending (excluding foreign financed)	1.9	1.6	1.6	1.6	1.6	1.6
Overall balance (deficit (-))	-9.5	-6.6	-7.3	-7.4	-8.7	-8.8
Primary Balance (deficit (-))	-0.9	2.6	1.4	1.7	1.9	1.9
<b>External sector</b>	(percent of GDP, unless otherwise specified)					
Current Account Balance	-26.6	-26.7	-23.2	-21.3	-22.5	-23.1
o/w Export (GNFS)	45.7	40.0	39.6	41.0	41.9	42.6
o/w Import (GNFS)	75.4	70.2	65.7	65.4	67.8	68.9
Remittances	5.5	3.7	3.4	3.0	3.0	3.0
Trade Balance (GNFS)	-29.7	-30.2	-26.2	-24.4	-25.9	-26.3
Gross Reserves (months of imports GNFS) /1 /2	11.4	12.1	11.7	11.6	11.3	11.4
Memorandum items:						
Debt-to-GDP ratio (percent)	143.1	145.6	148.7	154.1	157.3	159.7
GDP (in million US\$)	44,352	45,731	47,085	47,704	49,447	51,568

Source: Government data, and World Bank staff estimates and projections.

/1Gross Reserves (months of imports GNFS)=(Imports of Goods & Services / Gross Res. excl. Gold)\*12

/2 Total Imports using the BOP data from the Quarterly Bulletin of BDL

19. **Based on current policies and projections, public debt dynamics are not sustainable.** The IMF, in its July 2015 Article IV consultation, undertook a debt sustainability analysis based on three scenarios: baseline, constant primary balance and historical. The results indicate that public debt is expected to increase over the time period 2014-2020 by 10 percentage points of GDP, while gross financing needs are forecast to fluctuate around 30 percent, peaking at 40 percent of GDP in 2018. Such large gross financing needs represent a significant vulnerability to sudden stops which would result in a crisis with severe impacts on poverty and inclusive growth.

20. **Risks to debt sustainability are mitigated by a number of factors.** To begin with, the majority of the debt is by domestic financial institutions and BdL. Moreover, the stock of debt outstanding remains mostly in local currency, whereby, by end-2015, 62 percent of gross public debt is denominated in Lebanese Pounds (LBP). Banks are well capitalized, liquid and resilient owing to prudent investments and conservative regulation by BdL and the Banking Control Commission. Deposits constitute the principal funding source for commercial banks, with the deposit-to-total liabilities ratio<sup>19</sup> at 83.2 percent by January 2016. Non-resident deposits have been a vital source, constituting 21 percent of total private deposits as of

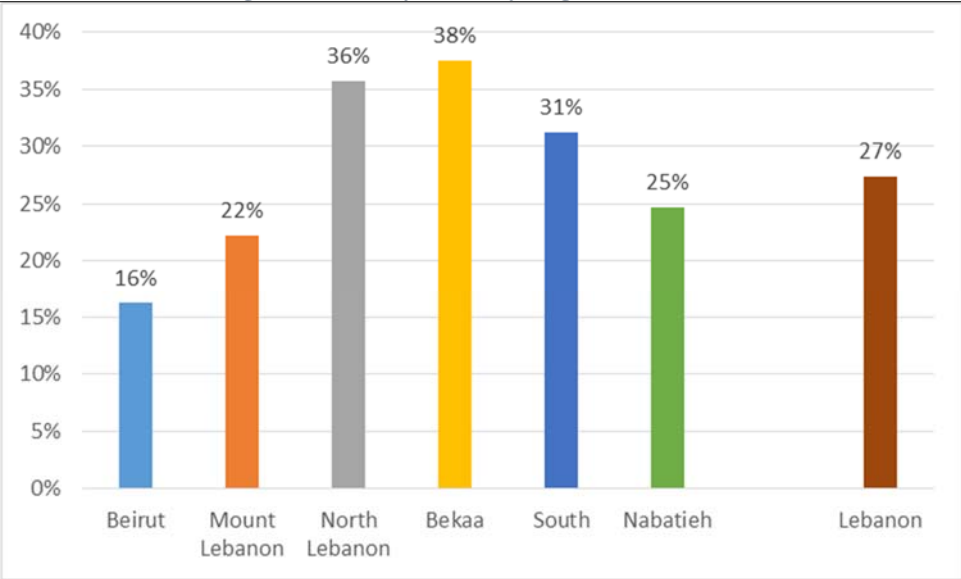
<sup>19</sup> This is the ratio of total private and public sector deposits at commercial banks to commercial banks' balance sheet.

end-January 2016. These are largely associated with Lebanese expatriates who are familiar with the political and security situation of the region, and who have strong confidence in the Lebanese banking system. Moreover, low demand for private sector credit and limited regional investment opportunities create a captive investor base. Other mitigating factors include banks’ net foreign assets and sizable gross international reserves at BdL, which constitute comfortable buffers that help anchor investors’ confidence. Finally, net public debt-to-GDP is on average lower by 20 percent of GDP due to sizable cash cushions in the form of deposits accumulated by the Government, which also provides coverage of financing needs for more than half a year.

**C. Poverty and Jobs**

21. **Poverty in Lebanon has remained widespread and progress on inequality has been limited over the post-civil war period.** While the lack of reliable periodic micro-data prevents carrying out a traditional poverty analysis, valuable information on poverty can be obtained from various surveys, including the most recently completed Household Budget Survey (HBS) of 2011-12. One striking result is that all surveys yield poverty estimates that are very close, namely about 27-30 percent of the population. According to the 2011-2012 HBS, overall poverty in Lebanon is estimated at 27 percent (pre-Syria crisis) which implies that about one million people had levels of consumption below the annual poverty line set at LBP 4,729 thousand per capita per year (US\$3,150 per capita per year). Significant regional differences exist (Figure 6). Poverty is the lowest in Beirut (16 percent), followed by Mount Lebanon (22 percent) and Nabatieh (25 percent). The poorest regions are North Lebanon (36 percent) and Bekaa (38 percent). The Gini coefficient of per capita consumption, which measures level of inequality is estimated at 0.32, meaning the poorest 20 percent of the population consume about eight percent of total consumption, while the top 20 percent of the population consume about 40 percent.

**Figure 6. Poverty Rates by Region (2011-2012)**



Source: World Bank staff calculation using HBS 2011.



22. **The Syria conflict is estimated to have increased poverty among the Lebanese population by an additional 170,000 people in 2014 with the existing poor pushed deeper into poverty**<sup>20</sup>. According to the 2015-16 Lebanon Crisis Response Plan (LCRP), in addition to the estimated 1.5 million Lebanese living under the poverty line, there are 1.5 million vulnerable Syrian refugees and 320,000 Palestinian refugees. Thus, the total vulnerable population in Lebanon accounts for more than 3.3 million in an overall population of 5.9 million, i.e. more than 55 percent of the Lebanon population.

23. **Lebanon also faces a considerable unemployment challenge as economic growth has not translated into sufficient job creation and quality jobs.** Unemployment is high and of long duration in Lebanon, especially among women and youth, and has been exacerbated by the influx of Syrian refugees. Not taking into account the recent influx of refugees, 23,000 individuals, on average, enter the labor market annually. To absorb them, the economy would need to create more than six times the number of jobs it has been creating (on average, only 3,400 net jobs per year between 2004 and 2007). Before the Syria crisis unfolded, around 11 percent of the labor force was unemployed, reflecting in part long average durations of unemployment (close to 13 months for men and 10 months for women). Female and youth unemployment rates were 18 and 34 percent, respectively.<sup>21</sup> Current unemployment rates are likely to be significantly higher given slower economic growth and other effects of the Syria conflict. As a result of the large influx of refugees, the labor force is expected to have increased by as much as 35 percent. Because of the low level of education of the Syrian refugees, most join the supply of lower skilled workers, and informal employment has increased as a result. Almost half of the Syrian refugee workers are involved in agriculture or domestic services, followed by 12 percent working in construction. Indications are that competition between Lebanese and Syrian workers at different levels of skills and employment is high, leading to even higher unemployment for Lebanese and growing social tensions.

24. **Emigration is a major source of employment and better economic opportunities for Lebanese, but is also a reason behind the scarcity of skilled labor in the country.** About 15 percent of the Lebanese population is estimated to have emigrated, mainly driven by the political instability in Lebanon and the search for better economic opportunities abroad. Lebanon ranks 113 out of 144 countries in the world in brain drain losses, according to the 2015-2016 Global Competitiveness Index. The high emigration rate of people with tertiary education (44 percent) accentuates the scarcity of skilled labor. Given the differences in emigration rates across educational levels and gender, emigration could contribute to increases in the wage gap across gender and skill groups, aggravating overall wage inequality in Lebanon. This could accentuate the scarcity of key skills and ultimately constitute a heavy drag on productivity and growth.

#### **D. Constraints to the Development Agenda**

25. **The Lebanon SCD identified eleven priority areas for action in order for the country to boost jobs, especially high quality ones, in a sustainable manner and to achieve the WBG twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner.** Of these eleven areas, two are *overarching* constraints, namely: (i) elite capture hidden behind the veil of confessionalism/confessional governance; and (ii) conflict and violence (stemming, in part, from the broader dynamics of conflict in the Middle East). The remaining nine constraints are *nested* within these two overarching constraints; in other words, absent the destabilizing impact of confessionalism and domestic and regional conflicts, these nested constraints would be significantly less binding than they currently are. The nine nested constraints are related to governance, information and communication technology, energy, transport, water, environment, education, macroeconomics and the fiscal environment, and the business climate. Data availability was identified as a foundational constraint.

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<sup>20</sup> World Bank (2013), "Economic and Social Impact Assessment (ESIA)," Report No. 81098-LB.

<sup>21</sup> World Bank (2012), "Lebanon - Good Jobs Needed: the Role of Macro, Investment, Education, Labor and Social Protection Policies (MILES)," Report No. 76008-LB.

26. **The first overarching constraint is pervasive elite capture and corrupt practices which are masked by a confessional veil.** Progress on job creation and the achievement of the twin goals is constrained by a confessional system of governance that drives the distribution of power, has been captured by elites, and is lacking in accountability. This system results in political interference in public institutions and ensures a concentration of political influence and wealth across a thin strata of society. It also exhibits a conflict of interest between the business community and the political elite which creates economic rents.

27. **Conflict, security and fragility, including the recent Syria crisis, is Lebanon's second overarching constraint.** Lebanon suffers from a fragile and dysfunctional political system, and a state that is unable at times and severely constrained at others to regulate conflict and exercise sovereign authority, due to both internal and external factors. Security shocks have historically rendered growth volatile. A recent demonstration of this fragility is the Syria crisis and ensuing Syrian refugee influx affecting Lebanon's economy and exacerbating already existing problems of access to, and quality of, education and health, other public and social services, and environmental degradation. Conflict also aggravates corrupt practices, which directly link to the elite capture overarching constraint.

28. **Governance and institutional challenges are the most binding nested constraints to Lebanon's achievement of the WBG twin goals.** The SCD identified the following governance constraints as particularly binding: (i) a lack of political will, capacity and institutions to design and enact new laws and policies and to implement reforms; (ii) a lack of vision for Lebanon and leadership for the country; and (iii) public institutions that are perceived as extremely weak, inefficient and possessing low capacity to provide high quality services, which is particularly damaging to vulnerable and less well-off citizens.

29. **Infrastructure deficiencies hamper the achievement of the twin goals, including in the areas of telecommunications, electricity, transportation, and water.** Given its complementarities with all sectors, the weak ICT sector is constraining growth and job creation. In addition, the electricity sector is a major source of macroeconomic vulnerability given its drain on public finances and is in need of reform. The macroeconomic impact has been massive; between 2006 and 2014 the Government transferred an average of 4.3 percent of GDP to Electricité du Liban (EdL)<sup>22</sup>. EdL suffers from operational inefficiencies, an outdated tariff policy and inadequate and poor quality of electricity supply, with significant regional variations. Firms have to wait 56 days to obtain electricity connection upon submission of their application, compared to 13 days in Jordan and 19 days in Morocco<sup>23</sup>. Once connected, firms experience over 50 power outages per month of an average duration of 5.2 hours, which is about 8.7 hours per day. Inequality of electricity rationing has poorer regions go without public electricity for up to 12 hours every day, while richer ones such as Beirut are “only” subjected to three hours of daily blackouts. In the transport sector, the quality of transport infrastructure and services is particularly bad. Lebanon ranks 120<sup>th</sup> out of 144 countries on road quality, with rural roads in lagging regions in particularly bad condition. Lebanon has also one of the worst road safety records globally, and the economic cost of road traffic fatalities and injuries in Lebanon is equivalent to 5.5 percent of national GDP. Meanwhile, traffic congestion is rife particularly in the Greater Beirut area and the economic cost of traffic congestion is estimated between five to ten percent of GDP<sup>24</sup>. In the absence of reliable public transportation, households spend about 15 percent of income to meet transportation needs. The World Bank's Logistics Performance Index reveals that import and export costs in Lebanon are relatively high, placing Lebanon at a large disadvantage to act as a trade hub for the region, a role it played successfully in the past. Water supply services are below the levels expected in a middle income country. Despite relatively high per capita water availability, the Lebanese water sector is characterized by a severe deficit in the delivery of water services, with notable

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<sup>22</sup> Lebanon Systematic Country Diagnostic (World Bank, 2015).

<sup>23</sup> 2013–14 Lebanon Enterprise Survey.

<sup>24</sup> Lebanon's Second Communication to the UNFCCC (Ministry of Environment, 2011).

impact on the poor who spend up to 15 percent of total household income on alternative sources of water supply, often at high environmental and public health costs. The poorly sequenced and delayed post-civil war infrastructure investment program, coupled with an incomplete institutional reform program, exacerbated the geographic and temporal limitations to Lebanon's water resources.<sup>25</sup> In addition, existing infrastructure is not well maintained, and limited supplies cannot keep pace with rising demand.

**30. Large and growing environmental degradation, especially water pollution, and deficiencies in solid waste management are important binding constraints given that environmental risk impacts the poor the most.** Untreated sewage, industrial effluent and agricultural runoff are seriously deteriorating both surface and groundwater quality. This situation is worsening under increased pressure from refugees. Municipal solid waste disposal has been a persistent and critical issue in Lebanon. Until recently, about 53 percent of municipal solid waste was disposed in the country's two sanitary landfills: Nahmeh and Zahlé. The remainder was disposed in an unsanitary landfill and in 700 open dumps. Open and uncontrolled dumps are polluting air, watersheds, and coastal zones. The closure of the over-extended Nahmeh landfill in July 2015 resulted in the worst environmental crisis in Lebanon's recent history and demonstrated the impacts of a failed social contract between citizens and the state. For nearly a year, piles of garbage accumulated on street corners, under bridges, in valleys and forest areas, thrown in river beds or simply burnt in open space. This has led to the proliferation of diseases, polluted air and water contamination, especially in Beirut and Mount Lebanon. This situation prompted large civil society protests that demanded an end to years of corruption in the waste management sector and more transparency in managing public resources. While not identified as a constraint in the SCD, climate change poses risks to Lebanon's food and water security and threatens to exacerbate the effects of maladaptive practices in agriculture and forestry. As is the case with most countries in the Middle East, Lebanon is getting hotter and drier, and this impacts the livelihoods of rural population. A number of policy directions are being identified through a participatory process with farmers, agricultural researchers and the Ministry of Agriculture to increase resilience in the agricultural sector to climate variability and change.

**31. In addition to a weak macroeconomic and fiscal environment, a weak business climate and constraints within the financial sector inhibit firm creation and growth, directly affecting job generation and the achievement of the twin goals.** Four constraints related to finance, markets, trade and competitiveness were flagged in the SCD. New firms face obstacles to entry due to a weak business environment, monopolies, and the absence of an effective competition policy framework and enforcement capacity. Poor governance in Lebanon has resulted in private sector-led job creation being impeded by the privileges accorded to connected firms. This has also led to an atmosphere of uncertainty surrounding the enforcement of laws and regulations. Politically connected incumbent firms face lower regulatory burdens and are given privileged access to critical inputs, which hinders entry by new firms and limits competitiveness. Limitations in financial product diversity and enabling conditions for debt and equity services have a disproportionately negative impact on dynamic younger firms where jobs are being created. Relatively high import and export costs, bad infrastructure and cumbersome procedures also contribute to an uninviting business climate that constrains economic diversification and results in an over-dependence on real estate and (to a lesser degree) tourism.

**32. Stark inequality in the access to, and quality of, education, starting at the pre-primary level, is a challenge to human capital accumulation for a large share of the population.** While Lebanon exhibits relatively strong human capital, particularly in education, the poor quality of public school education generates large inequality of opportunities among citizens depending on the wealth and income status of their parents. The recent influx of Syrian refugees has heightened this problem in public schools and put significant strains on the public system; some schools are overcrowded, and teachers have to manage different curricula to accommodate the different needs of Lebanese and Syrian children, impacting

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<sup>25</sup> Seasonal mismatch between water supply (at its peak in the rainy winter) and water demand (peaking in the hot, dry summer months) is exacerbated by the very low water storage capacity. Lebanon only stores six percent of total resources, compared to the MENA average of 85 percent.

the quality of learning for students. Syrian refugee children currently represent 37 percent (first and second shift students) of the total student population in public schools, and have required the introduction of a second shift of instruction in the afternoon to accommodate demand. Moreover, over the past four years (2012-2015), government expenditures in the education sector have increased by approximately 14 percent.

33. **While health was not identified in the SCD as one of the top nine constraints to poverty reduction and shared prosperity, the health sector is facing numerous challenges.** With only half of the population covered by health insurance, out-of-pocket expenditures represent a large source of health financing in the country (37.3 percent in 2012) with the lower income groups spending a higher percentage of their income (14 percent) on health than those with higher income (4.2 percent). The obligation to pay directly for services is subjecting a large proportion of the uninsured poor Lebanese to financial hardship, even impoverishment. The large influx of refugees intensified the access problem with the strongest pressure observed in poor Lebanese communities given the strong overlap with refugee density. The number of Syrian refugees accessing the Primary Health Care (PHC) Network clinics increased from 14 percent in 2012 to 35 percent in the first six months of 2014 alone. Given the pre-crisis capacity and infrastructure constraints of primary health care facilities, the health sector faces shortages in PHC centers, financial and human resources, as well as crowding out of low-income Lebanese of affordable care.

34. **The health sector also faces severe challenges in addressing specific health needs of the Syrian refugees, including the need for maternal child health care, management of chronic illnesses such as cancer treatment and kidney dialysis, mental health, and malnutrition.** According to a UNICEF-led survey<sup>26</sup>, malnutrition of Syrian refugee children in Lebanon grew from 4.4 percent in 2012 to 5.9 percent in 2013. Total stunting was at 18.6 percent and the overall prevalence of global acute malnutrition among Syrian children aged 6-59 months was 2.2 percent, with the Bekaa Valley and Northern Lebanon recording 4.5 percent and 3.9 percent, respectively. Though elevated levels in global acute malnutrition were found in areas with high concentration of refugees, the overall nutrition situation in Lebanon is within acceptable levels, according to the World Health Organization categorization. However, the nutrition situation among refugees in Lebanon may deteriorate rapidly due to aggravating factors, such as the increase in food prices, risk of food insecurity, increasing numbers of refugees and new arrivals from Syria, which could worsen the situation.

35. **Data availability and access to information was identified in the SCD as a compelling constraint that impacts evidence-based policy making and stands in the way of an informed population.** Major deficiencies exist in the timeliness and reliability of data as well as in the adequacy of data coverage, especially for poverty, income distribution, and economic and governance measurements. Beyond the weak quality, poor reliability and limited availability of data, the weakness of the statistical system is widespread and impedes economic analysis at the macroeconomic and sectoral level. These deficiencies include: (i) the lack of regular information on the development of labor markets and living conditions of households; (ii) weak balance of payments statistics; (iii) weak inflation statistics; and (iv) long delays (up to three years) in the release of annual national accounts. This systemic weakness of the statistical system is, to a large extent, the outcome of the Lebanon's confessional polity and years of conflict, both of which have weakened the country's institutions considerably. While some ministries have enhanced disclosure of data, the public has limited access to information that is typically publicly available in other countries given that a freedom to information act has yet to be enacted. These knowledge and data gaps can be used by the elite to sustain a confessional discourse.

36. **Gender inequalities are surprisingly pronounced in Lebanon, with low female economic participation and political empowerment.** According to the World Economic Forum Global Gender Gap Report 2014<sup>27</sup>, Lebanon performs poorly in terms of gender equality in economic participation and political

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<sup>26</sup> 2013 Joint Nutrition Assessment Syrian Refugees in Lebanon, February 2014.

[http://www.unicef.org/lebanon/Lebanon\\_Nutrition\\_Assessment\\_of\\_Syrian\\_Refugees\\_Report\\_May\\_2014](http://www.unicef.org/lebanon/Lebanon_Nutrition_Assessment_of_Syrian_Refugees_Report_May_2014)

<sup>27</sup> The Global Gender Gap Index measures the relative gaps between women and men across four key areas: health and survival, education attainment, economic participation, and political empowerment.

empowerment, ranking among the worst in MENA countries, but it performs noticeably better in the areas of education attainment and health. Lebanon's political empowerment index is second to last in the world (last in the MENA region), with a score of 0.01. The low score is due to the historically low number of women elected to Parliament or appointed as ministers – only four women were elected to Parliament in 2009, and one woman is serving as Minister of the Displaced in the current Cabinet. However, it should be noted that women have taken part in political life since 1952 when they were given the right to vote, and this compares well relative to several other MENA countries<sup>28</sup>. In terms of the participation of women in the economy, Lebanon ranks 133 out of 142 countries, due to relatively low levels of female participation in the workforce (female-to-male ratio of 0.34), and low estimated earned income for women (female-to-male ratio of 0.27). In education attainment, Lebanon has closed the gender gap in secondary and tertiary education with a female-to-male ratio exceeding 1.00. However, female enrollment in primary education is at a relatively low level of 90 percent, while male enrollment exceeds 97 percent. Consequently, Lebanon ranks 106 out of 142 in educational attainment. Finally, Lebanon's health and survival ranking was the highest among the four key areas (62 out of 142); the sex ratio at birth (female/male) stands at 0.95, while the healthy life expectancy for women and men are 71 and 68, respectively.

### III. World Bank Group Partnership Framework

#### A. Government Program and Medium-term Strategy

37. **The current “national interest government”, headed by Prime Minister Tammam Salam, is made up of a 24-member cabinet that includes all Lebanese parties.** This Government was formed on February 15, 2014, breaking a 10-month political deadlock, and received a parliamentary vote of confidence on March 20, 2014. The country, however, slid into another political impasse after the formation of the new Government, this time because no consensus has yet been reached on electing a new president.

38. **The Constitution requires unanimous support from all members of the Cabinet (present at the session) on Executive decisions during the presidential vacuum.** This has constrained reform efforts and the ability to pass important legislation and regulations, as well as to confirm key appointments. These delays are also affecting the WBG-financed operations that require Cabinet approvals.

39. **The current Government's Policy Statement highlights security, safety, stabilization and the preservation of national sovereignty among its highest national priorities.** The Policy Statement also stresses the principles of national dialogue and unity to maintain peace and avoid conflict and sectarian tension. On the fiscal and economic recovery front, the Statement commits to address the state's fiscal problems; submit a draft general budget law; fill vital vacancies in the public administration; revitalize key economic sectors, especially tourism; and improve the living standards for Lebanese citizens. The Government also undertakes to address the salary scale of public sector employees<sup>29</sup> and follow up on the pension and social security systems that have been submitted to Parliament. In addition, the Government endeavors to enact a new election law based on recommendations from Parliament, as well as submit a draft administrative decentralization law to Parliament. In the energy sector, which features among the Government's top priorities, it commits to accelerate the oil exploration and extraction licensing process as well as the necessary procedures to define Lebanon's exclusive economic zone maritime borders. All of the above is still blocked due to seemingly unbridgeable political differences.

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<sup>28</sup> Women in Lebanon were granted the right to vote in 1952, while countries like Qatar, Bahrain, Oman, and United Arab Emirates only did so over 50 years later.

<sup>29</sup> The Union Coordination Committee (UCC) is calling on Parliament to pass a bill that would increase the salary scale of public sector employees by 121 percent, and to fund it without raising taxes on basic goods. It would be the first wage scale increase since a 2012 bill raised the country's monthly minimum wage from US\$333 to US\$467. That bill also increased salaries for all workers in the country earning up to US\$1,200.

40. **In the context of the Syria refugee crisis, Government has pledged to contain the security, political, social, and economic repercussions of the Syrian refugees' presence in Lebanon** and is actively seeking additional financing from the international community to support this effort. The Government aims to scale up programs to reduce the economic and social impacts of the Syria crisis on the host communities, including through the Lebanon Syria Crisis Trust Fund (LSCTF) established by the World Bank in December 2013 and the forthcoming MENA Concessional Financing Facility. Given the persistent lack of sizeable, predictable and multi-year humanitarian aid, the Government has conducted in-depth consultations involving the Ministry of Finance and all key line ministries to agree on Lebanon's development priorities for the coming five years and has put together a program of investment and budget support needs estimated at approximately US\$5.6 billion, including US\$2.2 billion in investment needs across the following sectors: roads and transport, environment, water and wastewater, agriculture, education, social protection, and electricity, etc. This is in addition to the humanitarian pledge Lebanon made at the London Conference of US\$2.48 billion for the LCRP. Furthermore, and in line with the themes of the London Conference held on February 4, 2016, the Lebanese Government presented a plan comprised of an ambitious five-year program on: (a) education, in particular large-scale, multi-year financing for education investments to support the *Reaching All Children with Education* (RACE) 2 framework; (b) priority investments in infrastructure and public services in sectors most impacted by the Syria crisis; and (c) economic opportunities and jobs (investments in municipalities that create job opportunities and contribute directly to fighting poverty; Subsidized Temporary Employment Program (STEP) to provide finance and employment incentives that will encourage micro, small and medium-size businesses to expand production and create new permanent jobs for Lebanese workers, as well as temporary jobs for Syrians). This backdrop of extensive intergovernmental consultations and consensus-building around the development priorities presents an opportune moment for the WBG to engage constructively with the Government on its strategy and program for the coming period.

## **B. Proposed World Bank Group Partnership Framework**

### *Lessons from CPS Completion and Learning Review, IEG Evaluations, and Stakeholder Consultations*

41. **The CPF builds on lessons learned from the implementation of the previous CPS program (FY11-FY14)**<sup>30</sup>. A major lesson from the Bank's engagement with Lebanon during the CPS period is the need to invest only when the political economy in the sector is favorable for reform and to ensure national ownership of reforms across all political parties. During periods when there is insufficient commitment for reform in a sector, the Bank should invest in continued policy dialogue with the Government and support to the debate around reforms through analytical work and outreach. The Bank has built a strong partnership and effective collaboration with key officials in the Ministry of Finance and the Presidency of the Council of Ministers. In particular, the Bank continues to strengthen its engagement with technical teams and the directors general in line ministries as their knowledge and understanding of the Bank program ensures continuity. Another key lesson is to work more closely and upstream with the Parliament to foster buy-in early on in an effort to reduce delays in obtaining legislative approvals. On implementation, the lessons underscore the importance of improving portfolio performance and ensuring flexibility in project design and implementation to adjust to changing country circumstances. There is also a need to actively manage the portfolio, including by means of cancellation of underperforming or lagging behind projects. Furthermore, increasing selectivity and strategic focus are critical, and the proliferation of small and thinly spread interventions should be avoided as they challenge client capacity and are difficult to monitor. High quality, demand driven, and actionable analytic and advisory activities are key to strengthen the overall engagement. Building on the CPS experience, IFC will continue to work closely with the Bank to help the Government establish an enabling environment for leveraging the private sector through public private partnerships (PPPs), which are essential for addressing Lebanon's infrastructure challenges. Lessons learned during the CPS period underscore the need for strong government ownership of reform initiatives,

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<sup>30</sup> Lessons learned from the FY11-14 CPS Completion and Learning Review are further detailed in Annex 8.

as well as the focus on projects with limited need for complex legal reforms, which have proven extremely challenging to achieve given Lebanon's current political economy.

42. **Lessons from the Independent Evaluation Group (IEG) evaluation of the Bank Group's FY06-FY09 strategy also highlighted the need to be realistic about the potential for reform in post-conflict environments.** The FY06-FY09 period was difficult due to hostilities with Israel in the summer of 2006 as well as considerable domestic political turmoil. This environment undermined good policies and prevented consensus-building around the reforms. The IEG evaluation of the Bank Group's engagement stressed four points. First, in line with the guidance on engagement in post-conflict states, the Bank should take considered risks, adopt mitigating measures, and when risks materialize, accept failure and draw lessons. Second, the Bank should be more realistic about the reforms that are likely to take place in a post-conflict environment and sequence its interventions accordingly. Given Lebanon's complex decision-making environment, lending should focus where consensus on reform has developed. Third, stronger arrangements are needed to improve the monitoring of country strategies' results and, fourth, continued attention to Lebanon's debt overhang is critical, as the country continues to struggle with its fiscal imbalance.

43. **IEG evaluations of projects that closed during the FY11-FY14 CPS period underline the importance of political economy analysis.** IEG reviews of four Implementation Completion and Results Reports in the water, energy and municipal sectors provided a number of recommendations that were taken into consideration during the preparation of this CPF. These recommendations can be summarized as follows:

- Implementation of political reforms is a complex process to which project results should be cautiously linked.
- An ex-ante buy-in from major stakeholders is essential for the success of any sector reform. It is essential to understand who the winners and losers are so as to create a pro-reform coalition. Otherwise, narrow interests are likely to overshadow national level interests.
- Project objectives should be pragmatic, focused, and coherent with the proposed project activities and should be consistent with the level of resources involved.
- Citizen awareness is a lengthy process that must be taken into account in the design and implementation of projects.
- Implementation support teams should not feel trapped by the original project objectives and outcome indicators that cease to be appropriate in local conditions. Early restructuring can re-align the project to achievable objectives and targets.
- In emergency situations and difficult circumstances, keeping the scope of the project simple and allowing for maximum flexibility facilitates successful implementation.
- In the context of emergency projects, it is important to take advantage of existing implementation capacity and to use an already proven and tested project management units rather than creating new structures.
- Given the limited time for preparation, emergency operations require additional attention during implementation (with regard to monitoring and evaluation, risks, and safeguards).

44. **The Lebanon CPF preparation benefited from extensive consultations conducted during the preparation of the SCD.** The following issues were identified: (i) an absence of political consensus on national priorities among political actors due to severe political polarization since 2006 that has resulted in deadlock; (ii) weak accountability of the executive branch; (iii) favoritism in decisions of government officials, and a persistent conflict of interest between political actors and the business community; (iv) a state that is absent/hollowed out for many parts of society; (v) poor and deteriorating infrastructure (e.g., electricity, transport, ICT, etc.) that makes private sector firms less competitive; and (vi) an antiquated legal and regulatory environment that restricts firm creation and increases costs, especially for small and medium enterprises (SMEs), thus impeding job creation through the private sector.





46. **Initial WBG consultations on the CPF were held in February 2015 and were followed by additional consultations with the Government, Parliament, civil society, the private sector and donors in May 2015.** Another round of consultations with the Government, parliamentarians and youth were held in January 2016 to review the new elements that emerged as a result of the WBG MENA Strategy and the priorities identified by the Government for concessional financing. Feedback from these consultations reflected the full range of issues raised during the SCD consultations, including: (i) the lack of an overall vision for the country's development; (ii) the corresponding lack of political will to move forward with reforms, including in the critical area of energy which is weighing heavily on the budget and the economy; (iii) the role of vested interests and clientelism in hampering competition, growth and job creation; (iv) the need for the donor community to push together for reforms; (v) the threat of environmental degradation which is being exacerbated by haphazard urbanization and the Syrian refugee influx; and (vi) the importance of civic education in preparing children to be citizens and to understand their relationship to the state and properly exercise their rights in this regard. Strong support was expressed for introducing citizen engagement (CE) across the Bank-financed program with a view to embedding the CE approaches in the government programs and creating a new culture of service delivery.

47. **Across the different stakeholder groups, priorities varied.** Private sector participants spoke about the potential for the private sector to generate jobs, provided a proper enabling environment, and emphasized the potential for private sector actors to lobby for change and hold the Government accountable. Parliamentarians stressed the important role played by municipalities in addressing the impact of the Syria crisis, including the provision of services to the expanding refugee community and emphasized the need for increased assistance at municipal level. Youth were outspoken about the issue of elite capture and corruption, and the importance of access to information in fighting corruption. They spoke of the instrumental role of civil society in educating the public about their rights and holding the Government accountable to its citizens. Finally, a number of participant groups stressed the need for the WBG to be selective in its support and, drawing on its data and analysis, to offer the Government an objective, independent and credible advice it is uniquely positioned to provide. A more detailed account of the consultations can be found in Annex 2.

### *Overview of the World Bank Group Partnership Framework*

48. **In a fragile and conflict-prone environment, this CPF aims at mitigating the immediate, and potentially long-lasting, impact of the Syria crisis on Lebanon. It will also strengthen State institutions, address existing vulnerabilities and bolster efforts on longer term development challenges.** The CPF will work through two focus areas: (i) expand access to and quality of service delivery; and (ii) expand economic opportunities and increase human capital. Through these two focus areas, the WBG will help Lebanon adapt to the economic and social impact of the Syria crisis, safeguard the country's development gains, address the country's pre-Syria crisis vulnerabilities, and enhance the prospects for stability and development in the coming years. The CPF is underpinned by the cross-cutting theme of governance and renewing the social contract, a principle objective of the new MENA Strategy. Built into the CPF are the underlying principles of selectivity, implementation, partnerships, and flexibility to enable the World Bank Group to remain alert to the fluidity of the situation in the country and the region and capable of changing gears when opportunities present themselves. In the context of a historically high stock of IBRD commitments, the CPF also places a strong emphasis on implementation and active portfolio management, with a view to achieving results from those operations that have recently been approved.

50. **The CPF focus areas are aligned with the WBG MENA Strategy and the priorities identified under the MENA Concessional Financing Facility.** They also draw directly from the priorities identified in the SCD which respond to the two overarching constraints of elite capture and conflict and fragility. With regard to elite capture, efforts will be made over the coming period to identify opportunities to reduce the influence of privilege and discretion in the application of policies and regulations, with a view to fostering fair, transparent and predictable service delivery for citizens and investors. In this context, areas such as business regulations, access to land, monetary incentives, access to finance, competition policy, public procurement, customs and trade inspections will be examined. In addition, the CPF, through the cross-cutting theme of governance and renewing the social contract, introduces a new, concerted effort to reach out to interlocutors beyond government counterparts in order to inform and stimulate the demand for needed reforms. The CPF consultations confirmed that the private sector and civil society could play an important role in lobbying for change and holding the Government to account for service delivery. IFC will use its internal guidelines and Integrity Due Diligence checks for assessing if Lebanese private sector firms looking for IFC support have special benefits or privileges due to political connections or involvement with Politically Exposed Persons.

51. **The CPF is also formulated with an eye to addressing conflict.** New elements of the Bank Group’s program will be designed with a deeper understanding of conflict drivers in order to, within the boundaries of the Bank Group’s work, design and implement interventions that support stability and cohesion in what is a fragile, complex and fluid dynamic, with particular attention paid to lagging regions in the country. Towards this end, new operations will be underpinned by a careful analysis of the political economy. More attention will be paid to issues that have been found to be key drivers of conflict across the globe, including state legitimacy, uneven development and demographic pressures. Gender equality, a key ingredient for positive development outcomes, has also been found in other countries to be closely correlated with a reduction in conflict risk, suggesting that gender inequality is another conflict driver<sup>31</sup>. It is also important to note that conflict itself puts women at greater risk of being victims of violence. As such, this CPF will mainstream gender into the two focus areas, in particular in the area of expanding economic opportunities and increasing human capital.

52. **The CPF uses the following selectivity filters to define support from the World Bank Group:** (i) **focus on priority areas identified by the SCD** as being critical for poverty reduction and boosting shared prosperity; (ii) **alignment with the Government’s own program** and requests for the WBG support, including on priority programs for concessional financing; (iii) **strategically opportunistic programming** which takes into account appetite for reform and risk appetite from private sector players; and (iv) **comparative advantage** to deploy expertise in sectors where the WBG has a history of engagement, focusing on longer-term development issues and convening influence with development partners.

Figure 7: Filtering Process to Define Objectives



<sup>31</sup> “Exploring the Correlates of Economic Growth and Inequality in Conflict Affected Environments: Fault Lines and Routes of Recovery” – Pauline H. Baker (March 21, 2014).

53. **A number of priorities were identified by the SCD that, although critical for the country to rise to the next level of development, are not expected to be addressed in the initial period of this CPF.** These include the telecommunications and electricity sectors. In the absence of reform appetite in these sectors, the WBG will not plan significant financing programs at this time, but rather will engage as soon as there is consensus to move forward on the government side and will, in the meantime, proactively work to inform and stimulate the debate around reform options. Given the six-year timeframe of the CPF, the WBG may engage more directly in these areas should the prospects for successful reform improve.

54. **The SCD also highlights the area of macroeconomics and fiscal management as a significant constraint on achieving the WBG twin goals, with cross-cutting sectoral impact.** As with energy and telecommunications, the WBG will continue to support institutional strengthening and capacity building within the Ministry of Finance, while at the same time contributing to the dialogue around policy choices and their fiscal ramifications.

55. **The CPF will incorporate gender into the program with a view to reducing differentials between women and men in terms of employment, asset ownership, entrepreneurship and voice.** In particular, it will be important to address the issue of low female labor force participation, as well as the wage differential between men and women and the lower rate of female entrepreneurship in the country. Consultations for the WBG Gender Strategy revealed a number of issues that merit further analysis, including: lack of female empowerment at the political, legal and economic levels; women's lack of awareness of their legal rights/confusion with confessional decrees; a tendency for women to pursue employment in less remunerative occupations; problems associated with household responsibilities that are not equally shared between men and women; asset ownership laws that favor boys over girls; and the importance of bringing men on board in order to effect the needed changes in the society. Analytical work will be carried out early in the CPF period (FY17/18) to explore the underlying causes for gaps in opportunity between men and women in Lebanon in terms of jobs, asset ownership and entrepreneurship. This will build on the data generated from the ongoing Jobs Technical Assistance Program (see paragraph 68), recent poverty analysis, and the policy-based Education Research Program, and its findings will be operationalized both in the Bank Group lending program and its analytical work. A Gender Note, currently under preparation, will explore gender discrepancies, progress and challenges in endowments, economic opportunities, assets and agency, using household and other survey data and qualitative literature to do a situation analysis, and to identify potential areas for further analysis. The Gender Note will be accompanied by a portfolio review that assesses the incorporation of gender analysis, considerations and specific actions to close existing gender gaps or to enhance women's empowerment in the existing WBG portfolio and the pipeline. In terms of the WBG-financed operations, gender is well integrated in the CPF results framework, and gender-disaggregated data and monitoring will be systematically utilized during project preparation and implementation. Meanwhile, IFC will continue to identify opportunities to promote women empowerment, building on its successful engagements in women's banking through BLC Bank, and focusing primarily on increasing access to formal financing channels (e.g., SME banking, commercial banks, venture capital firms) for women-led firms.

### Box 1: Gender-informed Activities in the WBG Portfolio

The current WBG portfolio has a strong focus on female beneficiaries.

- National Poverty Targeting Program – targets 50 percent female beneficiaries for the provision of benefits.
- The New Entrants to Work Program under the 2<sup>nd</sup> Emergency Social Protection Implementation Support Project (ESPISP II) – targets 50 percent women enrollment for soft skills training, as well as on-the-job training.
- Water Supply Augmentation Project – integrates gender considerations by conducting a survey and focus groups with women across the Greater Beirut and Mount Lebanon area to influence project design, through participation of women in decision-making activities regarding water use, and gender-responsive educational programs about water demand management. Additionally, gender-sensitive language in the Project Implementation Manual was integrated to monitor and guarantee inclusiveness in prospective activities.
- Municipal Services Emergency Project – supports community activities that are targeting children through after school activities or learning programs, as well as women by facilitating, for example, skills exchanges and child care opportunities.
- Other infrastructure projects – benefit women, the disabled, and the elderly through improved water services to households and better access to safer public transport that is designed with the particular needs of these groups in mind. The projects also include gender-sensitive consultation mechanisms at all stages.
- IFC – addresses gender issues primarily through its financial sector interventions. On the advisory front, IFC has engaged in a landmark initiative to increase women’s access to finance through its women and banking program in partnership with BLC Bank. The success of this initiative has positioned BLC Bank as a leader in women’s banking, helping to raise awareness in the region and build capacity of other banks to increase outreach to women within the region and beyond. On the investment side, IFC in partnership with the *Agence Française de Développement* (French Development Agency) committed one of its first investments in MENA in FY16 with specific targets for women-owned SMEs – a facility that will encourage greater outreach to women-led businesses and help BLC Bank better manage portfolio risk. IFC will continue to support women through lending to microfinance institutions in Lebanon and explore opportunities that bring new gender-sensitive initiatives to Lebanon, such as promoting gender diversity on corporate boards.

56. **The CPF will build on the ongoing program, which has been evolving over the past three years to respond to the rapidly changing country situation.** The proposed WBG engagement takes into account the existing portfolio and analytical work currently underway, as much of the results achieved during the CPF period will be derived from these instruments. As of June 2016, the IBRD portfolio consists of seven operations with total commitments of US\$822.7 million, including investments in water, cultural heritage and urban development, environment, SMEs, fiscal management reform, and education. Going forward, the CPF also envisages engagement in health. While health was not identified among the nine top priorities in the SCD, it is important to support the government efforts to ensure access of public services to both Syrian refugees and the poorest Lebanese, in a situation where the public services are being strained. In addition, the Bank’s engagement at the municipal level will shift from the focus on cultural heritage to service delivery and livelihood development in the areas most impacted by the Syrian refugee influx.

57. **The effective integration of the Trust Fund portfolio, as seen in the previous CPS, will be further deepened.** There are currently seven active grants financed by Trust Funds (including three funded from the Lebanon Syria Crisis Trust Fund for US\$57 million), amounting to US\$76 million, focused on education, social protection and labor, primary health care, municipal services, volunteerism, and environmental compliance. IFC will seek opportunities to leverage the Lebanon Rebuild Trust Fund and other donor funds as available to increase support to the private sector and to SMEs specifically.

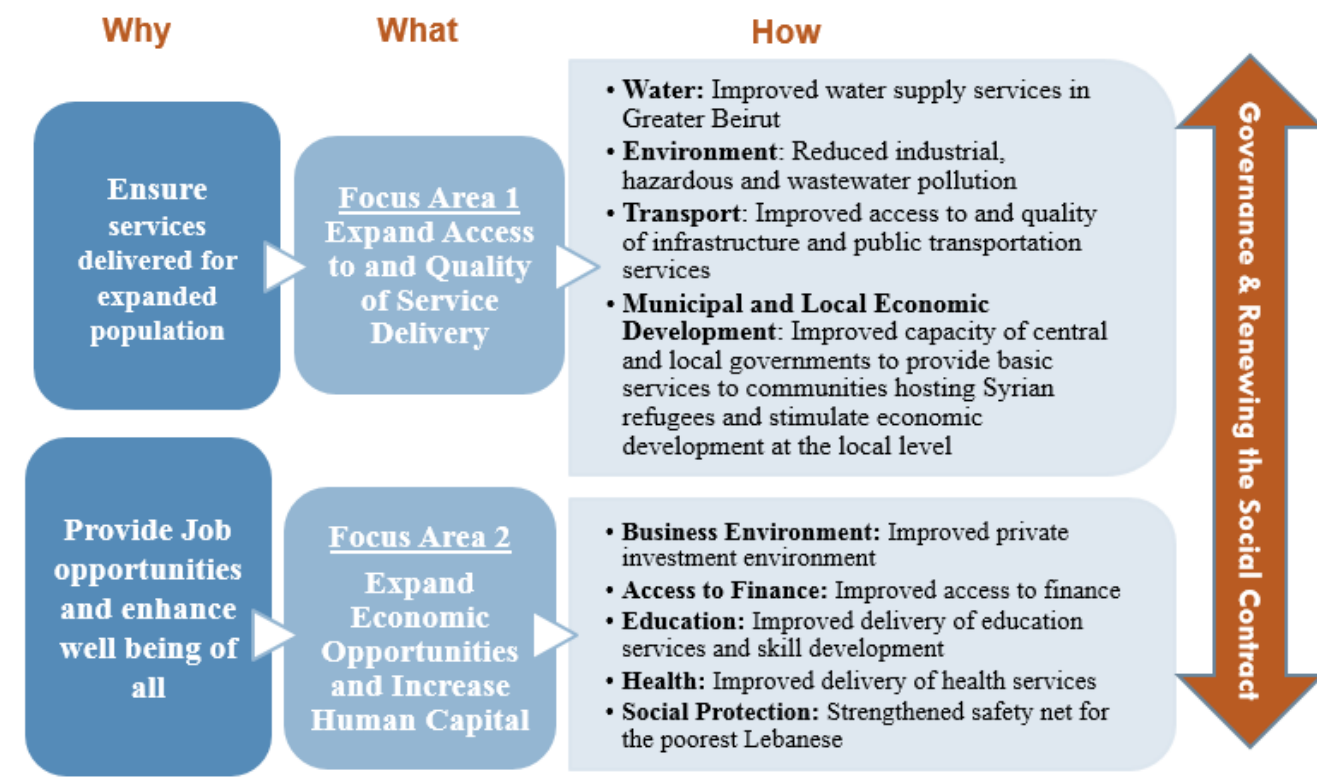
58. **IFC will build on its already strong program in Lebanon supporting private sector development.** IFC's investment portfolio has more than doubled over the past CPS period as other sources of long-term financing for private sector projects have been impacted by increased risk perceptions. IFC's committed portfolio is around US\$374 million in 15 companies and has focused on the financial sector (including microfinance) to increase access to finance for micro, small and medium enterprises (MSMEs) and create jobs with selective investments in the infrastructure and manufacturing sectors. Since FY11 to date, IFC has committed approximately US\$250 million (on its own account and through mobilization) in long-term finance in eight projects, as well as supported around US\$2.2 billion of guarantees through IFC's global trade finance program. IFC has supported Lebanese banks to pursue regional expansion through South-South investments and built one of IFC's largest trade finance programs by volume globally which has helped mitigate perceptions of Lebanon's increased risk. Investors in a subsidiary IFC-investee company benefitted from Multilateral Investment Guarantee Agency (MIGA's) first engagement in Lebanon – US\$35 million in MIGA coverage is helping mitigate risk associated with Electricité du Liban contracts designed to help reduce non-technical losses and improve service delivery in the electricity distribution system. IFC also has supported Lebanese sponsors in expanding beyond Lebanon in such sectors as insurance in MENA, telecom and power generation in Sub-Saharan Africa, and hospitality in Iraq.

59. **IFC has been engaged in a number of advisory activities to complement the support provided through its investment instruments, with the strategic thrust of priority advisory areas remaining mostly the same over the new CPF period.** Some of these advisory activities relate to levelling the playing field for all private sector firms while others focus on engagements with individual firms. These include efforts to improve Lebanon's investment climate to ameliorate conditions for the private sector through modernizing the commercial registry and supporting a framework for sharing data across government agencies, and strengthening Lebanon's debt resolution/insolvency framework, among others. IFC will continue efforts to: (i) promote sustainable energy finance through the banking sector; (ii) facilitate access to finance for women-owned SMEs; (iii) build capacity to increase bank outreach to SMEs and improve risk management practices; (iv) improve the country's financial infrastructure through work on a new Secured Lending framework (the draft law is currently awaiting consideration by Parliament); and (v) promote enhanced corporate governance practices in private firms.

#### *Focus Areas, Objectives Supported by Program of Lending and Non-lending Activities*

60. **The WBG program under this CPF is well defined for the first two years of implementation, but has been left open in later years to allow for flexibility in responding to the Government's emerging priorities and evolving market conditions, and to adapt to a fluid and potentially changing situation.** The Performance and Learning Review, expected in FY19, will provide the opportunity to take stock of the WBG achievements and adjust as needed, especially for IFC and MIGA, given their market-based and demand-driven business models. With the aim of building resilience and fostering opportunities for all, the CPF centers around the two focus areas that reflect a holistic approach to addressing the impact of the refugee crisis – one that recognizes the protracted nature of the issue and seeks to address its impact on the development prospects of the country.

Figure 8: CPF Focus Areas



61. **Focus Area 1: Expand access to and quality of service delivery.** Poor infrastructure leads to poor service delivery, which negatively impacts the poor in particular, as well as the environment, and further exacerbates local tensions as demand for services increases. The Syria conflict has exacerbated long-standing structural weaknesses that were draining the country’s economy long before the crisis started. As the country hosting the largest per capita share of Syrian refugees (25 percent of the population to date, with peaks of more than 50 percent in some regions), Lebanon is struggling to cope with the impact of the refugee influx on its economy and government budget, stretching the Government’s public finances, local infrastructure and service delivery beyond their limits. The Government has extended a number of public services to the refugees (including in electricity, water supply and garbage collection), thereby straining access for Lebanese nationals and jeopardizing quality. Investment in infrastructure is needed for growth and job creation, but must be coupled with structural and institutional reforms to ensure long-term sustainability. In addition, the provision of quality public services can be a demonstration of the legitimacy of the state which is a key ingredient for stability and conflict prevention. As such, the Bank Group’s strategy will contribute to the alleviation of infrastructure constraints where feasible and will also encourage greater private sector participation, in areas where there is potential for substantial impact, government readiness to engage, and interest from the private sector. Specifically, the Bank, working closely with IFC to maximize participation by the private sector where feasible, will support select infrastructure investments. These would include, for example, investments in the water sector aimed at improving service delivery and strengthening the Beirut Mount Lebanon Water utility operation; investments in the environment sector aimed at reducing industrial, hazardous and wastewater pollution; transport sector investments aimed at improving country-wide connectivity and increasing rural and urban accessibility; and investments at the level of municipalities to address the service needs of a rapidly growing urban population.

62. **The Bank will deepen its engagement at the sub-national level, all the way to the municipalities, to allow for basic services to be delivered more effectively to citizens, local economic development opportunities to be supported, and social cohesion to be enhanced.** This approach seeks to improve efficiency of public investment and foster an inclusive implementation of the social contract. Local governments, including municipalities and unions of municipalities, bear the direct fallout of the crisis on a day-to-day basis and need to plan for a much longer and deeper presence and stress on their infrastructure, institutional systems, economic opportunities for local communities, social cohesion, local finance, and management capacity. Effective interventions under this focus area have been tested in the ongoing portfolio and can be scaled up not only to focus on short-term needs, but to support a longer-term sustainable development agenda through critical infrastructure, growth opportunities, and social cohesion. They will also build better national and local systems and capacities, equipped to handle the demands of a larger population and able to have lasting development impacts for the country. The CPF will build on the Bank's experience of working directly with local governments, including municipalities and unions of municipalities, and will seek when needed, sovereign guarantees for financing operations targeting local needs. This can be done by blending direct financial support and other delivery mechanisms to respond to local demand using CE mechanisms.

63. **The energy sector was identified as a significant binding constraint in the SCD, and the Bank Group will continue its dialogue with all stakeholders until a consensus is reached on the way forward.** The Bank Group will thus adopt a strategically opportunistic approach to the reform of this key driver for the country's economic development by monitoring the political economy and influencing it through analytical work and dialogue. IFC will continue to look for potential investments in the infrastructure sector and opportunities to provide transaction advisory services through PPPs on an opportunistic basis. While the Bank has performed deep analysis of the telecom sector and various reform options in the past, the Bank Group does not envision further engagement in the telecom sector reform, despite this having been highlighted as one of the nested constraints in the SCD, because of the political economy constraints blocking change in this sector. However, the Bank is undertaking a technology startup ecosystem mapping analysis with the aim of identifying programs to support development of the ICT community in Lebanon which could pave the way for future engagement in the broader ICT sector if an opportunity emerges. IFC will explore investment options in the ICT space directly or indirectly through its investments in technology-focused funds.

➤ ***CPF Objective 1a: Improved water supply services in Greater Beirut***

64. The National Water Sector Strategy, as well as the World Bank's 2013 Country Water Resources Assistance Strategy and ongoing technical assistance, emphasize the need to couple policy reforms with ongoing infrastructure investments as a prerequisite for sustainable service delivery in the long run. To this end, the World Bank has engaged with stakeholders including the Ministry of Energy and Water and Regional Water Establishments (including the Litani River Authority), the Council for Development and Reconstruction, and Ministries of Environment and Agriculture, to support the implementation of critical policy reforms in the water sector and to ensure that poor beneficiaries in particular are safeguarded. This engagement has included: (i) an increased focus during project preparation on the post-construction operation and maintenance of infrastructure assets and associated transfer and allocation of responsibilities among stakeholders; (ii) upstream public engagement and awareness raising on the issues of cost-recovery and sustainability of service delivery; and (iii) the full and timely application of social and environmental safeguards in the design and implementation of infrastructure projects. The ongoing Greater Beirut Water Supply Project and the Water Supply Augmentation Project will improve the water service in the greater Beirut Mount Lebanon region, including to the Southern Beirut neighborhoods where over 460,000 people live on less than US\$4/day, thereby helping to address the infrastructure constraints facing the lowest income quintile. In terms of institutional strengthening, the Bank is assisting the Beirut Mount Lebanon Water Establishment to improve its performance. The Bank is also working to establish meaningful grievance redress mechanisms and benefit-sharing programs for these large infrastructure projects. Moving forward, the Bank will continue to leverage its large presence in the water sector to work with local

counterparts in the implementation of the National Water Sector Strategy and to underscore the need to couple infrastructure investments with institutional strengthening and private sector participation that guarantees long-term sustainability. The Bank-financed projects in the water sector support the priorities of the World Bank Group Climate Change Action Plan for scaling up climate actions in the water sector by: (i) directly increasing regulation capacity of available water resources through storage; (ii) adding flexibility for adaptive management through more water source options; and (iii) reducing pressure on the over-exploited coastal aquifer. These actions play a critical role in adaptation to climate change through improving the resilience of the Beirut water supply system to the impacts of climate variability and change. In addition, the Bank will provide technical assistance to help build the capacity of the Government to prepare for and respond to weather events that can impact water scarcity and agriculture in the Bekaa Valley with a view to helping ensure food security in the context of an expanding population. Specifically, this work will examine a number of response options, including: adopting new irrigation technologies; constructing small and medium-scale water harvesting reservoirs; managing pests, diseases and plant disorders in response to climate change; producing and distributing plant materials adapted to climate change; and maintaining the genetic diversity of wild species adapted to climate change.

➤ *CPF Objective 1b: Reduced industrial, hazardous and wastewater pollution*

65. **The degradation of the environment is posing significant risk to Lebanon’s development.** Every year, environmental degradation costs about US\$700 million to the Lebanese economy (or 3.2 percent of GDP) with water pollution being the largest issue. The Bank Group is supporting Lebanon to reduce water pollution. On the regulatory side, the Bank has supported the development of legislation pertaining to environmental compliance, environmental impact assessment, and environmental prosecution. On the investment side, the Bank is intervening to reduce industrial pollution (Environmental Pollution Abatement Project), hazardous pollution (PCB Management in the Power Sector), and wastewater pollution (the proposed Lake Qaraoun Pollution Prevention Project). Lebanon’s climate change model projections suggest a more rapid warm up than the global average and an annual reduction in precipitation. Snow water storage, which plays an important role in water supply, is also likely to be affected. The combined effect of increased temperature, reduced rainfall, and reduced snow water storage will have important consequences on water availability. Adapting to climate change will require a more efficient management of water quantity and quality in Lebanon. In line with the MENA Climate Action Plan, the proposed Lake Qaraoun Pollution Prevention Project intends to reduce sources of pollution flowing into the Litani River and Lake Qaraoun in order to enable the gradual restoration of water quality. The Litani River is the principal artery of Lebanon, and its water is mostly used for irrigation. The past few years have witnessed the severe degradation of water quality along the Litani River. Meanwhile, IFC is working with local banks with both advisory and investment products to promote sustainable energy finance which would help reduce demand for fossil fuels through improved efficiencies and, where possible, introduce renewable energy options. Looking forward, opportunities to encourage more sustainable building practices that reduce energy and water consumption will be explored.

➤ *CPF Objective 1c: Improved access to and quality of infrastructure and public transportation services*

66. **Lebanon’s poor transport infrastructure and connectivity is hindering economic growth, competitiveness and access to markets and services in lagging regions.** Lebanon ranks 120<sup>th</sup> out of 144 countries on road quality, with rural roads in lagging regions in particularly bad condition. Meanwhile, traffic congestion is rife particularly in the Greater Beirut area, and the economic cost of traffic congestion is estimated at about eight percent of GDP. Poor connectivity, high transport costs and the lack of reliable and safe public transport in Lebanon are also undermining private investments and trade competitiveness and hindering access to economic and educational opportunities for women and girls in lagging regions. The influx of Syrian refugees has put further



stress on Lebanon's deteriorating roads and transport network particularly in the lagging regions where the infrastructure is in bad condition and the concentration of refugees is high. The Government requested the Bank Group to address these issues through the development of a Bus Rapid Transit (BRT) network and the improvement of access in lagging regions through the maintenance and upgrade of rural roads. Addressing transport issues is among the Government's top priorities as highlighted during the London conference in February 2016. The BRT project will be designed and implemented wherever possible with strong private sector engagement. The project will: (i) improve service delivery by introducing the first reliable and affordable public transport system in Lebanon; (ii) introduce quality private sector operation of BRT services, a pilot in Lebanon which could later be replicated in the delivery of other infrastructure services; (iii) reinforce the role of government institutions in the planning and regulation of transport services; and (iv) strengthen inclusive development by providing equitable and affordable transport services to all vulnerable groups, particularly the poor, women, and persons with disabilities. The BRT project will also significantly reduce greenhouse gas emissions as it is expected to create a major shift from using private vehicles and existing inefficient and outdated public transport to a large network of modern buses and BRT lines covering the Greater Beirut Area. Given its significant greenhouse gas reduction potential, project preparation is being supported by several climate mitigation funds. Close cooperation between the Bank and IFC will be essential to determine the optimal mix of public and private participation in the transportation sector that minimizes costs to the Government and to consumers while achieving sustainable and high quality service delivery.

67. In addition, the multi-year labor-intensive road rehabilitation and rural access program is a key government priority for financing by the new MENA Concessional Financing Facility. This program will contribute to the inclusion agenda and the development of lagging regions by providing reliable and low cost access to markets, jobs, and services for the rural poor. The program will help upgrade the much needed infrastructure in rural areas, which has been neglected for years, and will benefit a wide spectrum of communities thus easing social tensions. This program is being prepared in collaboration with the International Labor Organization to increase the direct and indirect labor content of road rehabilitation programs and is expected to generate employment for Lebanese and for Syrian refugees.

- *CPF Objective 1d: Improved capacity of central and local governments to provide basic services to communities hosting Syrian refugees and stimulate economic development at the local level*

68. **The capacity of the Government to deliver basic services is being severely stressed at both the central and local levels.** The Municipal Services Emergency Project (financed out of the LSCTF) is providing funds directly to the communities hosting Syrian refugees for small-scale investments that are selected as priorities by the communities themselves. The project bolsters the capacity to provide local services in an accountable and sustainable manner, laying the ground for longer-term strengthening of institutional and fiscal systems for municipal service delivery. The project has adopted a transformative approach, with a CE system rooted at the level of local communities, while ensuring economies of scale. The project is supporting targeted interventions and providing immediate relief through critical infrastructure investments and supporting social initiatives that promote collaboration in service delivery at the local level. Solid waste management is a specific area where municipalities and local communities face significant challenges to address the needs of both host communities and refugees, and where IFC's

advisory teams could explore possibilities of supporting through PPP structures. The ongoing Cultural Heritage and Urban Development Project aims to create the conditions for increased local economic development and enhanced quality of life in the historic centers of Lebanon's five main secondary cities (Baalbeck, Byblos, Saida, Tyre and Tripoli) while improving the conservation and management of their built heritage. The project has attracted attention in the region and beyond, given the quality of works, the sustained participation of the local governments and communities, and the overall impact on quality of life, work environment, and business and job opportunities. In Byblos, for example, the ratio of public to private investments over the past five years has been 1:7, resulting in increased visitor arrivals, improved local economic conditions and job creation in the city. A new initiative is under discussion to build on the lessons learned, blending investments for service delivery with local economic development, and focusing on the lagging regions and areas most affected by the influx of Syrian refugees, looking comprehensively at priority services and economic sectors that maximize impacts on living conditions and livelihood of local communities.

69. **Focus Area 2: Expand economic opportunities and increase human capital.** As the Syria conflict deepens and becomes more prolonged, the humanitarian nature of the crisis has morphed into a heavy development challenge for the country, resulting in a dramatic rise in poverty, vulnerability, and unemployment. The SCD identified a number of traditional constraints that are hampering Lebanon's ability to create jobs and thereby reduce poverty and promote shared prosperity. These include: (i) constraints on the supply and demand side of labor, including skills mismatch of young graduates entering the labor market, which hampers employability in the private sector, as well as low workforce participation by women; (ii) a dysfunctional investment climate; and (iii) lack of financial inclusion, including relatively low access to finance for MSMEs, especially for women and youth.

70. **As demonstrated in the SCD, job creation in Lebanon is constrained by many factors acting on the investment climate, the financial sector and the supply and demand sides of the labor market.** The WBG will address the jobs challenge through policies, programs and innovative instruments along a number of dimensions, with an emphasis by the Bank and IFC on leveraging the private sector as the main engine of job growth. Improvements in Lebanon's investment climate and a more inclusive financial sector will be core to this effort. A particular challenge is that of job creation in the lagging and vulnerable regions of the country. With this development concern in mind, the recently launched joint World Bank-IFC Jobs Technical Assistance Program examines factor (including skills gaps) and product market bottlenecks and related regulatory failures that may be constraining economic growth and job creation in selected sectors in Tripoli and the North of the country. The initial diagnostic phase – with attention to both supply and demand side causes of weak economic performance – will look to identify specific sectoral and regional employment-generating investments that can also help mitigate fragility threats in this lagging region. This will entail a particular attention to opportunities for youth and women to enter the labor market.

71. **This focus area will also include an emphasis on regional cooperation.** As detailed in the recent World Bank report<sup>32</sup>, economic complementarities between Egypt, Turkey, Jordan, Lebanon, Iraq, Syria, and the Palestinian territories are significant, with substantial welfare gains expected from increased trade and investments and, ultimately, economic integration. In a region where recent analysis has shown<sup>33</sup> a lack of export dynamism, Lebanon has traditionally been one of the stronger performers. The WBG will be working closely with the Government to identify potential trade policy and related investment initiatives that can augment export diversification and penetration in regional and international markets. This includes exploring additional opportunities for IFC to finance Lebanese firms' expansion within the region and beyond (e.g., banking sector into Turkey and Egypt, real sector expansion in Iraq and infrastructure in West Africa). Moreover, while trade with neighboring and the Gulf Cooperation Council markets has been negatively affected by the Syria crisis, the country has the potential to play a strategic role in a post-conflict environment when the reconstruction of Syria and Iraq commences. To this end, the World Bank, together

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<sup>32</sup> World Bank (2014), "Over the Horizon: A New Levant" Report No. 86946-IQ.

<sup>33</sup> World Bank (2015), "Champions Wanted: Promoting Exports in the Middle East and North Africa".

with IFC advisory and investment teams, are actively looking to find innovative ways to support business, infrastructure and financial services development in order to position this sector for an effective supply response.

➤ *CPF Objective 2a: Improved private investment environment*

72. **The World Bank and IFC’s coordinated support and strategic advice to the Government on the development of the Tripoli Special Economic Zone, and potential industrial zones that could serve to promote private-sector-led growth and job creation comes at a critical time.** This work would be undertaken in parallel in order to foster a broad stakeholder-based approach to the assessment and development of these different initiatives. Options for downstream engagement by the World Bank and IFC include advice on policy, legal, regulatory and institutional readiness, and potential financing needed to crowd in the private sector, including through PPP arrangements which could leverage IFC advisory and investment expertise. In terms of investment operations, the Bank, through the Infrastructure Investment for Sustainable Jobs Project, will be looking at possible concessional financing in support of private-sector-led job creation in the lagging regions – with an initial focus on Tripoli and the North - including through the establishment of industrial and special economic zones, and complementary infrastructure developments. IFC will likewise be assessing opportunities to provide financing to these prospective initiatives where there is private sector demand such as by potentially financing participants in PPP structures or financing specific firms locating in the zones.

73. **The private-sector-led job creation initiatives outlined above will continue to be complemented by selective technical assistance and advisory services that foster increased firm entry and growth through targeted regulatory and institutional reforms.** This will include ongoing activities designed to develop a Lebanese government inter-operability framework that would allow government agencies and private sector firms to interact in a more streamlined fashion. This initiative was launched by a Prime Ministerial Decree in October 2015 and builds upon significant work done by IFC during the previous CPS period. The implementation of this activity will foster increased government business service transparency and access through e-government development with a focus on business entry. IFC has also been engaged in efforts to simplify and streamline the tourism licensing process which has resulted in the approval of one decree with another pending Cabinet approval. Together these decrees would serve to reduce discretion and conflicts of interest in granting tourism licenses. Support for the modernization of the accounting and reporting architecture through capacity building workshops and training of SMEs on international reporting standard will strengthen SMEs and enlarge the universe of firms that can bid for and receive contracts. Additional efforts by IFC and the Bank will aim to continue efforts to enhance credit infrastructure to improve access to finance through the development of modern and predictable insolvency regime, the development of a comprehensive, reliable and innovative credit reporting, and the promotion of movable assets as collateral for loans as a means to increase access to finance options for smaller firms.

74. **Looking ahead, the Bank and IFC interventions will be designed to foster policies and incentives that promote competition and enable the growth of high potential firms and sustainable jobs.** To this end, the WBG has embarked on an analysis of a broad spectrum of policies and practices to identify concrete corrective measures that can be taken to “level the playing field” and allow for a more inclusive and fair market environment that rewards innovation, competitiveness and quality. Initial results show that Lebanon suffers from weak citizen engagement in rule making, has one of the weakest procurement systems in MENA, an opaque land allocation system, trade and customs policies in need of improvement, and business regulations full of loopholes. These conditions can lead to significant non-competitive market conduct and outcomes that, in the absence of an effective competition policy framework, can result in substantial welfare losses to the economy. A follow-up Deep Dive exercise will be undertaken by the Bank in FY17 with a view to formulating an action plan to shield private sector policies from capture.

75. **The Bank is also providing technical assistance to the Directorate of Land Register and Cadaster with a view to linking land registry and cadaster records with other public geospatial datasets.** This will reduce discretionary practices in the management of land and natural resources and reduce subjectivity around property valuation and taxation. As a follow up to the technical assistance, the Government requested Bank financing for a Land Administration Modernization Project that would modernize the digital land register and cadaster system of Lebanon to allow widened access, transparency and use of data for decision making, and revenue enhancement. In the area of procurement, which can play a critical role in the reduction of discretionary practices in the use of public resources, there are at least five areas where the Bank can have an impact on reducing elite capture: (i) continue to engage with parliamentary committees with a view to producing a “capture-proof” procurement law that removes opportunities for discretion; (ii) facilitate the participation of SMEs in public procurement, thereby bringing more businesses into the public market. This is especially relevant in Lebanon where many young and innovative startups are coming to fruition and can be given a chance to compete; (iii) promote Open Contracting principles, including the publication of all bid awards as well as business opportunities; (iv) strengthen the capacity of civil servants responsible for the procurement process and contract management so that they are equipped to conduct procurement with efficiency and integrity; and (v) strengthen capacity of state institutions, including state-owned enterprises in terms of quality of designs, specifications and cost estimates as well as contract management and construction supervision.

➤ *CPF Objective 2b: Improved access to finance*

76. **The Bank Group will seek to expand access to finance and deepen and broaden overall financial sector inclusiveness.** Specific activities include an ongoing IBRD loan targeting the provision of early seed equity capital to start-up and young “gazelle” enterprises with potential to grow (Supporting Innovation in SMEs). The project is complemented by a small matching grant facility to strengthen the business ecosystem (business service providers including accelerators and incubators) supporting start-up businesses. In addition, the WBG is providing technical assistance and advisory services to: (i) develop the capital market capacity through regulatory reform, institutional strengthening of the Capital Market Authority, including on supervision of corporate financial reporting, as well as support to diversify capital market products; (ii) strengthen financial sector architecture through passage of secured transactions and insolvency laws; (iii) continue partnering with the Lebanese Association for Certified Public Accountants to strengthen the professional accountancy body and to support accountancy and auditing reforms; and (iv) further develop the security and inclusiveness of the national payments system.

77. **The World Bank Group will also be piloting initiatives to test out new instruments that can broaden access to financial services to MSMEs and marginal groups, including the poor and refugees.** This includes the proposed Subsidized Temporary Employment Program (“STEP”). The objective of STEP is to trigger private sector business expansion, conditional upon the creation of formal jobs. Various programs have been implemented globally to support SMEs, focusing mainly on growth and competitiveness enhancement, but the innovation and focus of STEP will be the provision of incentives to firms (such as matching grants, guarantees, or business development and advisory services) that would be conditional on creating jobs. A further pilot initiative, closely linked to the National Poverty Targeting Program (NPTP), will investigate financial access innovations in support of poverty reduction that are being pioneered through this initiative.

78. **In addition to the financial sector interventions outlined above,** IFC will look to further strengthen its existing client relationships in the financial sector by employing targeted instruments such as risk sharing facilities and traditional funding lines to expand access to MSMEs, especially those led by women and youth, as well as providing risk management and capacity building support. IFC will also tap into the private equity space and seek to facilitate expanded access to finance through investments in funds that target real sector firms to support job creation. IFC will continue its support to microfinance institutions and take a targeted approach to increasing access to finance and non-financial services for very small enterprises, women, and other disadvantaged Lebanese communities, as well as refugees resident in

Lebanon when feasible to do so. This will include an exploration of possible investment opportunities in non-banking financial institutions, including microfinance and leasing, in order to address issues of financial inclusion, particularly for vulnerable groups, as well as to mitigate the effects of climate change through sustainable energy finance products. Such interventions will help increase opportunities for better job and livelihood opportunities for Lebanese citizens and refugee populations, thus mitigating risks of elevated level of socio-economic stress within Lebanon. In addition, the WBG has developed a strong dialogue with the Central Bank which is the lynchpin for macroeconomic risk management. Specifically, a Financial Sector Assessment Program is being undertaken and will lead to follow up work on capital market and national payments system reform.

79. **IFC will continue to support private-sector-led job growth by supporting inter and intra-regional, South-South investments with private sector firms.** A special emphasis will be on supporting financial institutions within Lebanon to expand geographically (primarily within the region and Sub-Saharan Africa) and to broaden market opportunities and diversify risks outside of their domestic markets. A similar approach to South-South investments will be taken in other key sectors such as manufacturing, agribusiness and services to help strong Lebanese sponsors identify new markets and leverage IFC experience and presence elsewhere. Within Lebanon, IFC will continue to leverage its substantial footprint in the financial sector for investment and advisory opportunities, and seek select direct investments in the real sector where the potential for job creation is high. Efforts will also be made to support entrepreneurs and early-stage firms through investments in venture capital and private equity funds targeting Lebanon.

➤ *CPF Objective 2c: Improved delivery of education services and skills development*

80. **The influx of Syrian refugees is putting enormous pressure on the Lebanese public education system, exacerbating previous weaknesses in the system.** Despite the government efforts and the support of the international community to provide education to the Syrian population, 60 percent of Syrian refugees between the ages of 5 and 17 are out of formal schooling. This has both short and long-term consequences. For families coping with the daily struggles of displacement, schooling presents an added burden today. However, lack of schooling today is likely to contribute to a life of poverty tomorrow, exacerbating the risk of future conflict and destabilization in the region. For Lebanon, the protracted nature of the crisis and the immense demand for schooling have resulted in strains on service delivery systems, including public education quality for both host community and refugee children. In response, the Government launched the Reaching all Children with Education (RACE) initiative which has succeeded in increasing the number of Syrian students in formal education from 18,935 in 2011/12 to 141,722 in 2015/16. Nonetheless, this seven-fold increase has strained the formal education system's ability to maintain both the quality of the education system and the level of access for Lebanese students. The success of RACE and the need for additional support led to the development of a longer-term system-level strategy to increase both access and quality, RACE II. The Bank, along with other partners, is supporting RACE II with a view to providing equitable access to quality education services to Lebanese and refugee children. Specifically, a US\$235 million Program-for-Results is currently under preparation and will help expand equitable access to schooling, improve conditions for learning, and strengthen management of the education system. It is expected that efforts under the RACE II initiative will minimize the short and medium-term costs of displacement for refugee families while strengthening the long-term capacity of the Lebanese education system to prepare children for life and work once regional stability returns.

81. **In addition to supporting the Government's RACE II program, the World Bank is supporting improved teaching quality and learning environments in general education and pre-school as well as improved governance and managerial capacity within the sector** through the ongoing Second Education Development Project (US\$40 million approved in FY11). The Bank also extended an emergency grant (US\$32 million) in FY15 to support the Government's immediate response to the Syrian refugee influx and the need for schools to expand access to this population. Another important feature of the Bank's engagement is work on improving data collection with a view to creating a comprehensive data tracking system. This will lead to greater transparency of education expenditures and learning outcomes, thereby enabling decision makers and the public to make informed choices about public resource allocations and reducing opportunities for elite capture. Finally, WBG support to the education sector will draw on the Education for Competitiveness strategy which seeks to transform education and training systems to produce educated, skilled and productive citizens. IFC will explore opportunities for partnering with domestic or regional education providers, building on its past experience in supporting SABIS International School in Lebanon.

83. **On the skills development side, the WBG has a number of ongoing engagements that provide life skills and on-the-job training for youth.** The CPF will facilitate labor market entry for unemployed youth through employment services combining life skills training, job search techniques, counseling, practical on-the-job training, and incentives for employers through the New Entrants to Work Program and the National Volunteer Services Program. These engagements will be complemented by employment services interventions targeted to youth, to help them connect to jobs by facilitating labor market transitions from inactivity or unemployment into jobs, or from low to high productivity jobs. The Bank, in the context of the STEP initiative, will incorporate a key skills development component – designed and implemented in close collaboration with the GoL and the private sector - to close skills gaps and demand and supply mismatches in the labor market. Leveraging its network of banks and microfinance institutions, IFC will explore opportunities to expand provision of non-financial services (i.e., training, mentoring and other skills development activities) to underserved Lebanese citizens and, potentially, refugee communities.

➤ *CPF Objective 2d: Improved delivery of health services*

84. **Lebanon’s long history of conflict has had significant fiscal implications on the health sector.** Lebanon’s total and public expenditures on health have been decreasing over the past decade. The budget of the Ministry of Public Health dropped from 5.91 percent of the total budget in 2005 to 2.4 percent in 2014. The impact of the Syria crisis on the health sector – estimated at US\$48-69 million in 2014 – further exacerbates the fiscal pressure. The prolonged crisis is heavily straining the health sector, with heightened risks of disease outbreaks including measles, mumps, polio, tuberculosis and cholera outbreaks, and the introduction of new diseases such as cutaneous leishmaniasis to host communities. Hospitals and PHCs are being strained beyond capacity and have limited absorptive capacity due to significant increase in demand. Access to hospital care for refugees is provided through 60 public and private hospitals contracted by UNHCR. However, by 2015, hospital arrears due to uncovered bills by refugees reached US\$21 million. Similarly, the number of PHC visits among Syrians in 2014 increased by 33 percent, while it dropped by 28 percent among Lebanese thus leading to crowding out of host communities from affordable care. Therefore, building the capacity and improving the quality of primary health care centers is a critical first step to improving access to cost effective services. In this regard, the Emergency Primary Healthcare Restoration Project provides grant financing to support the Government’s provision of essential healthcare services to the Lebanese identified by the NPTP as living below the poverty line. The project is also strengthening the capacity of selected PHCs, including providing technical assistance to upgrade the skills of PHC personnel, and building their capacity through training in the essential healthcare services guidelines, monitoring and evaluation, and information systems. In the coming period the Bank will also undertake analytical work to assess the health needs of refugees and explore ways to scale up local health services to address the exponential increase in demand, while maintaining the health needs of local host communities. With the private sector playing a significant role in the Lebanese health sector, the IFC will explore investment opportunities in private health care providers in coordination with the Bank to promote better health outcomes.

➤ *CPF Objective 2e: Strengthened safety net for the poorest Lebanese*

85. **The Syria crisis has had a significant impact on poverty levels.** According to the Economic and Social Impact Assessment of the Syria crisis, poverty among the Lebanese population was estimated to have increased by 170,000 people between 2012 and 2014 (over and above the 1.2 million currently living below the poverty line), with existing poor being pushed deeper into poverty. The majority of the Syrian refugees are located in regions already having high poverty rates, deepening the vulnerability of the Lebanese in these areas. Recent assessments have also found that Lebanese households are facing higher expenditures as the cost of goods and services are rising, particularly, food. The socio-economic consequences of the refugee crisis have also led to increasingly fragile inter-communal relations and social tensions with Lebanese communities attributing the decline in their own living standards to the refugee presence. In 2011, the Government, through the Ministry of Social Affairs and the Prime Minister’s office, established the National Poverty Targeting Program as the first poverty-targeted social assistance program

for the poorest and most vulnerable Lebanese families; it has been looking to enhance this program in response to rising poverty levels and associated tensions in hosting communities. The NPTP basket of benefits consists of health coverage (for hospitalization), coverage of chronic disease prescription medication and registration fee waivers, and free books for primary and secondary school students in eligible families. The Bank has been supporting the NPTP through three grants totaling approximately US\$25 million, the most recent being processed as an additional financing of US\$10 million from the LSCTF to scale up the Emergency NPTP Project, and specifically to expand the number of poor Lebanese households receiving the e-card food voucher. The NPTP aims to help reduce tensions between Lebanese and Syrian refugee communities. The additional financing will also fund a “graduation” pilot that seeks to lift the NPTP beneficiaries out of extreme poverty. Given the scale of the challenge, the NPTP is an effective channel through which the Government and other partners can implement social programs seeking to address the most pressing issues afflicting the poor and vulnerable.

**Cross-cutting theme: Governance and Renewing the Social Contract**

**86. Governance and renewing the social contract is the cross-cutting theme that underpins the CPF activities under each of the focus areas.** The absence of inclusive institutions, as well as low quality public services, weak voice, transparency and accountability mechanisms have all contributed to the decline in trust between the state and its citizens. Promoting governance reforms to address these institutional challenges is a critical priority on the path to shared prosperity. The WBG program will focus on promoting good governance by: (i) strengthening institutions, including in the area of public financial management (PFM); (ii) improving data availability; (iii) contributing to the debate on policy reforms; and (iv) fostering citizen engagement. Improvements in these areas will also contribute to the alleviation of the overarching constraint of elite capture that was highlighted in the SCD. Specifically, IFC will explore opportunities to strengthen corporate governance practices in the private sector, and promote gender diversity on corporate boards.

*(i) Strengthening Financial Institutions and Procurement Systems*

**87. The PFM system, which is a foundational aspect of the public sector, confronts several constraints that hinder its proper functioning, weaken its transparency, and result in an inefficient use of public resources.** These include: (i) an outdated and complex PFM system that imposes considerable inefficiencies; (ii) a fragmentation in the budget and treasury functions as the Government strives to maintain sound commitment and cash management and public expenditure accountability in the absence of an operating central treasury account and Parliament-approved budget; (iii) multiple vacancies in the public administration; (iv) a weak control environment that does not enforce the implementation of rules and guidelines; (v) increasing and corrupting weight of vested interest, and policy choices that are eroding trust in the government, especially among vulnerable and marginal communities in the lagging regions with unmet public service needs, thus weakening their relation with the state; and (vi) scant availability of information which reduces transparency and participation that could support greater accountability.

**88. The Bank has been at the core of PFM and procurement reforms, working closely with the Government through the completed Emergency Fiscal Management Reform Implementation Support Project (EFMIS).** The successful EFMIS project laid the foundation for a follow up engagement which will assist the Ministry of Finance in a number of areas which could include fiscal policy analysis, debt management, and budgetary allocation of public resources. While these interventions support the supply-side of government accountability, there is a need to also support the demand side, most importantly the Parliament, whose role is critical in a country that is struggling on political, economic, fiscal, and security levels. To overcome the hurdles<sup>34</sup> affecting the PFM and governance systems in Lebanon, the Bank will engage with Parliamentary committees to share best practices and strengthen the parliamentary

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<sup>34</sup> No ratified budget since 2005, no audited government final accounts since 1993, and drop from the 127<sup>th</sup> (2013) to the 136<sup>th</sup> (2014) place out of 175 on the corruption index.



financial oversight capacity. In the area of procurement, the Bank has been supporting Lebanon along two dimensions: (i) public procurement reform through enhancement of the Central Tender Board procurement regulatory mandate, as well as support in drafting the new Public Procurement Law which has been submitted to the Parliament for ratification; and (ii) investment operations through continuous training in procurement procedures.

(ii) *Improving Data Availability*

89. **The SCD identified data availability and access to information as a cross-cutting constraint that impacts evidence-based policy making.** Lack of data reinforces political and social cleavages and exacerbates tensions, perpetuating and deepening Lebanon's vulnerability to conflict. Major deficiencies exist in the timeliness and reliability of data due to weak overall statistical capacity and limited data coverage with poverty, income distribution, and economic measurements exhibiting particular weaknesses. Compared to other middle-income countries, Lebanon lags behind in collecting and making available micro data which are needed to monitor the WBG twin goals. A particularly severe problem is the lack of household surveys and data (only two household surveys have been conducted since 2000) from which poverty and income growth distribution estimates are obtained. Lebanon also lacks regular labor force surveys and data on enterprises which limits the analysis of the labor market and jobs. In addition, the CPF consultations identified the paucity of data as a key constraint to policy making and the ability of citizens to hold government to account; and many participants underscored the need for improved information flows across various stakeholders, both within the Government itself and vis-a-vis the public.

90. **Addressing data gaps and facilitating the exchange of information is needed to better understand the constraints and opportunities in defining development and poverty reduction goals.** Through its work with the NPTF, the Bank supports the generation of data on poverty and welfare status of the extreme poor and vulnerable households in Lebanon. Over the coming two to three years the Bank will engage intensively with the Central Administration of Statistics (CAS), using insights from the data challenges in previous surveys, to create a more robust survey for poverty measurement and analysis. A poverty analysis (FY17/18) will build on the recently completed assistance in the context of the 2011-2012 Household Budget Survey. The Bank will work with partners, particularly the UN, to help strengthen CAS data generation capacity. In addition, the Bank is embarking on an education research program, with support from the UK Department for International Development to generate evidence-based policy recommendations to strengthen the efficiency and quality of education services, an area in which the WBG is heavily engaged. In the area of health, the Bank will support the Ministry of Public Health to transform their current weak statistical department into a health policy unit responsible for strategic data collection and policy analysis. Finally, in order to better understand the impact of the influx of Syrian refugees on host communities, the Bank is in the process of finalizing a three-country living standards measurement survey in Lebanon, Jordan, and Iraq (working with the Kurdistan Regional Government).

91. **The WBG is also engaged on a number of fronts to augment the national database on the private sector.** This includes ongoing efforts to assist the Government in the reform of the commercial registry and an upcoming initiative to establish a framework for exchanging information among government agencies. The WBG will also support modernization of the land registry and cadaster system in Lebanon with modern information technology to improve spatial and property data and transparency. Additionally, the WBG has assisted in an assessment of the potential to establish a SME Observatory. This initiative aims to bring together public and private sectors to produce quality data and analytical products for related evidence-based policy making and public-private dialogue. If successful, these initiatives will develop more robust data sources and facilitate the exchange of information needed for more effective citizen engagement in policy-making.

(iv) *Contributing to the Debate on Policy Reforms*

92. **The Bank will seek to inform and stimulate debate around policy choices and reform options and will build institutional capacity in sectors that lack consensus on reform.** The SCD points to the fact that elite capture, hiding behind the veil of confessionalism, impedes the pursuit of critical structural reforms that are needed for Lebanon to maximize its potential for growth and development. A sub-optimal equilibrium exists as a result of a political bargain among elites, and stasis persists because consensus is required for any change to be introduced. As such, key reforms, including those with large fiscal impacts such as in the energy and telecom sectors, are hampered, and this contributes to the vulnerability of the macroeconomic framework, which is a critical lynchpin of Lebanon's stability. Poor macroeconomic performance in situations of fragility is known to be a fault line that, when combined with other factors, can lead to the emergence of conflict. In this context, the Bank proposes to focus, with renewed energy, on informing and stimulating the debate around policy choices and reform trade-offs. Taking advantage of the fact that Lebanon is an open society and benefits from a culture of vibrant debate, the Bank will actively engage with different elements of society, including academia, civil society, Parliamentarians and the public with a view to generating an informed dialogue about the opportunity costs of the status quo and the potential benefits of alternative policy choices. Specifically, a series of semi-annual policy debates, underpinned by the Bank-produced Lebanon Economic Monitor and other analytical pieces, will be organized around topics that are germane to Lebanon's development, such as in the areas of energy and pension reform. Finally, the WBG will expand the use of social media tools to reach a broader set of stakeholders and will be proactive in its communications strategy, taking advantage of the presence of a strong cadre of Arabic-speaking staff in the Bank Country Office.

(v) *Citizen Engagement*

93. **Mainstreaming citizen engagement in operations.** Including citizens in the process of designing and monitoring services and outcomes and co-managing the use of public resources increases the trust between the citizen and the state, thereby increasing state legitimacy and promoting peace and stability. The Bank will mainstream CE in operations to promote participation, transparency and accountability with a view to improving the quality of services and measuring progress. The design of CE mechanisms in operations will be informed by a systematic stakeholders' analysis in order to ensure that the projects impact the intended beneficiaries and facilitate their effective participation. The views of beneficiaries will be taken into account in project designs in order to build their ownership upfront. Given the country's geographical disparities, confessional system of governance, and wide disparities in infrastructure and service delivery, it is essential that CE mechanisms are integrated into operations to facilitate participation, promote inclusion and improve accountability of government institutions and service providers. Other customized CE mechanisms will be integrated in the projects based on sector specificities, the development or reform issue to be addressed and the local context. Effective participation at the local and national levels through CE mechanisms will impact positively the provision of local basic services and infrastructure, especially for disenfranchised groups (including refugees). The CE approaches will build upon existing informal and formal participatory processes taking into account Lebanon's diversity. The ongoing Water Supply Augmentation Project is included as a pilot project within the World Bank Citizen Engagement Framework, as is the project in support of the National Poverty Targeting Program. The Emergency Primary Health Care Restoration Project uses CE to create a two-way flow of information whereby information about the availability of new health services will be provided to potential beneficiaries and information will also be collected from the beneficiaries about the usage and quality of those services. The latter will then be used to make adjustments as needed to improve the quality of service delivery. Under the Municipal Services Emergency Project, activities were identified through a comprehensive CE exercise, and consultations were held at the level of municipalities and unions of municipalities to provide inclusive benefits addressing some of the most immediate service gaps in areas most affected by the Syria crisis. Given Lebanon's worsening gender equality, as measured by the Gender Equality Gap, and women's low political participation nationally and at the community level, additional efforts will be made to focus on women's inclusion through CE approaches.

94. **Analytical work to support mainstreaming CE across the portfolio:** A mapping of civil society organizations (CSOs) will be undertaken to better understand the sectors/themes and geographical areas in which they are active with a view to strengthening the partnership between the CSOs and municipalities in the delivery of services at the local level. This is particularly relevant in the case of Lebanon where many services are provided by the CSOs, the CSOs are organized along confessional lines, and there is scope for improved coordination and complementarity with municipalities. The findings stemming from this analysis will also inform the approach to creating platforms for non-state and state actors to engage and to collectively respond to citizens' demands and will help in the identification of capacity building needs. In addition, the forthcoming work on gender will identify challenges and opportunities to gender inclusion. The analysis and operational recommendations will support the shift towards more collective efforts to address challenges in situations of displaced populations and increase communities' capacity to manage the influx of displaced populations. As part of this participatory approach, a specific focus will be put on women and youth as they tend to be particularly active in the response to emergency situations, refugee surges or natural disasters, but are seldom formally included upfront in building the communities' resilience.

TABLE 2: INDICATIVE WORLD BANK PROGRAM

I. Expand Access to and Quality of Service Delivery		II. Expand Economic Opportunities and Increase Human Capital	
ONGOING ENGAGEMENT			
<b>IBRD</b>		<b>IBRD</b>	
Lebanon Water Supply Augmentation Project	474.0	Second Education Development Project	40.0
Greater Beirut Water Supply	200.0	Supporting Innovation in SMEs Project	30.0
Cultural Heritage and Urban Development Project	59.0	Lebanon Fiscal Management Reform 2	5.2
Environmental Pollution Abatement Project	15.0		
<b>Total</b>	<b>748.0</b>	<b>Total</b>	<b>75.2</b>
<b>GEF</b>		<b>Lebanon Trust Fund</b>	
PCB Management in the Power Sector Project	2.5	Emergency National Poverty Targeting Project	8.2
<b>Total</b>	<b>2.5</b>	Second Emergency Social Protection Implementation Support Project	6.0
		<b>Total</b>	<b>14.2</b>
<b>IDF</b>			
Improve Capacity for Environment Compliance	0.3		
<b>Total</b>	<b>0.3</b>		
<b>Lebanon Syrian Crisis Trust Fund (MDTF)</b>		<b>Lebanon Syrian Crisis Trust Fund (MDTF)</b>	
Municipal Services Emergency Project	10.0	Emergency Education System Stabilization Project	32.0
<b>Total</b>	<b>10.0</b>	Emergency Primary Healthcare Restoration Project	15.0
		National Poverty Targeting Program - Additional Financing	10.0
		<b>Total</b>	<b>57.0</b>
		<b>SPBF</b>	
		The National Volunteer Service Program	2.0
		<b>Total</b>	<b>2.0</b>
<b>Diagnostic &amp; Technical Assistance</b>		<b>Diagnostic &amp; Technical Assistance</b>	
Hydropower Development in Lebanon		Bi-annual production of Lebanon Economic Monitoring	
Lebanon Comprehensive Urban Resilience Project		Lebanon Parliament Financial Oversight	
Syrian Refugee Crisis Impact (3-Country Survey)		Lebanon MSME Technical Assistance Facility	
Mobile Internet Ecosystem Program		Lebanon Youth - NVSP Strengthening & Sustainability	
		Promoting Capacity Building & Knowledge Sharing to Improve Youth Employability	
		Lebanon FSAP Update	
		Lebanon Capital Markets Regulation & Development	
		Education Public Expenditure Review	
		Lebanon Jobs Program	
		Lebanon Development of National Payment Systems Strategy	
		Gender Note and Portfolio Review	
		Public Pension Schemes for Lebanon	
		Education Research for Results	
		Poverty Measurement, Monitoring and Capacity Building	
		Privileged- and Capture-Resistant Job Creation Policies	
		Subsidized Temporary Employment Program	
<b>Total Ongoing</b>	<b>760.8</b>	<b>Total Ongoing</b>	<b>148.4</b>
<b>FY17-19 PROGRAM</b>			
<b>IBRD</b>		<b>IBRD</b>	
Lake Qaraoun Pollution Prevention (FY17)	55.0	Land Administration System Modernization (FY18)	50.0
Greater Beirut Urban Transport (FY18/19)	200.0	Infrastructure Investment for Sustainable Jobs (FY18/19)*	120.0
Rural Roads and Employment Program (FY17/18)*	200.0	Scale up of Emergency Primary Healthcare Restoration Project (FY18/19)*	60.0
Municipal Service Delivery, Local Economic Development, and Social Cohesion (FY17/18)*	150.0		
<b>Total</b>	<b>605.0</b>	<b>Total</b>	<b>230.0</b>
		<b>IDA and Donor Grant</b>	
		Reaching All Children with Education in Lebanon Support P4R (FY17)	235.0
		Subsidized Temporary Employment Program (FY18/19)	20.0
		Additional Financing to National Poverty Targeting Program (FY17/18)	60.0
		<b>Total</b>	<b>315.0</b>
		<b>SPF Funded</b>	
		Leveraging Innovation in Financial Service Provision to Manage Crisis in Lebanon (FY17)	3.2
		<b>Total</b>	<b>3.2</b>
<b>Diagnostic &amp; Technical Assistance</b>		<b>Diagnostic &amp; Technical Assistance</b>	
Support to Energy Reforms		FSAP Follow-up	
El Nino and Climate Change Resilience in Agriculture		Deep Dive on Capture-Free Policies	
		Supreme Audit Institution/Parliament Oversight Engagement	
		Lebanon PPP Diagnostic and SEZ Advisory TA	
		Gender Diagnostic	
		Capacity Building of Statistics Department in the Ministry of Public Health	
<b>Total Planned</b>	<b>605.0</b>	<b>Total Planned</b>	<b>548.2</b>
<b>GRAND TOTAL Ongoing and Planned</b>	<b>1,365.8</b>	<b>GRAND TOTAL Ongoing and Planned</b>	<b>696.60</b>

Notes: Amounts in USD millions.

\* Candidate for MENA Concessional Financing Facility

## C. Implementing the FY17-FY22 Country Partnership Framework

### *Financial Envelope*

95. **Country demand for WBG financing and associated grants is expected to be up to US\$1.1 billion, for the first two to three years of the CPF.** This includes US\$100 million in IDA financing (from an exceptional IDA allocation) and US\$135 million in grant financing (from the LSCTF and REACH Trust Fund) for the proposed Reaching All Children with Education Support Program-for-Results. Actual IBRD lending volumes will depend on country demand, overall portfolio performance in the course of the CPF period, as well as global economic developments, which affect IBRD's financial capacity, and demand by other Bank borrowers. The CPF, at the Government's request, foresees an indicative IBRD lending program of about US\$650-840 million<sup>35</sup> in IPFs during the first two to three years of the CPF period. It is worth noting that financing will be sought from the MENA Concessional Financing Facility for the bulk of these operations as they contribute to alleviating the stresses in country systems caused by the Syrian refugee influx and to creating jobs for both the local and refugee populations (see Table 2). Given reduced private sector risk appetite due to regional challenges coupled with a rising interest rate, IFC long-term finance commitments to Lebanese sponsors over the initial years of CPF (including mobilization) are expected to average in the range of US\$25-30 million per annum assuming no significant deterioration of the operating environment for the private sector. However, if the local and regional situation improves so that private sector investors are more active and, in particular, if markets such as Iraq and Syria were to reopen, IFC investments in Lebanon and to Lebanese sponsors could be expected to be in the range of US\$40- 50 million per annum. Meanwhile, IFC trade finance program should continue in the range of US\$100- 110 million on average outstanding basis per annum.

### *Financial management, procurement and government systems*

96. **The overall assessment of the financial management performance of the existing Bank-supported portfolio is satisfactory.** The underlying reasons include reliable and timely reporting, adequate controls respective to project implementation, and clean audit reports. The portfolio audit compliance rate is also satisfactory. While the Ministry of Finance (MoF) and other counterparts have acquired know-how in implementing World Bank-financed projects, addressing staffing gaps and mobilizing human resources remains a key implementation risk. The Bank Group will continue to strengthen the efficiency of both public and project financial management systems, moving towards international good practices and higher levels of overall fiduciary compliance at the portfolio level. In addition, a proper sequencing of activities will be carefully considered at the inception stage of a project to take into account the staffing and absorptive capacity of involved departments.

97. **However, assurance and accountability mechanisms are weak.** Both internal control and internal audit functions are absent in the public sector, and this increases the risk of misuse of public funds and leads to weaker transparency and accountability of budget execution. External audit by the Court of Accounts (CoA) suffers from weak capacity, and the resource-consuming *ex-ante* review carried out by the CoA undermines its core function as a supreme audit institution. Looking forward, efforts will be made to ensure that the CoA is empowered and its mandate revised to cover the external audit function in line with INTOSAI standards. In addition, the Bank will focus on supporting the establishment of a public sector internal audit function, and engage with the profession to promote its modernization.

98. **Most World Bank-financed projects in Lebanon are implemented by the Council for Development and Reconstruction (CDR) which has a defined system of accountability and responsibilities, including procurement decision making.** CDR has experienced procurement staff and benefits from using individual consultants and consulting firms to enhance its capacity where needed.

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<sup>35</sup> The exact amount of IBRD financing will depend on a number of factors, including the availability of financing from the MENA Concessional Financing Facility.

However, projects continue to encounter procurement issues, such as the absence of a reliable bid complaint mechanism and deficiencies in contract management. A number of efforts are underway to professionalize the procurement function in the public sector, to support relevant legislation (anti-corruption, public procurement and several laws related to review of roles and mandates of the control bodies), and to simplify procedures, including through e-government and ICT.

### ***Program Implementation***

99. **The CPF is based on four principles of engagement: selectivity, flexibility, implementation, and partnerships.**

100. **Selectivity.** The CPF is selective by focusing strategically on fewer operations and a sharper Advisory Services and Analytics (ASA) program. Among the lessons of the past is the need to use analytic and advisory work to maintain the policy dialogue in priority areas, even if the Government lacks the will or capacity to engage at that time. Political will evolves, champions emerge, and capacity is developed over time. Having knowledge and clear recommendations to offer when the time is right can position the WBG to play a leading role in reforms and contribute to bigger results on the ground. This approach is being followed in the energy sector with the ongoing policy dialogue which will continue to inform and stimulate the debate around reform options and developing opportunities for convening influence around a reform program for the electricity sector which the Bank, IFC, and donor community can subsequently support. Another important lesson is to maintain a manageable portfolio size through larger, more strategic interventions in areas with high potential and strong client ownership. This approach is being carried out in the water sector, where the Bank is supporting a large, programmatic engagement that covers water storage and distribution while at the same time tackling institutional issues and assisting with the reduction of water pollution and wastewater treatment.

101. **Flexibility.** The WBG program will need to be flexible to adapt to sudden changes in what is a very volatile and fluid operating environment. As has been demonstrated by the rapid analysis of the economic and social impact of the Syria crisis, the follow-on establishment of the Lebanon Syria Crisis Trust Fund, and the corresponding projects prepared under emergency procedures, the Bank will continue to prioritize prompt and effective delivery of assistance that responds to the changing circumstances in the country. IFC will maintain a flexible strategy of attracting private investors into sectors, where the Bank has helped support structural reforms and remove regulatory constraints, and where financially viable investments with high development impact can be identified.

102. **Implementation.** The WBG's engagement during the CPF period will require the Government's strong commitment and the WBG's close implementation support, as well as increased investment appetite by both domestic and foreign investors to ensure the IFC pipeline remains robust. The World Bank program has faced significant challenges, starting with major effectiveness delays affecting the Bank-financed investment projects. The effectiveness delays combined with complex design and safeguards arrangements, high staff turnover, and the political stalemate, have impacted overall portfolio performance. Going forward, the Bank will resume the practice of annual portfolio reviews, assessing and resolving implementation bottlenecks with government counterparts, sector by sector, and will encourage greater proactivity for poorly performing operations, including restructuring at any point during implementation and not only at the mid-term review. IFC will continue to closely monitor its advisory and investment portfolio to identify early-on and address any issues. For new engagements, the WBG will use simpler project design and will avoid schemes with multiple implementing agencies to reduce coordination demands. The Performance and Learning Review will assess progress in delivering the program and, if needed, will reposition the remaining CPF period to incorporate shifts based on actual performance, progress in reforms and emerging country developments. The CPF Results Framework (Annex 1) will serve as a management tool throughout implementation, and progress in CPF milestones will be annually monitored with the client. To minimize delays in Cabinet approvals, the Bank has initiated the process of "pre-approval" of projects by the Council of Ministers before submission to the Bank's Board of Executive

Directors. With a view to avoiding implementation delays going forward, the Bank will only agree to extend effectiveness deadlines in cases where all necessary actions have been taken by Government and the only remaining step is Parliamentary ratification. This approach is mindful of the fact that while Government can be relied upon to expedite the approval process, including Council of Ministers' approval, it is limited in its ability to influence Parliament's actions, in particular when Parliament is idle due to political differences. In addition, special efforts will be made to convene Parliamentary sessions to consider and ratify development projects financed from the MENA Concessional Financing Facility.

103. The WBG will seek to work more closely with the legislative branch and other development partners. Lack of effective dialogue between the Lebanon executive and legislative branches about the plans for and objectives of IBRD loans was a critical element driving delays in obtaining legislative approvals (with an average delay of two years). The WBG has started and will continue to strengthen the existing structured dialogue with Parliamentarians with a view to providing the necessary information on WBG-financed operations and WBG procedures, as well as other issues of specific interest to them.

104. **Partnerships.** The Bank has been working closely with its international and regional partners to forge a well thought out and coordinated assistance strategy for Lebanon, especially in connection with the Syria crisis, through the ESIA, the Roadmap, the establishment of the LSCTF, and, most recently, the establishment of the MENA Concessional Financing Facility. The WBG coordination with donors on specific programs has been successful with parallel financing in some cases (such as the ongoing Water Supply Augmentation Project, which is being financed in parallel by the Islamic Development Bank, and IFC investments by the Canadian Government and *Agence Française de Développement*). The WBG will continue to broaden its dialogue with other development partners, especially in the context of addressing Syria refugee crisis.

105. The Government is making an effort to assume greater national ownership of the donor coordination process with a view to increasing aid effectiveness in support of national priorities. Working groups in the education, health, and municipal sector, made up of development partners, the UN, officials from line ministries and the Presidency of the Council of Ministers, meet on a regular basis to identify complementarities, promote harmonization of development assistance, and avoid overlapping objectives. In addition, development partners coordinate bilaterally to facilitate stronger information exchange and maximize results. Nonetheless, more can be done to improve donor coordination, as was highlighted in the CPF consultations with development partners. To this end, the Bank will explore the possibility of establishing platforms around important policy areas such as energy and public financial management with a view to ensuring consistency across partners and streamlining the dialogue with the Government on critical reform areas.

106. **IBRD, IFC, and MIGA support under the CPF is highly complementary and looking ahead, opportunities for joint engagement will be identified, with IFC and MIGA at the center stage of the WBG support for private sector investment and employment generation.** During the CPF period, all three institutions will continue exploring where their synergies can be further exploited. There is currently a strong collaboration between IBRD and IFC in the areas of business environment and energy. IFC's understanding of the private sector will be leveraged, along with relevant Global Practices, to enhance the effectiveness of the Bank Group support to improve the investment climate. The Bank and IFC will play complementary roles in enhancing access to financial services while strengthening the financial sector regulatory and supervisory framework and financial infrastructure. Depending on market opportunities, IFC and MIGA will complement the Bank's program through specific investments and guarantees. MIGA guarantees will be available to support foreign private sector participation in infrastructure projects, complementing existing Bank instruments and guarantees. MIGA will work together with IFC to support eligible cross-border investments into Lebanon, including those located in special economic zones and in small and medium-sized enterprises. In addition, MIGA will make its guarantees available to support Lebanese private sector companies seeking to expand their investments overseas in other developing economies.

## IV. MANAGING RISKS

107. **The outcomes targeted by this CPF are subject to various political, security, and economic risks, as well as risks related to institutional capacity and program implementation.** The overall risk is rated as “substantial” with the highest risk categories described below.

108. **Political and governance risks.** In the short run, the fragile political environment in Lebanon and the tense national and regional security environment pose the most important risks to the achievement of the CPF objectives. Lebanon suffers from a fragile and dysfunctional political system (including a presidential vacuum) that is severely constrained in its ability to regulate conflict and exercise sovereign authority, due to both internal and external factors. This ‘fusion’ of external and internal dynamics in Lebanon has perpetuated the country’s vulnerability to regional conflicts and instability. The CPF is very much aligned with the current Government’s priorities, and the underpinning analysis in the SCD is broadly shared by stakeholders across the Government, the private sector, and civil society. However, it should be noted that the current institutional set-up is incomplete insofar as a President is yet to be elected, and it is possible that when this takes place, the government strategy may change in some areas. While such a change could have a positive impact on the implementation of the CPF program (due to the added direction and political will that could accompany the emergence of the executive power), it is also possible that a change in policy emphasis could occur, requiring to revisit the elements of the CPF program. This inherent uncertainty and fragile political context leads to a high risk rating on the political dimension. With regard to governance risks, as discussed above, Lebanon suffers from a number of weaknesses that undermine transparency, accountability and equity in the delivery of government services and opportunities in the private sector. As such, the risk to the achievement of the CPF objectives is also deemed to be high. Political risk is mitigated in part by having a flexible approach to the engagement strategy which enables the Bank to adjust to changing country circumstances and priorities. As has been demonstrated in recent years, especially with the response to the impact of the Syria crisis on the country, the Bank can adapt quickly to the changing development landscape, finding ways to promptly address emergency needs through analytical work, convening power and funding. With regard to governance, the CPF addresses this risk by treating governance as a cross-cutting theme that permeates the entire program. In addition, specific attention will be given to strengthening government institutions, including those that impact the private sector directly, and increasing the availability of data. Efforts to increase citizen engagement in the WBG-financed projects are also expected to have knock-on effects through the Government, leading to an increase in transparency and accountability in the delivery of public services over time. High political and governance risks will continue to weigh on the economy and dampen private sector appetite to invest. This is especially relevant in terms of implementing reforms in essential aspects of the investment climate (e.g., PPP framework, simplifying business procedures, etc.) that would spur private sector investment and allow institutions like IFC to scale up investment and advisory activities.

109. **Macroeconomic risks.** Sizable macroeconomic imbalances expose Lebanon to substantial risks. In a region marked by instability and high volatility, a sufficiently large shock could undermine confidence in an otherwise strong and so far resilient banking sector, reversing foreign currency flows and resulting in a balance of payments crisis. Even absent such large shocks, the economy is structurally and heavily dependent on capital inflows to finance its current account deficit. However, in 2015, and for the fourth consecutive year, a shortfall in capital inflows led to a deterioration in Lebanon’s net foreign asset position. Given Lebanon’s need for financing, continued deceleration in inflows is concerning. Additionally,

<b>Risk Categories</b>	<b>Rating (H, S, M or L)</b>
1. Political and Governance	H
2. Macroeconomic	S
3. Sector strategies and policies	M
4. Technical design of project or program	S
5. Institutional capacity of implementation and sustainability	S
6. Fiduciary	M
7. Environment and Social	M
8. Stakeholders	M
9. Other: Conflict	S
<b>Overall</b>	<b>S</b>
<b>Key: H-High; S-Substantial; M-Moderate; L-Low</b>	



higher current expenditures, exacerbated by costs associated with the Syrian refugees and combined with lower revenues dragged by slower growth, can further widen the fiscal deficit, thus increasing government financing needs and the public debt. Fiscal policy, more generally, lacks transparency, supervision and accountability, with the budget process in disarray. Spending has been conducted largely through treasury advances and ad hoc measures with questionable legal foundations. These vulnerabilities could undermine confidence, resulting in elevated exchange market pressures and inducing tighter fiscal and external financing conditions. With prospects of US Federal Reserve Board tightening, Lebanon would be bound to maintain the margin on USD and LBP deposits in Lebanon. This would negatively impact lending to the private sector and IFC program (especially its financial sector investments) and raise Lebanon's large debt service given the country's large gross financing needs. The objectives of the CPF, which entail enhanced provision of public services and increased job opportunities in the private sector, will require sustained private sector investment and confidence in the Lebanese economy, as well as sufficient fiscal space for public investments that cannot be financed by the private sector. As such, a precarious macroeconomic situation would present considerable risks to the achievement of these goals. The Bank is pursuing a multi-pronged approach in order to mitigate these risks. For example, technical assistance is being provided to the debt management unit at the MoF. Additionally, the Bank is active in providing policy advice to policy makers through just-in-time analysis and continues to engage with a broad range of stakeholders through recurrent and on-demand ASA products. The focus is on Lebanon's developmental constraints and macroeconomic vulnerabilities in order to increase awareness and propose solutions. IFC will continue to closely monitor its portfolio and pipeline in Lebanon with cautious risk assessments undertaken as needed on possible impact on its programs in the event of worsening macroeconomic conditions and financial sector deterioration.

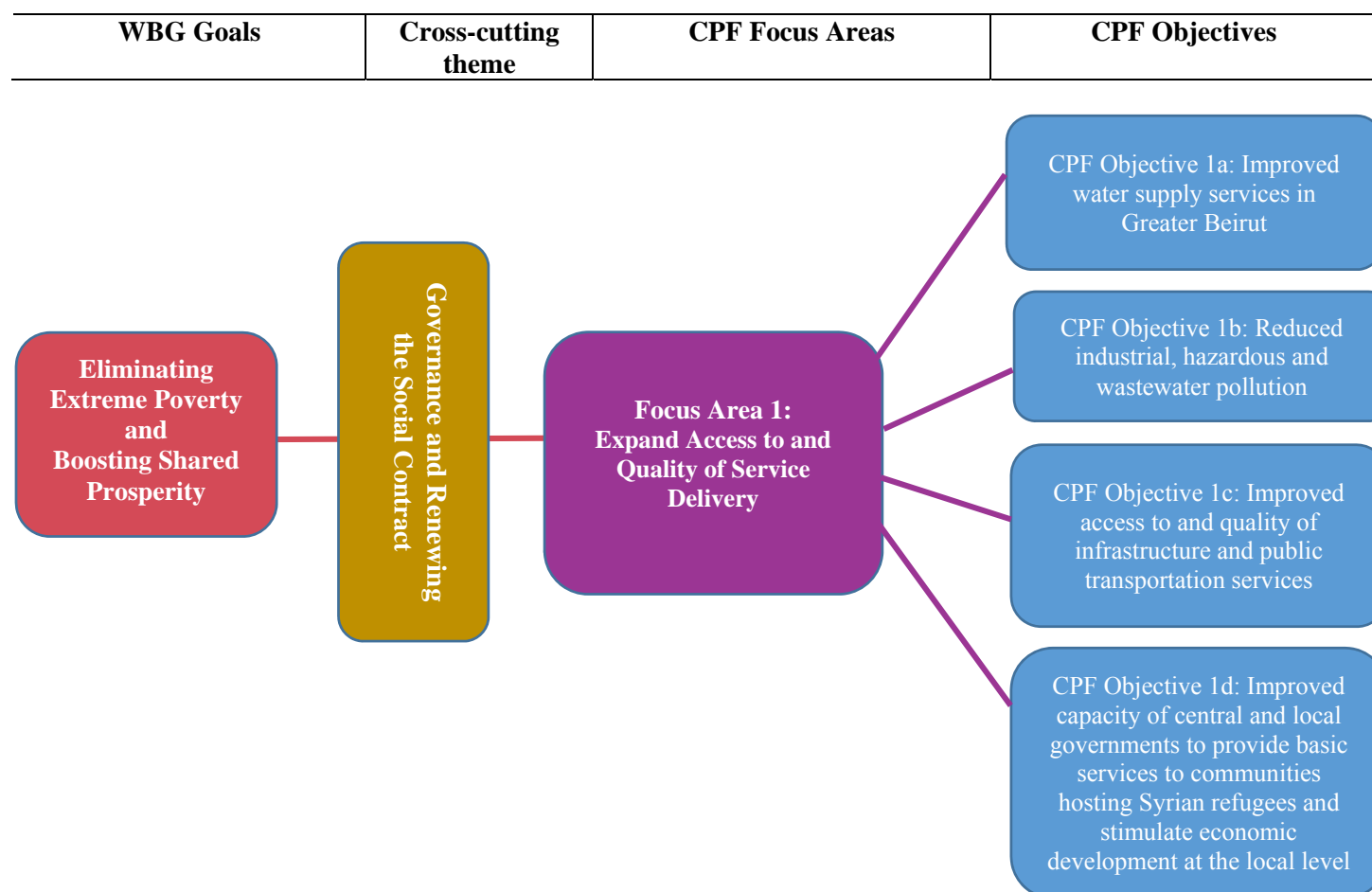
110. **Technical design of program.** Factors related to the technical design of a number of key operations could adversely impact the achievement of the CPF outcomes. Sixty-two percent of the current portfolio of investment projects (and 72 percent of commitments) have a substantial or high rating for technical design risk. This is due to a number of factors, including: design complexity (in the case of the two water projects which involve complex engineering design); the fact that several of the projects are the first of their kind being implemented in Lebanon and the region and embody a new approach for the Bank (Supporting Innovation in MSMEs); and, in the case of the National Poverty Targeting Project, the need for a continuous stream of funding in order for the project to deliver one of its benefits (the food card voucher) into the future. Various measures have been built into each of the projects to mitigate against these design risks, and in each case, the risks are outweighed by the potential for high impact on service delivery, employment, and poverty reduction.

111. **Institutional capacity for implementation and sustainability.** With the ongoing political stalemate, institutions lack the political will and capacity to design and enact new laws and policies and to implement reforms. Lack of continuity due to recurrent government changes also impedes the institutional capacity for implementation and sustainability of reforms. Additionally, the civil service faces challenges in attracting high caliber staff. In cases where reforms are implemented, lack of capacity and continuity jeopardizes their sustainability. In addition, the current government set-up requires agreement across all 24 Ministers, including for the approval of Bank grants and loans. While the slow decision making process has hampered implementation of the Bank-supported programs, the disbursement ratio for IBRD and Recipient Executed Trust Fund projects in Lebanon has increased from 3.3 percent in FY14 to 7.6 percent in FY15, and it now stands at 13.1 percent. To address portfolio implementation issues, the Bank will hold regular portfolio reviews with the Government, with the objective of reducing delays in effectiveness and portfolio riskiness, increasing disbursement ratios, and thereby improving results. The principles of the interventions are: (i) rapid restructuring, as needed; (ii) proactive cancellations of non-performing projects; (iii) no or limited extensions for problem projects unless there is a clear restructuring plan; (iv) no new projects approved in sectors with non-performing projects; if performance improves significantly, lessons learnt will be reflected in the design of new projects; and (v) focus on increasing implementation capacity including in procurement, financial management, and safeguards. Finally, the lack of continuity in the functioning of the Parliament also has had negative effects on the Bank's program as many projects'

effectiveness has been held up, resulting in delayed implementation and corresponding deferred results. In sum, the complexities of the institutional set-up, especially during this time of presidential vacuum, presents a significant risk to achievement of the CPF objectives. To mitigate this risk, the Bank is engaging upstream and often with stakeholders from across the political spectrum in order to generate buy-in for projects with a view to ensuring a smooth approval process. Special efforts are being made to engage more actively with Parliamentarians so that there is a greater understanding of the Bank's work. In addition, the Bank is ready to restructure projects as needed, when there are effectiveness delays in order to make sure that the priority objectives are addressed in a timely manner.

112. **Conflict.** Lying at the epicenter of one of the most volatile regions in the world, Lebanon is continuously exposed to political and security shocks and has itself suffered from decades of recurrent conflict and violence, including a devastating civil war from 1975 to 1990. The country remains fragile with elevated risks of violence and conflict due to the combined impact of a confessional system of governance and to its vulnerability to external influence. The Syria conflict has exacerbated domestic tensions, both because of the socio-economic burden presented by the refugee influx, as well as natural alliances with combatting actors in Syria. Needless to say, the achievement of the CPF outcomes would be severely curtailed by an outbreak of violence in the country, as many aspects of the program would come to a stop, and the ability of the Bank Group to engage with the Government and private sector would be hampered. While every effort would be made to operate as effectively as possible, as has been done on past occasions such as when violence broke out in Tripoli in 2014, implementation of the program might suffer, and the achievement of outcomes might be delayed. While the risk of conflict cannot be mitigated, the CPF acknowledges this risk and addresses several of the most important drivers of conflict, including sudden demographic pressures, uneven development, and weak legitimacy of the state. The CPF directly addresses the impact of the Syrian refugee influx on host communities through both focus areas, and does so with an eye to reducing social tensions. The CPF aims to ensure that underserved regions and poorer segments of the population benefit from increased access to services and social safety net programs. Finally, the CPF works to strengthen the legitimacy of the state and its relationship to the citizens through the very nature of the program which bolsters service delivery, supports government institutions, and encourages increased transparency and government accountability.

## Annex 1: CPF Results Framework



<b>FOCUS AREA 1: Expand access to and quality of service delivery</b>		
<b>CPF Objective 1a:</b> Improved water supply services in Greater Beirut		
<b>Intervention logic:</b> While almost the entire population in Greater Beirut has access to potable water, the service is unreliable and usually not available 24/7. This in turn means the water utility cannot reform the tariff regime to make it both more efficient and better targeted, and the utility will remain on a weak financial foundation. The influx of Syrian refugees, who are for the most part poor, has exacerbated the situation. To address this challenge, the WBG will support investment in both the Greater Beirut water supply network and the city’s water resources, and provide support to strengthen the financial sustainability and operational capacity of the water utility.		
CPF Indicators	Supplementary Objective Indicators	WBG Program
<b>Indicator 1:</b> Total number of people switched to 24/7 service <b>Baseline:</b> 0 (2015) <b>Target:</b> 80,000 (2019)	<b>Milestone 1:</b> Completion of non-revenue water reduction and program for transition to volumetric tariff pilot  <b>Milestone 2:</b> New water distribution networks installed across Greater Beirut Mount Lebanon area  <b>Milestone 3:</b> Beirut Mount Lebanon Water Resources Study completed	<b>Ongoing:</b> <ul style="list-style-type: none"> <li>• Water Supply Augmentation Project (IBRD) (approved FY15)</li> <li>• Greater Beirut Water Supply Project (IBRD) (approved FY11)</li> </ul> <b>Proposed:</b> <ul style="list-style-type: none"> <li>• Potential IFC PPP Advisory and Investments in infrastructure (when feasible)</li> </ul>

	<b>Milestone 4:</b> Signing of one performance-based contract for non-revenue water reduction and 24/7 service to reduce leakage	
<b>CPF Objective 1b:</b> Reduced industrial, hazardous and wastewater pollution		
<b>Intervention logic:</b> Sanitation services remain poor in particular in the Bekaa Governorate. As a result, raw sewage is discharged into water bodies largely contributing to the degradation of water quality especially along the Litani River. The World Bank Group will improve sewage connection to wastewater treatment plants and encourage industries to reduce industrial effluent discharge in order to reduce environmental pollution along the Litani River. Commercial bank financing of projects designed to promote resource (energy and water) efficiency and environment-friendly (i.e. green) building will reduce GHG emissions and conserve resources.		
<b>CPF Indicators</b>	<b>Supplementary Objective Indicators</b>	<b>WBG Program</b>
<p><b>Indicator 1:</b> Household connection to sanitation services in the Bekaa Governorate <b>Baseline:</b> 0 (2016) <b>Target:</b> 5,000 (2022)</p> <p><b>Indicator 2:</b> Number of industrial enterprises that reduced biological oxygen demand discharge by 50% <b>Baseline:</b> 0 (2016) <b>Target:</b> 10 (2022)</p> <p><b>Indicator 3:</b> GHG emissions expected to be avoided <b>Baseline:</b> 4,728 tCO<sub>2</sub> (2013-2016) <b>Target:</b> 24,137 tCO<sub>2</sub> (2022)<sup>1</sup></p>	<p><b>Milestone 1:</b> Land expropriation decree approved; sewerage network for Zahle surroundings built.</p> <p><b>Milestone 2:</b> 10 compliance action plans prepared.</p> <p><b>Milestone 3:</b> Number of sustainable energy finance (SEF) loans disbursed <b>Baseline:</b> 49 SEF loans (2014-2016) <b>Target:</b> 123 SEF loans (2022)</p>	<ul style="list-style-type: none"> <li>• Environmental Pollution Abatement Project (IBRD) (approved FY15)</li> <li>• Improve Capacity for Environmental Compliance (IDF) (approved FY13)</li> <li>• PCB Management in the Power Sector Project (GEF) (approved FY15)</li> <li>• Sustainable Energy Finance investments and advisory (IFC)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Lake Qaraoun Pollution Prevention Project (IBRD) (FY17)</li> <li>• Potential new investments and advisory in sustainable energy (IFC)</li> <li>• Potential introduction of EDGE green building rating tool to help reduce energy and water consumption (IFC)</li> </ul>
<b>CPF Objective 1c:</b> Improved access to and quality of infrastructure and public transportation services		
<b>Intervention logic:</b> Rural roads in lagging regions are in particularly bad condition, while traffic congestion is rife particularly in the Greater Beirut area due to the unavailability of reliable public transportation services. Poor connectivity, high transport costs and lack of reliable and safe public transport services in Lebanon are hindering the rural and urban poor's access to economic and educational opportunities. The influx of Syrian refugees has put further stress on Lebanon's deteriorating roads and transport network, particularly in the lagging regions where the infrastructure is in bad condition and the concentration of refugees is high. The WBG seeks to address these challenges through the development of a BRT network and improved access in lagging regions through maintenance and upgrade of rural roads.		
<b>CPF Indicators</b>	<b>Supplementary Objective Indicators</b>	<b>WBG Program</b>
<p><b>Indicator 1:</b> Number of people using the new public transport service (of which women) <b>Baseline:</b> 0 (2015) <b>Target:</b> 50,000 (50% of which women) (2018)</p> <p><b>Indicator 2:</b> Number of kilometers of improved rural access <b>Baseline:</b> 0 (2015) <b>Target:</b> 50 km (2019)</p>		<p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Greater Beirut Urban Transport (IBRD) (FY18/19)</li> <li>• Rural Roads and Employment Program<sup>2</sup> (IBRD) (FY17/18)</li> <li>• Potential IFC PPP Advisory and Investments in infrastructure (when feasible)</li> </ul>

<sup>1</sup> The baseline and target numbers indicate the amount of greenhouse gas (GHG) avoided. The target is intended to be larger than the baseline.

<sup>2</sup> Candidate for MENA Concessional Financing Facility.

**CPF Objective 1d:** Improved capacity of central and local governments to provide basic services to communities hosting Syrian refugees and stimulate economic development at the local level

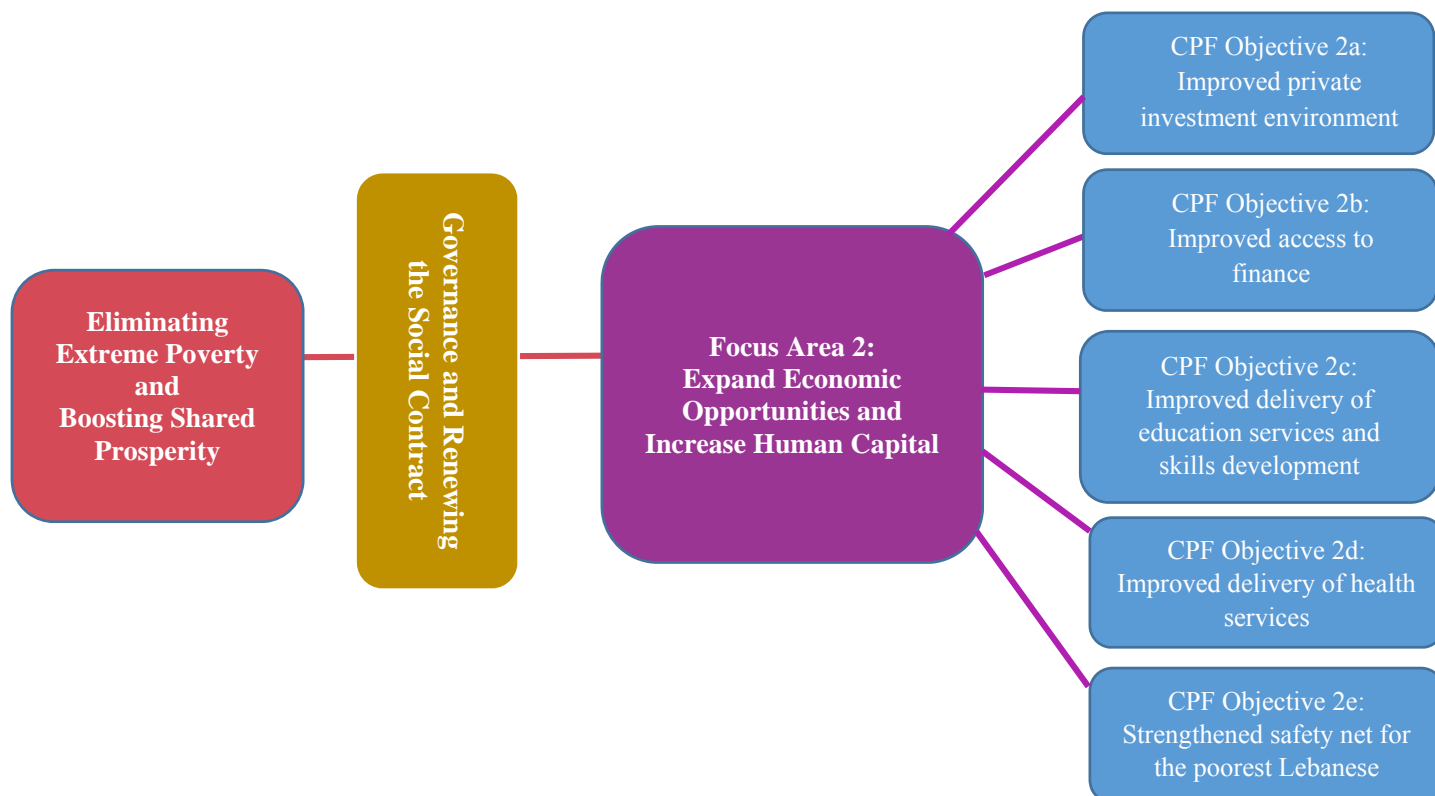
**Intervention logic:** The capacity of the Government to deliver basic services and respond to local economic development needs is being severely stressed at both the central and local levels. The ongoing Municipal Services Emergency Project provides funds for small-scale investments for service delivery at the local level, selected as priorities by the communities hosting Syrian refugees. The Cultural Heritage and Urban Development Project (CHUD) invests in five secondary cities to improve living conditions and stimulate local economic development. The WBG is exploring a new initiative that will blend investments for service delivery with local economic development to maximize impacts on living conditions and livelihood of local communities.

CPF Indicators	Supplementary Objective Indicators	WBG Program
<p><b>Indicator 1:</b> Municipal Services Emergency Project investments corresponding to the priorities identified by beneficiaries.  <b>Baseline:</b> 0% (2015)  <b>Target:</b> 80% (2017)</p> <p><b>Indicator 2:</b> Positive impact of CHUD investments on the livelihood of local communities, as rated by beneficiaries.<sup>3</sup>  <b>Baseline:</b> 0 (2014)  <b>Target:</b> 4 (2017)</p>	<p><b>Milestone 1:</b> Identification of priority services and local economic sectors</p> <p><b>Milestone 2:</b> Completion and dissemination of findings of household community survey on impact of Syrian refugees on host communities</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Cultural Heritage and Urban Development Project (IBRD) (FY03)</li> <li>• Municipal Services Emergency Project (LSCTF) (approved FY14)</li> <li>• Syrian Refugee Crisis Impact – 3-Country Survey (GFFD TA)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Municipal Services Delivery, Local Economic Development, and Social Cohesion<sup>4</sup> (IBRD) (FY17/18)</li> </ul>

<sup>3</sup> The rating scale is 0 to 5, with 5 being the highest impact as reported by beneficiaries.

<sup>4</sup> Candidate for MENA Concessional Financing Facility

WBG Goals	Cross-cutting theme	CPF Focus Areas	CPF Objectives
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FOCUS AREA 2: Expand economic opportunities and increase human capital		
<b>CPF Objective 2a:</b> Improved private investment environment		
<b>Intervention logic:</b> Current constraints to the start-up, growth and exit of businesses and to financial sector innovation and inclusion reduce private sector investment appetite and depress potential for private-sector-led job creation. The WBG seeks to mitigate these constraints through targeted legal and regulatory reform engagements.		
CPF Indicators	Supplementary Objective Indicators	WBG Program
<p><b>Indicator 1:</b> Improvement in business regulation services to private sector.</p> <p>(i) Time to register a business (# of days)  <b>Baseline:</b> 7 (2016)<sup>5</sup>  <b>Target:</b> 3 (2020)</p> <p>(ii) Time to register a property transaction (# of days)  <b>Baseline:</b> 25 (2016)  <b>Target:</b> 5 (2019)</p>	<p><b>Milestone 1:</b> (i) Issuance of five capital market regulations; (ii) Secure Transaction Law enacted; and (iii) Adoption of Common Legal entity identification across Ministries of Finance and Justice, and National Social Security Fund</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>Financial Sector Assessment Program Update (FSAP) (ASA)</li> <li>Capital Markets Regulation &amp; Development (TA)</li> <li>Development of National Payment Systems Strategy (TA)</li> <li>Competitive Program (TA) (IFC)</li> <li>Lebanon Jobs Program (TA) (IBRD/IFC)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>Land Administration System Modernization (IBRD) (FY18)</li> <li>Infrastructure Investment for Sustainable Jobs<sup>6</sup> (FY18/19)</li> <li>FSAP Follow-up</li> <li>Deep Dive on Capture-Free Policies (FY17)</li> </ul>

<sup>5</sup> As per Doing Business Report – 2016

<sup>6</sup> Candidate for MENA Concessional Financing Facility

(iii) Insolvency and Bankruptcy Law and Insolvency Practitioners Law enacted <b>Baseline:</b> No (2016) <b>Target:</b> Yes (2022)		<ul style="list-style-type: none"> <li>• Privilege- and Capture-Resistant Job Creation Policies (TA)</li> <li>• Lebanon PPP Diagnostic and SEZ Advisory (TA) (IBRD/IFC)</li> </ul>
<b>CPF Objective 2b: Improved access to finance</b>		
<b>Intervention logic:</b> In addition to broader business regulation reforms including those that would provide a more robust enabling environment for financial innovation and inclusion, there remain key market gaps related to improved access to finance for MSMEs for which support can be provided within the current environment. The IFC and World Bank are providing tailored products to help close this market gap for MSMEs and start-ups.		
<b>CPF Indicators</b>	<b>Supplementary Objective Indicators</b>	<b>WBG Program</b>
<b>Indicator 5:</b> Improved access to finance by MSME (i) Increased financing available to start-ups and early stage firms <b>Baseline:</b> US\$20 million (2016) <b>Target:</b> US\$60 million (2020)  (ii) Volume of MSME loans outstanding <sup>7</sup> <b>Baseline:</b> US\$2.4 billion (2013) <b>Target:</b> US\$3.0 billion (2020)  (iii) Average annual outstanding volume of Trade Finance transactions guaranteed by IFC partner banks <b>Baseline:</b> US\$96 million (annual average outstanding (2013-2016)) <b>Target:</b> US\$110 million (annual average outstanding by 2022)	<b>Milestone 1:</b> Increase in number of Global Trade Finance Program partner banks from 9 to 11 (2022)	<b>Ongoing:</b> <ul style="list-style-type: none"> <li>• Supporting Innovation in SMEs Project (IBRD) (approved FY13)</li> <li>• Lebanon MSME Technical Assistance Facility (TA)</li> <li>• Subsidized Temporary Employment Program (TA)</li> </ul> <b>Proposed:</b> <ul style="list-style-type: none"> <li>• Subsidized Temporary Employment Program (FY18/19)</li> <li>• Leveraging Innovation in Financial Services Provision to Manage Crisis in Lebanon (TA)</li> <li>• Investments and advisory projects in financial institutions that promote increased lending to MSMEs (IFC)</li> <li>• New trade finance engagements (IFC)</li> <li>• Potential IFC investments in manufacturing, agribusiness and services sectors (e.g. education &amp; health)</li> </ul>
<b>CPF Objective 2c: Improved delivery of education services and skills development</b>		
<b>Intervention logic:</b> The influx of Syrian refugees has put enormous pressure on the education system at all levels. These stresses are having an impact on access, retention, and quality of education for Lebanese and refugee children. The Bank seeks to address this by aligning with Lebanon's strategy - Reaching All Children with Education in Lebanon (RACE) - to respond to the challenges created and exacerbated by the refugee crisis. Closer interaction between supply and demand sides of the labor market, including increased activity by the private sector in the education space, could also play an important role. In addition, the CPF will facilitate labor market entry for unemployed youth through employment services combining life skills training, job search techniques, counseling, and practical on-the-job training. Increased activity by the private sector in the education space could also play an important role.		
<b>CPF Indicators</b>	<b>Supplementary Objective Indicators</b>	<b>WBG Program</b>
<b>Indicator 1:</b> Proportion of school-aged children (3-18 years) enrolled in formal education disaggregated by gender; Lebanese/non-Lebanese <b>Baseline:</b> 57% (2016) <b>Target:</b> Increase of 8% over 5 years (2021)	<b>Milestone 1:</b> Schools benefitting from rehabilitation and construction <b>Of which from ESSRP</b> <b>Baseline:</b> 0 (2016) <b>Target:</b> 10 (2018)  <b>Of which from RACE II</b> <b>Baseline:</b> 0 (2016) <b>Target:</b> 110 (2021)	<b>Ongoing:</b> <ul style="list-style-type: none"> <li>• Second Education Development Project (IBRD) (approved FY11)</li> <li>• Lebanon Jobs Program (TA) (IBRD/IFC)</li> <li>• Emergency Education System Stabilization Project (LSCTF) (approved FY15)</li> <li>• Second Emergency Social Protection Implementation Support Project (New Entrants to Work) (LTF) (approved FY09)</li> </ul>

<sup>7</sup> This MSME indicator represents the portfolio reach figures of IFC clients, including contributions from advisory services. It is based on the SME and microfinance outstanding loan portfolio of IFC clients for MSME-oriented financial institutions/projects at the end of each calendar year.

<p><b>Indicator 2:</b> Proportion of students attending classes, passing their grades and transitioning to the next grade  <b>Baseline:</b> 57% (2016)  <b>Target:</b> Increase of 10% after 5 years (2021)</p> <p><b>Indicator 3:</b> Youth that have successfully completed a 75-hour training on life skills, coaching, and on-the-jobs training under the New Entrants to Work (NEW) program.  <b>Baseline:</b> 0 (2015)  <b>Target:</b> 500 (2017), of which 50% women and 20% with secondary education or below</p> <p><b>Indicator 4:</b> Youth aged between 15 and 24 trained in soft skills (under NVSP program)  <b>Baseline:</b> 0 (2015)  <b>Target:</b> 2,000 (2017)</p> <p><b>Of whom get job offers</b>  <b>Baseline:</b> 10% (2015)  <b>Target:</b> 15% (2017)</p>	<p><b>Milestone 2:</b> System Strengthening - Members of <i>Direction d'Orientation Pédagogique et Scolaire</i> – ‘DOPS’ benefitting from professional training or equipment.  Baseline: 0 (2015)  Target: 120 (2018)</p> <p><b>Milestone 3:</b> Identification of priority sub-sectors and target population groups for implementation of job creation operations enhancing the quantity and quality of jobs with a focus on the lagging regions, commencing with Tripoli and the North</p>	<ul style="list-style-type: none"> <li>• National Volunteer Service Program (SPBF) (approved FY12)</li> <li>• Education Public Expenditure Review (ESW)</li> <li>• Education Research for Results (TA)</li> <li>• Subsidized Temporary Employment Program (TA)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Reaching All Children with Education in Lebanon Support PforR (IDA/TF) (FY17)</li> <li>• Lebanon PPP Diagnostic and SEZ Advisory (TA) (IBRD/IFC)</li> <li>• Subsidized Temporary Employment Program (FY18/19)</li> <li>• Gender Diagnostic</li> <li>• Potential investment with private sector education providers (IFC)</li> </ul>
<p><b>CPF Objective 2d:</b> Improved delivery of health services</p>		
<p><b>Intervention logic:</b> With only half of the Lebanese population (51%) covered by health insurance, a large proportion of the uninsured population, namely the poor and the vulnerable, have limited access to health care and are subject to financial hardship, even impoverishment. The large influx of refugees further exacerbated the situation due to the large increase in demand for health services leading to crowding out of poor Lebanese and impacting their access to affordable care. The Bank through the Emergency Primary Healthcare Restoration Project is assisting the GoL to improve access to primary healthcare services among poor Lebanese by subsidizing a package of essential health services, strengthening the primary healthcare system, and building the capacities of the centers to meet the increased demand for health services. Select opportunities may exist to work with private sector providers to improve health care outcomes for lower income populations.</p>		
<p><b>CPF Indicators</b></p>	<p><b>Supplementary Objective Indicators</b></p>	<p><b>WBG Program</b></p>
<p><b>Indicator 1:</b> Number of primary health care facilities contracted by the MoPH to deliver the package of essential healthcare services to NPTP beneficiaries  <b>Baseline:</b> 0 (2016)  <b>Target:</b> 75 (2018)</p> <p><b>Indicator 2:</b> Pregnant women receiving at least 4 antenatal care visits (percentage)  <b>Baseline:</b> 65 (2016)  <b>Target:</b> 90 (2018)</p>		<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Emergency Primary Healthcare Restoration (LSCTF) (approved FY15)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Scale-up of Emergency Primary Healthcare Restoration Project (IBRD) (FY18/19)<sup>8</sup></li> <li>• Health Needs of Syrian Refugees (TA)</li> <li>• Capacity Building of Statistics Department in MoPH (TA)</li> <li>• Potential investments with private sector health care providers (IFC)</li> </ul>

<sup>8</sup> Candidate for MENA Concessional Financing Facility



**CPF Objective 2e:** Strengthened safety net for the poorest Lebanese

**Intervention logic:** About 1.2 million Lebanese currently live below the poverty line. The majority of the Syrian refugees are located in regions with higher poverty levels. Without effectively targeted and robust social assistance programs there is a risk that poor Lebanese will fall deeper into poverty as prices for goods and services rise and economic opportunities decrease. The Bank is supporting the Government’s National Poverty Targeting Program which targets the poorest and most vulnerable Lebanese by strengthening the targeting mechanism, building the capacity of the program and enhancing the package of benefits which includes an e-card food voucher.

CPF Indicators	Supplementary Objective Indicators	WBG Program
<p><b>Indicator 1:</b> Enhanced targeting of NPTP benefits to the extreme poor<sup>9</sup>  <b>Baseline:</b> 100,000 households receiving education and health benefits (2015)  <b>Target:</b> 44,000 (2017)</p> <p><b>Indicator 2:</b> Number of extreme poor Lebanese receiving e-card food voucher  <b>Baseline:</b> 30,000 (2015)  <b>Target:</b> 60,000 (2017)</p> <p><b>Indicator 3:</b> Youth aged 15-25 among NPTP beneficiaries who are neither in school, employment or training receive package of services for increased employability  <b>Baseline:</b> 0 (2015)  <b>Target:</b> 650 (2017)</p> <p><b>Of whom demonstrate improvements in livelihood</b>  <b>Baseline:</b> 0 (2015)  <b>Target:</b> 60% (2017)</p>	<p><b>Milestone 1:</b> Recertification of extreme poor households with new targeting formula</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Emergency National Poverty Targeting Program (LTF) (approved FY14)</li> <li>• Poverty Measurement, Monitoring and Capacity Building (TA)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Additional Financing to National Poverty Targeting Program (LSCTF) (FY17)</li> </ul>

<sup>9</sup> Enhanced targeting will be measured by comparing errors of inclusion and exclusion prior and after the recertification process. The target amount will be captured under the current NPTP project.

**CROSS-CUTTING THEME: Governance and Renewing the Social Contract**

**CPF Objective A: Strengthened financial management and procurement systems**

**Intervention logic:** Well-functioning financial management and procurement systems are key for good governance and a public sector that is trustworthy. The World Bank Group’s program will assist the Government in the areas of fiscal policy analysis, debt and budgetary management with a view to strengthen institutions that foster the efficient use and robust monitoring of public resources and the fair and predictable implementation of laws and regulations. Improvements in corporate governance in private sector firms would promote transparency, improved risk management and greater accountability in the private sector.

CPF Indicators	Supplementary Objective Indicators	WBG Program
<p><b>Indicator 1:</b> An improved capacity of the Court of Accounts to carry out its mandate as external audit of the public accounts.  <b>Baseline:</b> 0 (2016)  <b>Target:</b> amended strategy to include reforms priorities proposed, adoption of audit methodology compliant with international standards (2017)</p> <p><b>Indicator 2:</b> Strengthened technical capacity of the Parliamentary Finance and Budget committee  <b>Baseline:</b> No scoring (2011 PEFA)  <b>Target:</b> Having a scoring (at least D+) (2017)</p> <p><b>Indicator 3:</b> Standard Bidding Documents (SBD) to be developed and monitored by the CTB  <b>Baseline:</b> 0 (2016)  <b>Target:</b> Usage of SBD in at least 6 public institutions. (2017)</p> <p><b>Indicator 4:</b> Number of Corporate Governance Assessments for private sector firms  <b>Baseline:</b> 0 (2017)  <b>Target:</b> 4 (2022)<sup>10</sup></p>	<p><b>Milestone 1:</b> Central Tender Board (CTB) portal advertising opportunities of bidding and publishing the recommendations for award  <b>Baseline:</b> No portal at CTB (2016)  <b>Target:</b> Establish a portal at CTB for publication of opportunities and award recommendations (2017)</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Parliament Financial Oversight (TA)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Supreme Audit Institution/Parliament Oversight Engagement (TA)</li> <li>• Assessments of corporate governance practices in private sector firms and promotion of gender diversity on corporate boards (IFC)</li> </ul>

<sup>10</sup> IFC aims to have four Corporate Governance Assessments for private sector firms during the CPF period.

<b>CPF Objective B: Improved availability of data</b>		
<b>Intervention logic:</b> Data can be used to inform decisions on Lebanon’s development agenda and to stimulate an open and informed debate on policy reforms by a range of stakeholders. It can also be used to hold government to account in the delivery of services. Through this and other channels, opportunities for elite capture can be reduced, thereby mitigating the potential for group grievances and conflict in what is a very volatile and contentious environment.		
<b>CPF Indicators</b>	<b>Supplementary Objective Indicators</b>	<b>WBG Program</b>
<p><b>Indicator 1:</b> Disaggregated data on (i) student enrolment available by February 1 of each academic year, and (ii) on student passing rates available by August 1 of each academic year for all school types: public, private, and subsidized private  <b>Baseline:</b> No (2016)  <b>Target:</b> Yes (2021)</p> <p><b>Indicator 2:</b> Comparable poverty estimates based on the two surveys collected during 2017-2022  <b>Baseline:</b> No (2016)  <b>Target:</b> Yes (2022<sup>11</sup>)</p> <p><b>Indicator 3:</b> Land registry and cadastre data accessible to public online  <b>Baseline:</b> No (2016)  <b>Target:</b> Yes (2022)</p> <p><b>Indicator 4:</b> Commercial registry automated and different public entities involved in commercial registration are connected  <b>Baseline:</b> No (2016)  <b>Target:</b> Yes (2017)</p>	<p><b>Milestone 1:</b> Two household budget surveys conducted during 2017-2022 period  <b>Baseline:</b> No (2016)  <b>Target:</b> Yes (2022)</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Land Administration System Modernization (TA)</li> <li>• Bi-annual production of Lebanon Economic Monitor</li> <li>• MSME Technical Assistance Facility (TA)</li> <li>• Mobile Internet Ecosystem, Program (TA)</li> <li>• Education Research for Results (TA)</li> <li>• Competitiveness Program (TA) (IFC)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Land Administration System Modernization (IBRD) (FY18)</li> <li>• Capacity Building of Statistics Department in the Ministry of Public Health (TA)</li> </ul>

<sup>11</sup> Poverty estimates will be available the following year after the data collection is completed

## Annex 2: Summary of Stakeholders Consultations

1. **Consultations for the Lebanon Country Partnership Framework (CPF) were held in May 2015 based on an early version of the CPF and in January 2016 following a revision of the Framework.** The stakeholders included government officials, Parliamentary committees, civil society organizations, youth representatives, private sector, and donors. The consultations with stakeholders will continue throughout the CPF implementation and will form the basis for continued dialogue between the WBG and stakeholders in Lebanon. The following is a summary of the discussions held on the CPF.

### A. Syrian Refugee Crisis

2. **The Syrian refugee crisis was a key topic raised during consultations with the Parliament, government officials, youth and the private sector.** Participants noted that the unprecedented refugee influx from Syria is resulting in increased competition for low skilled jobs, stress on infrastructure and other basic services (e.g. waste disposal, sewerage, schools, etc.). The WBG was urged to understand the fragility of the situation (especially given the perceived inequities in the system caused by aid going to refugees and the absence of taxes for this population) and to provide assistance to the Lebanese who are being affected by the influx. Participants also stressed the need for more attention to be given to the municipalities that are adversely affected by the influx of refugees and which play a critical role in addressing the crisis. Government officials recommended that the WBG allocate more funds to the communities that are adversely affected by the influx of the Syrian refugees through the three projects under the multi-donor trust fund and through concessional funding. The government participants wanted to know how the WBG can help Lebanon to transform the Syrian refugee situation into an opportunity for development. They cited Turkey as one of the countries that is benefitting from donor funds to assist in development of the regions where the Syrians are. However, some participants indicated that Lebanon should not take on loans to deal specifically with the impact of the Syrian refugees and that any loans should be targeted to the advancement of the Lebanese society as a whole.

3. **The participants from Parliament reiterated that the refugee issue is both a humanitarian and a development issue and that Lebanon needs international assistance to help address the issue.** The Parliamentarians indicated that there are funds coming into Lebanon and suggested that a clear strategy be put together to evaluate the effectiveness of the ongoing programs. They also noted that the Syrian refugees may play a positive indirect role in the Lebanese economy because they are purchasing goods and services from Lebanese stores.

4. **The private sector was divided on the issue of Syrian refugees.** Some recommended that the refugees be educated so that they can work, be productive and contribute to the economy, thus turning the situation from a negative to a positive dynamic. Others felt that Lebanon cannot afford to educate the Syrian refugees at the expense of the Lebanese and that any jobs that are created should be given to the Lebanese population before considering the Syrian refugees. There was, however, consensus that the refugee crisis has put immense pressure on all the systems in Lebanon, and that there is need to find short-term multi-faceted solutions to the Syrian refugee crisis.

### B. Middle East and North Africa (MENA) Concessional Financing Facility (CFF)

5. **During the consultations with the Government, the MENA Concessional Financing Facility (CFF) was discussed at length, including how it will assist the country to address the impact of the Syria crisis.** The participants agreed that MENA CFF will help the Lebanese Government to mitigate the Syrian refugee crisis, which has become a long term development issue and has put additional stress on an already weak infrastructure.

## C. Policy and Sector Reforms

6. **Participants noted that the Lebanese Government makes decisions by consensus which makes decision making difficult since all 18 communities in Lebanon have to agree.** In addition, many felt that policymakers are not held accountable by the people. It was widely agreed that the two sectors most in need of reforms are energy and telecommunications, as there are inefficiencies in these sectors that are creating enormous operating costs for the private sector (and, in the case of energy, costs for the national budget). The issue of subsidies, especially in electricity, was discussed, and the recommendation was that the subsidies in electricity should be removed and industries should be encouraged to depend less on energy while at the same time savings that would be generated by removing the subsidies could be used to enhance the social protection system in Lebanon. The WBG was requested to assist the Government with the reforms since all relevant regulatory authorities have deteriorated. It was noted that educating the Lebanese people to hold government accountable would be instrumental and that the private sector could also play a useful role in this regard. The Parliamentarians also recognized the need for their involvement in supporting policy reforms to move the development agenda forward.

7. **During the consultations with the donors, it was recommended that the donor community find common ground with the private sector and the civil society to pressure the Government for reforms.** It was noted that donors are willing to play their part to inform and stimulate debate on policy reforms and that they could be instrumental in showing the Government what could be gained through policy reforms.

## D. Confessionalism and the role of Municipalities and CSOs

8. **Confessionalism is systematic in Lebanon, and this has permeated civil society organizations as well.** Participants felt that confessionalism is not conducive to the creation of a level playing field for everyone in Lebanon. It was recommended that in order to deliver better programs to the intended beneficiaries, the WBG should work through municipalities because local authorities are well acquainted with the needs of the communities. Participants emphasized that projects should have tangible impacts on communities and that civil society organizations can help the WBG to ensure that projects achieve their objectives and that the targeted beneficiaries gain from the projects. This sentiment was also echoed during the consultations with the Parliament.

## E. Governance/Elite Capture

9. **Participants stressed that governance is a problem in Lebanon.** The issue of elite capture was discussed at length, especially among the youth representatives who underscored the role of inheritance in perpetuating the status quo. The youth representatives pointed to the lack of awareness among the youth regarding their rights and proposed civic education as one way of educating young people in this regard. Participants felt that bilateral and multilateral organizations have the power to facilitate change in the country.

10. **One recommendation given to address the governance issue was to introduce transparent budgeting.** It was suggested that every project should have sound and transparent operations and management mechanisms. The transport sector was given as a good example, where the WBG worked with the Traffic Management Organization to install a new system of parking meters in Beirut. This system will provide better management and administration of the revenue generated from the parking system. Another recommendation given to address governance was that all projects work through the Central Tender Board. It was noted that many projects are delayed because of lack of capacity in procurement, and it was suggested that the Central Tender Board could help ensure that procurement is done in a quick and efficient manner.

## **F. Data Availability and Transparency**

11. **Participants noted that there is a lack of data in all sectors in Lebanon that can inform policy development either by the private sector or the government.** It was also noted that there is no coordination between the ministries or networking through which exchange of data can be done. The WBG was requested to assist the Government to build capacity for data collection in the ministries. The data collected would be used to determine the level of poverty, unemployment, and skills required for the workforce. It was recommended that the WBG assist the Government to develop a portal to put the information on public projects with a view to informing citizens and the private sector.

## **G. Jobs and Investment Climate**

12. **During the consultations with government officials, it was recommended that a special workshop be held to further address the issue of jobs and investment climate.** Specifically, the creation of a jobs program and skills matching. On the investment climate, it was determined that there is no problem on the supply side as Lebanon has been exporting talent for 6,000 years. What is needed is to reactivate growth by providing more space for the private sector.

## **H. Donor Coordination**

13. **During both the donor and Parliament consultations participants recommended better donor coordination and information sharing within the donor community.** More information about the WBG program was requested by both the donors and Parliament. This information would ensure that the development agenda is coherent and adequately addressed by all the donors and the Lebanese Government. It was also recommended that a donor platform be created through which key messages could be channeled (on important areas such as PFM and energy) and through which the donor community could regularly meet.

## **I. Parliament Approvals**

14. **During the consultations with the Parliament, the WBG stressed that inactivity by Parliament could result in the loss of needed support to Lebanon.** While grant-funded projects do not need to be approved by Parliament, they do need the approval from the Council of Ministers. It was noted that these projects are emergency projects that are meant to assist with the Syria crisis, and approval is urgently required.

## **J. Citizen Engagement:**

15. **The issue of citizen engagement was discussed during the consultation with the Parliament, and participants requested that the WBG engage with citizens on a regular basis.** They also requested that regular sectoral meetings be held to inform them of the WBG program so they can expedite project approval.

## **K. Gender Assessment**

16. **During the consultations on gender, the WBG team was advised that there is a gender strategy in Lebanon that has been approved by the Council of Ministers.** The WBG team noted that analytical work will be carried out early in the CPF period to explore the underlying causes for gaps in opportunities between men and women in Lebanon in terms of jobs, asset ownership, and entrepreneurship. Gender elements will be mainstreamed in all the projects in Lebanon. A separate assessment will be carried out by the IFC on the banks so that they are able to follow up with the women that receive loans to assess how the loans have benefited them.

### Annex 3: Selected Indicators of Bank Portfolio Performance and Management

As of May 26, 2016

Indicator	FY13	FY14	FY15	FY16
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation (incl. Small RETFs) <sup>a</sup>	10.0	11.0	17.0	14.0
Average Implementation Period (years) <sup>b</sup>	3.9	3.7	3.4	3.9
Percent of Problem Projects by Number (incl. Small RETFs) <sup>a, c</sup>	20.0	18.0	41.2	35.7
Percent of Problem Projects by Amount (incl. Small RETFs) <sup>a, c</sup>	40.0	9.0	30.1	9.0
Percent of Projects at Risk by Number (incl. Small RETFs) <sup>a, d</sup>	54.5	57.1	70.6	76.5
Percent of Projects at Risk by Amount (incl. Small RETFs) <sup>a, d</sup>	50.4	59.5	32.8	76.0
Disbursement Ratio (%) <sup>e</sup>	4.5	3.3	7.6	13.1
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	No	No	Yes	No
Supervision Resources (total in US\$ thousands)	1037	1173	2348	1781
Average Supervision (in US\$ thousands/project)	115	107	147	119
<b>Memorandum Item</b>		<b>Since FY80</b>	<b>Last Five FYs</b>	
Proj Eval by IEG/OED by Number		23	7	
Proj Eval by IEG/OED by Amt (US\$ millions)		824.2	155.1	
% of IEG/OED Projects Rated U or MU by Number		52.2	71.4	
% of IEG/OED Projects Rated U or MU by Amt		38.5	78	

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

**Annex 4: IBRD/IDA Program Summary**  
As of May 26, 2016

**Proposed IBRD/IDA Lending Program**

Fiscal year	Project ID	US\$(M)
FY17/18	Lake Qaraoun Pollution Prevention	55
	Reaching All Children with Education in Lebanon Support P4R **	100
	Rural Roads and Employment Program *	200
	Municipal Service Delivery, Local Economic Development and Social Cohesion*	150
<b>Result</b>		<b>505</b>
FY18/19	Land Administration System Modernization	50
	Greater Beirut Urban Transport	200
	Scale up of Emergency Primary Healthcare Restoration Project *	60
	Infrastructure Investment for Sustainable Jobs*	120
<b>Result</b>		<b>430</b>
<b>TOTAL:</b>		<b>935</b>

\* Candidate for MENA Concessional Financing Facility

\*\* In addition to the US\$100 million from the special IDA allocation, US\$135 million will be provided in grants, bringing the total commitment amount to US\$235 million.



## Annex 5: Operations Portfolio (IBRD and Grants)

As of May 26, 2016

**Closed Projects** 28

**IBRD Projects:**

Total Disbursed (Active)	138.57
of which has been repaid	28.19
Total Disbursed (Closed)	495.33
of which has been repaid	703.52
Total Disbursed (Active + Closed)	633.90
of which has been repaid	731.71
Total Undisbursed (Active)	678.10
Total Undisbursed (Closed)	14.69
Total Undisbursed (Active + Closed)	692.79

**Active Projects: IBRD & TFs/Grants**

Project ID	Project Name	<u>Last ISR</u>			Fiscal Year	<u>Original Amount in US\$ Millions</u>				<u>Difference Between Expected and Actual Disbursements<sup>a</sup></u>	
		Supervision Rating		Undisb.		Orig.	Frm Rev'd				
		<u>Development Objectives</u>	<u>Implementation Progress</u>					IBRD	IDA	Grants	Cancel.
<b><u>IBRD:</u></b>											
P050529	LB - Cultural Heritage and Urban Dev.	MS	MS	2003	58.5	0.0	0.0	0.0	6.2	-20.8	-20.8
P118187	LB - Education Development Project II	MU	MU	2011	40.0	0.0	0.0	0.0	33.4	30.7	7.1
P143594	LB-Environmental Pollution Abatement Prj	S	MS	2015	15.0	0.0	0.0	0.0	15.0	2.5	0.0
P133226	LB Fiscal Management Reform 2	MU	U	2014	5.2	0.0	0.0	0.0	4.6	0.0	0.0
P103063	LB- Greater Beirut Water Supply	MS	MS	2011	200.0	0.0	0.0	0.0	151.2	139.5	26.2
P127306	LB Supporting Innovation in SMEs Project	MS	MS	2013	30.0	0.0	0.0	0.0	24.9	0.0	15.1
P125184	LB-Water Supply Augmentation Project	MS	MS	2015	474.0	0.0	0.0	0.0	442.8	86.5	-17.9
<b><u>Sub-total IBRD (US\$ millions):</u></b>					<b>822.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>678.1</b>		
<b><u>TFs/Grants:</u></b>											
P111849	LB - ESPISP 2	MU	MU	2009	0.0	0.0	6.0	0.0	0.9	0.9	0.9
P149242	Emergency Nat'l Poverty Targeting Proj	S	S	2014	0.0	0.0	8.2	0.0	2.6		
P149724	LB-Municipal Services Emergency Project	MS	MS	2014	0.0	0.0	10.0	0.0	7.1		
P126734	The National Volunteer Service Program	S	S	2014	0.0	0.0	2.0	0.0	0.7		
P152646	Emergency Primary Healthcare Restoration	S	MS	2015	0.0	0.0	15.0	0.0	11.0		
P122540	LB: PCB Management in the Power Sector	S	MS	2015	0.0	0.0	2.5	0.0	2.2	-0.2	0.0
P152898	Emergency Education System Stabilization	S	S	2015	0.0	0.0	32.0	0.0	18.8		
<b><u>Sub-total TFs/Grants (US\$ millions):</u></b>					<b>0.0</b>	<b>0.0</b>	<b>75.7</b>	<b>0.0</b>	<b>43.3</b>		
<b><u>IBRD &amp; Grants Total Commitments (US\$ millions): 898.4</u></b>					<b><u>IBRD &amp; Grants Total Undisbursed (US\$ millions): 721.3</u></b>						

\* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

**Annex 6: Statement of IFC's Committed and Outstanding Portfolio**  
As of April 30, 2016

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2007	<a href="#">ADMIC</a>	0	0	4.00	0	0	0	4.00	0	0	4.00	0	0	0	4.00	0.00
2015	<a href="#">Al Maimoua</a>	1.71	0.29	0	0	0	0	1.71	0	1.71	0	0	0	0	1.71	0.00
1997/ 2013/ 1993/ 2014/ 2015/ 1994/ 2016	<a href="#">BBAC</a>	0	9.75	0	0	6.40	0	6.40	0	0	0	0	6.40	0	6.40	0.00
2010/ 2013/ 2014/ 2011/ 2015/ 2016/ 2012	<a href="#">BLC Bank</a>	0	0	0	0	5.33	0	5.33	0	0	0	0	5.33	0	5.33	0.00
2009/ 2010/ 2013/ 2006/ 2014/ 2007/ 2011/ 2015/ 2016/ 2008/ 2012	<a href="#">Bank Beirut II</a>	0	0	0	0	52.16	0	52.16	0	0	0	0	52.16	0	52.16	0.00
2009/ 2010/ 2013/ 2006/ 2014/ 2007/ 2011/ 2015/ 2016/ 2008/ 2012	<a href="#">Banque Libano.Fr</a>	0	0	0	0	51.54	0	51.54	0	0	0	0	51.54	0	51.54	0.00
2014/ 2015	<a href="#">Bank Audi SAL</a>	0	0	60.00	37.50	0	0	97.50	0	0	60.00	37.50	0	0	97.50	0.00
2013/ 2008	<a href="#">Butec Holdings</a>	0	0	0	15.00	0	0	15.00	0	0	0	15.00	0	0	15.00	0.00
1997/ 2010/ 1993/ 2000/ 2015/ 1994/ 2016	<a href="#">Byblos Bank</a>	0	38.83	71.43	0	0.92	0	72.35	0	0	71.43	0	0.92	0	72.35	0.00
2013/ 2014/ 2015/ 2016/ 2008/ 2012	<a href="#">CL sal</a>	0	11.50	0	0	7.45	0	7.45	0	0	0	0	7.44	0	7.44	0.00
2014/ 2015/ 2016	<a href="#">CreditBank</a>	0	0	0	0	6.00	0	6.00	0	0	0	0	6.00	0	6.00	0.00
1997/ 2009/ 2010/ 2013/ 1993/ 2014/ 2007/ 1995/ 2011/ 2015/ 1994/ 2016/ 2008/ 2012	<a href="#">Fransabank</a>	21.00	25.74	0	0	31.05	0	52.05	0	7.00	0	0	31.05	0	38.05	0.00
2001/ 1999/ 2014/ 1996/ 1995/ 2016	<a href="#">Lebanese Leasing</a>	5.00	15.50	0	0	0	0	5.00	0	3.50	0	0	0	0	3.50	0.00
2011	<a href="#">MobiNetS</a>	0	0	2.00	0	0	0	2.00	0	0	2.00	0	0	0	2.00	0.00
<b>Total Portfolio</b>		<b>27.71</b>	<b>101.60</b>	<b>137.43</b>	<b>52.50</b>	<b>160.86</b>	<b>0</b>	<b>378.50</b>	<b>0</b>	<b>12.21</b>	<b>137.43</b>	<b>52.50</b>	<b>160.84</b>	<b>0</b>	<b>362.98</b>	<b>0.00</b>

## Annex 7: Statement of MIGA's Exposure in Lebanon

As of June 7, 2016

### Portfolio Summary Report as of 6/7/16

Page 1 of 2

Host Country: Lebanon

#### A. Issuances

	FY12	FY13	FY14	FY15	FY16 YTD
Number of Projects	0	0	1	0	0
Number of Guarantees	0	0	2	0	0
Gross Exposure (\$M)	0	0	35	0	0
Current Exposure (\$M)	0	0	19	0	0
Net Exposure (\$M)	0	0	35	0	0

#### B. Runoff

	FY12	FY13	FY14	FY15	FY16 YTD
Cancellations (\$M)	0	0	0	0	0
Reductions (\$M)	0	0	0	0	0
Expires (\$M)	0	0	0	0	0

#### C. Priority Areas - Issuances

	FY12	FY13	FY14	FY15	FY16 YTD
South South	0	0	35	0	0
Conflict Affected	0	0	0	0	0
Complex	0	0	0	0	0
IDA	0	0	0	0	0
Priority Area	0	0	35	0	0

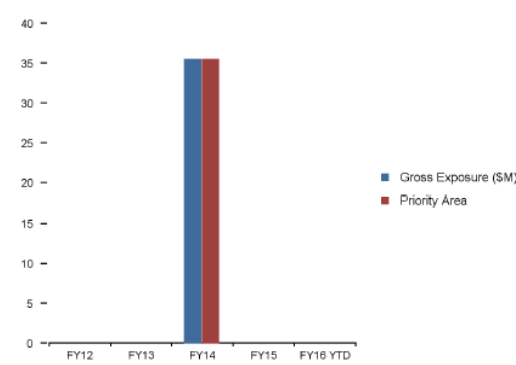
#### D. Outstanding Exposure

	FY12	FY13	FY14	FY15	FY16 YTD
Number of Projects	0	0	1	1	1
Number of Guarantees	0	0	2	2	2
Gross Exposure (\$M)	0	0	35	35	35
Adjusted Net Exposure (\$M)	0	0	35	35	35

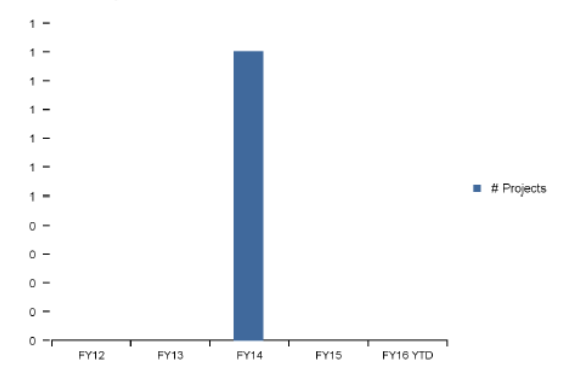
#### E. Risk Profile (Gross Exposure)

	FY12	FY13	FY14	FY15	FY16 YTD
Transfer Restriction	0	0	0	0	0
Expropriation	0	0	0	0	0
War & Civil Disturbance	0	0	35	35	35
Breach of Contract	0	0	35	35	35
NHSFO	0	0	0	0	0

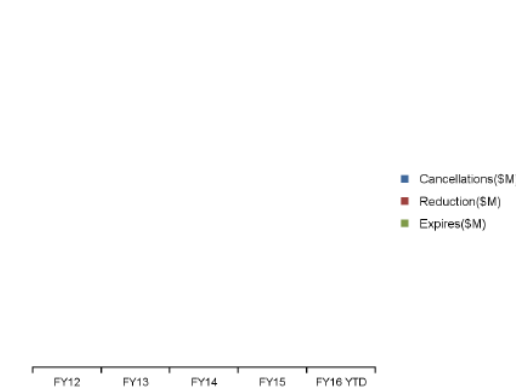
Issuances - Volume



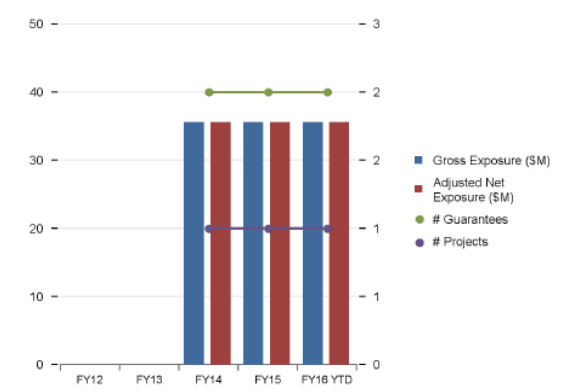
Issuances - Project Count



Runoff



Outstanding Exposure



**Portfolio Summary Report as of 6/7/16**

Host Country: Lebanon

**F. Active Guarantee Detail**

Management Sector	Contract	Effective Date	Expiry Date	Investor Name	Project Name	Business Sector	Region Name	Host Country	Investor Country	Priority Area	Risk Covers	Gross Exposure (\$USD)	Adjusted Net Exposure (\$USD)
AGS	12697-01	11/01/2013	10/31/2018	BUTEC International Limited	Distribution Service Provider	Services	Middle East and North Africa	Lebanon	Cyprus	SS,CA	WCD;BOC	34,380,000	34,380,000
AGS	13271-01	11/01/2013	10/31/2018	El-Sewedy Electrometer S.A.E.	Distribution Service Provider	Services	Middle East and North Africa	Lebanon	Egypt, Arab Republic of	SS,CA	WCD;BOC	1,080,000	1,080,000
<b>Grand Total</b>	<b>2 Contracts</b>											<b>35,460,000</b>	<b>35,460,000</b>

## Annex 8: Country Partnership Strategy Completion and Learning Review

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**Date of CPS (FY11-FY14):** July 28, 2010 (Report number 54690-LB)

**Date of CPS Progress Report:** April 18, 2013 (Report number 75814-LB)

**Completion and Learning Review prepared by:** Mouna Couzi (MNCLB)

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### I. INTRODUCTION

#### A. Context

1. **The Completion and Learning Review (CLR) is a self-evaluation by the World Bank Group (WBG) of the joint IBRD-IFC Lebanon Country Partnership Strategy (CPS) for FY11-15.** The CLR: (i) evaluates the CPS program performance in achieving WBG expected outcomes; (ii) assesses WBG performance in the design and implementation of the program and discusses its alignment with the WBG's twin goals of eradicating extreme poverty and increasing shared prosperity; and (iii) draws lessons for the new Country Partnership Framework FY17-22. The CLR uses both the updated CPS Progress Report (CPSPR) Results Framework as the reference for assessing the CPS program and draws on discussions with Bank Group staff members who have been involved in the delivery of projects and analytical and advisory work; as well as World Bank documents including ICRs, ISRs and other project documents.

2. **Overall progress toward achieving CPS outcomes was Moderately Satisfactory.** The CPS discussions, which began with the Government in early 2010, were aimed at putting the economy on a path to sustained broad-based economic growth, by focusing on four strategic goals over a period of four years: (i) Growth and Fiscal Sustainability; (ii) Competitive Business Environment; (iii) Economic Infrastructure (electricity, water, transport, environment and waste management, local development); and (iv) Human Capital Development and Social Protection. Out of 14 outcomes, four (4) were achieved, three (3) were mostly achieved, and seven (7) were partially achieved. Importantly, these outcomes were achieved during a period of severe stress in Lebanon due to the Syria crisis and increased political tensions.

3. **WBG performance in designing and implementing the strategy was Good.** The CPS was flexible and responsive to the country's priorities, and the design of the CPS remained relevant despite the evolving and volatile Lebanon context. Aligned with the needs of Lebanon's private sector, IFC's engagement was critical to the success of the WBG program having grown considerably in both volume and scope during the CPS period.

4. **Given the country's political instability over the last decade, the WBG's support to Lebanon during the CPS period envisaged a two-tiered approach:** (i) maintain a core program of engagement, which consists of selected investments in basic services, as well as technical assistance and analytical work that will serve to inform and build momentum around key reforms (Tier I); and (ii) stand ready to engage more deeply in additional areas that have been selected because of their critical role in supporting Lebanon's economic growth and social stability, should Lebanon implement a sound macroeconomic framework and introduce a robust reform program (Tier II).

5. **The CPS Progress Report of April 2013 (CPSPR – Report No. 75814-LB) reaffirmed the validity of the two-tiered approach as well as the Bank Group's support to the four strategic goals.** However, as the Bank Group's assistance program was severely challenged by the complex operating

environment and related risks throughout the CPS implementation (protracted periods of political uncertainty, changes and caretaker status of the Government which led to long delays in project implementation, increased regional instability, and significant impact of the ongoing Syria crisis), a revision of the CPS objectives towards more realistic goals was warranted. The CLR evaluates program performance against the adjusted Results Framework presented in the 2013 CPS Progress Report.

### *Syria Crisis, Its Impact on the CPS and the Bank Group's Response*

6. **Since the beginning of the crisis in Syria in March 2011, Lebanon has witnessed the largest influx of Syrian refugees compared to all of Syria's other neighbors.** By December 10, 2014, the refugee influx into Lebanon had expanded to 1.12 million people and led to one of the largest humanitarian crises of its kind for many years. UNHCR and United Nations (UN) partner agencies promptly established operations in Lebanon to respond to the crisis, but the support was primarily targeted to Syrian refugees and not to Lebanese communities whose quality of life and socioeconomic outcomes are mostly adversely affected by the influx.

7. **The effects of the conflict have rapidly moved beyond the humanitarian crisis to the economic and social spheres where large, negative, and growing spillovers are occurring.** The Economic and Social Impact Assessment (ESIA) of the Syria conflict conducted by the World Bank in August 2013 concluded that the conflict is expected to negatively and materially affect the poverty, livelihoods, health and human capital conditions of the Lebanese people. It is estimated that as a result of the Syria crisis, some 170,000 additional Lebanese have been pushed into poverty (over and above the current 1 million below the poverty line) by the end of 2014, and an additional 220,000 Lebanese, primarily unskilled youth, are estimated to have become unemployed.

8. **As the impact of the Syria conflict and the refugee crisis has spread, its consequences for Lebanese communities have increased dramatically and led to growing inter-communal discontent.** The large refugee presence, especially in many of the country's poorest regions, has heightened competition for scarce resources, employment, and access to social services, thus deepening the vulnerability of the Lebanese in these areas as they compete for limited resources. Even if refugees are largely living in very basic and insecure circumstances themselves, Lebanese communities have widely attributed the decline in their own living standards to the refugee presence. The fact that Syrian refugees have hitherto been the main beneficiaries of international and government assistance, remains a source of tension in host communities.

9. **As a result of major socio-economic changes in Lebanon since the 2010 CPS and the 2013 CPS Progress Report, the Bank's program has shifted to mitigate the impact of the Syria conflict on poor Lebanese households while pursuing a two-tiered approach in supporting Lebanon:** (i) addressing the short-term impact of the crisis on Lebanon; and (ii) continuing to support infrastructure investments and institutional reforms needed for medium-term growth and resilience. The Government of Lebanon (GoL) Roadmap of Priority Interventions for Stabilization from the Syria Conflict,<sup>47</sup> developed as an outcome of the ESIA, provides a set of short- and medium-term priority interventions targeted towards supporting Lebanese communities, households, and the economy more broadly.

10. **To support the implementation of the Roadmap, the GoL requested the World Bank to establish a financing mechanism allowing for the orderly, reliable and flexible flow of funds to finance priority interventions.** Towards this end, the Bank established in December 2013 the Lebanon Syria Crisis Trust Fund in order to provide urgent support – through grant-funded projects – to the Government. As of March 31, 2016, contributions to the LSCTF amount to approximately US\$75 million from Norway,

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<sup>47</sup> Lebanon Roadmap to Mitigate the Impact of the Syria Conflict, November 2013.

Finland, France, Netherlands, Sweden, Switzerland, the UK, and the World Bank's State and Peace Building Fund. To date, the LSCTF is financing three projects: (i) US\$10 million Municipal Services Emergency Project; (ii) US\$32 million Emergency Education System Stabilization Project; (iii) US\$15 million Emergency Primary Healthcare Restoration Project; and (iv) US\$10 million Additional Financing to the National Poverty Targeting Program.

## ***B. World Bank Group Engagement***

11. **In parallel, the Bank's lending program over the CPS period has responded to evolving Government needs in infrastructure**, including a programmatic engagement in the water sector, namely the Water Supply Augmentation Project (US\$474 million), which was approved by the World Bank's Board of Directors on September 30, 2014. Other areas of new engagement over the CPS period include fiscal management reform, environmental pollution abatement, and supporting innovation in SMEs. The two loans approved by the Bank in the areas of mobile internet ecosystems, and social promotion and protection were cancelled due to significant effectiveness and implementation delays caused by delays in approvals by the executive and legislative branches. In the timeframe of the CPS, nine IBRD loans for a total of US\$827.6 million were approved. In addition, the Bank's ongoing program supported greater access to basic infrastructure services, such as water and transportation.

12. **Knowledge and advisory services have been an important element of the Bank's engagement with Lebanon.** The Bank delivered 19 Advisory Services and Analytics (ASA) in the timeframe that spans this report, in areas such as macroeconomic management, public financial management, business environment, finance and capital market reform, structural reforms in electricity and water, education, employment and labor markets, and social safety nets. The Bank Group has adapted its analytical work to address shocks and crises, and increased its responsiveness to provide just-in-time technical assistance for specific policy issues.

13. **In the private sector, IFC significantly increased its investment and advisory activities in Lebanon during the CPS period with commitment volumes (equity, debt, guarantees and mobilization) exceeding US\$1.8 billion.** This represented a yearly average of US\$454 million in short-term and long-term commitments during the CPS period compared to an average of US\$192 million during the prior three-year period, an increase of 236 percent on average yearly commitments. Over the CPS period, IFC made large equity investments in systemically-important Lebanese banks, its first investment (equity) in Tripoli, its first loans to Lebanese microfinance institutions, and its first bank credit line in the MENA region to finance sustainable energy, among others. This is in addition to a large volume of guarantees to banks to encourage cross-border trade. IFC advisory activities helped financial institutions on a number of fronts including: (a) the launch of a dedicated program to support women-led businesses; (b) improving risk management practices; (c) scaling up lending for sustainable energy; and (d) increasing outreach to SMEs more generally. This is in addition to activities designed to improve corporate governance practices of IFC investees and other private sector firms, as well as efforts to improve the investment climate with projects designed to: (a) simplify the licensing regime in the tourism sector; (b) institutionalize mediation services through local partners as an alternative mechanism to resolve business disputes; (c) modernize the commercial registry and upgrade the framework for debt resolution; and (d) draft legislation to support increased lending to SMEs (i.e., draft Secured Transactions law).

## II. PROGRESS TOWARD COUNTRY DEVELOPMENT OUTCOMES

### A. Summary of CPS Program Performance

14. **The CPS program in Lebanon during FY11-15 achieved, or partially achieved, the majority of its objectives. Thus, the CPS outcomes are rated as Moderately Satisfactory.** The ongoing projects, new lending, program of ASA, policy advice, Technical Assistance (TA), Trust Funds, alongside IFC investments and advisory services achieved the stated CPS objectives and assisted the Government and private sector clients to meet their goals. The CPS made significant progress towards all expected outcomes, fully achieving four (4) out of fourteen (14) stated outcome indicators, while the rest were either mostly achieved or partially achieved (as shown in Table 1). Nonetheless, a few areas witnessed slow implementation of projects, slow momentum for reform, and effectiveness/ratification delays, partly due to periodic bouts of paralysis in the Government.

**Table 1: Achievement of CPS Outcomes (Overview)**

Objectives	Status at Completion			
	Achieved	Mostly Achieved	Partially Achieved	Not Achieved
<b>Goal 1: Strengthened Fiscal and Public Financial Management (Mostly Achieved)</b>				
1.1 Fiscal Space: Better informed fiscal policy decisions	√			
1.2 Public Financial Management: Improved transparency and control environment in public financial management		√		
1.3 Statistical Capacity Building: Enhanced capacity of Central Administration of Statistics (CAS) to carry out and analyze key surveys			√	
<b>Goal 2: Improved Competitiveness (Mostly Achieved)</b>				
2.1 Business Environment: Improved Business Environment			√	
2.2 Access to finance for SMEs and Women Entrepreneurs: Improved access to finance among SMEs & Women Entrepreneurs	√			
2.3 Trade and Regional Integration: Improved access by private sector to trade financing	√			
2.4 Telecommunications: Improved capacity to develop strategy for and regulate the Telecommunication sector			√	
<b>Goal 3: Improved Economic Infrastructure (Mostly Achieved)</b>				
3.1 Electricity: Improved capacity to implement the Government's electricity sector reform strategy			√	
3.2 Water: Increased access to and reliability of potable water in targeted project areas			√	
3.3 Transport: Improved efficiency of existing urban transport infrastructure and traffic management in Beirut city and GBA		√		



- 3.4 Environment and Waste Management: Improved environmental management √
- 3.5 Local Development: Basic services restored and local economic recovery and development supported √

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**Goal 4: Enhanced Human Capital Development and Social Protection (Partially Achieved)**

- 4.1 Education: Increased availability of Education data for decision making in MEHE √
- 4.2 Social Protection and Social Safety Nets: Improved administration, delivery & financial sustainability and targeting of social services √

15. Details of the evaluation are contained in the Results Matrix and highlights are summarized below.

***B. CPS Program Implementation and Achievement of Strategic Goals***

**Strategic Goal 1 - Strengthened Fiscal and Public Financial Management (Mostly Achieved)**

16. **Overall, this goal was mostly achieved.** In the area of strengthening the Fiscal Space, the outcome of better informed fiscal policy decisions was fully achieved. In Public Financial Management (PFM), the outcome of improved transparency and control environment in public financial management was mostly achieved. The outcome of enhanced capacity of Central Administration of Statistics (CAS) to carry out and analyze key survey for Statistical Capacity Building was partially achieved.

***CPS outcome: Fiscal Space***

17. **The outcome was fully achieved.** This outcome was achieved through the development of a Medium-Term Fiscal Framework, as well as a medium-term debt strategy in 2013 (updated in 2014), which was officially endorsed by the Minister of Finance and the Central Bank in May 2014. Additionally, an Economic and Social Impact Assessment of the Syria conflict was completed in record time and presented to the UN Security Council, paving the way for the Multi-Donor Trust Fund for Lebanon. Several TA activities were instrumental in helping the Government advance on reforms: a *study on Lebanon's Capital Inflows* helped analyze the nature and drivers of these inflows, interactions with monetary and fiscal policies, and the extent to which they can foster sustainable, broad-based growth in Lebanon; a study on *Boosting Growth and Social Welfare in a Context of Fiscal Consolidation* focused on macro-fiscal sustainability and improving fiscal space; and several policy notes on electricity, telecommunications, and public sector wages helped to address questions about key macro-fiscal sustainability and fiscal space constraints.

***CPS outcome: Public Financial Management***

18. **The outcome was mostly achieved.** The Bank TA on PFM helped the GoL improve the budget preparation process and its comprehensiveness, by strengthening the integration of the current and capital budget, placing the annual budget in a multi-year perspective, and strengthening budget execution with a focus on the treasury management function. In the absence of an approved budget since 2005, the efforts were refocused on key elements to improve fiscal transparency and budget management, including the revision of the budget classification to bring it in line with GFS 2001 norms; the revision of the public accounting law; the development of a budget preparation circular, which is now based on a macro-fiscal framework and clear costing norms; the adoption of accounting procedures and guidelines, and the introduction of commitment controls and payment forecasting to avoid over-commitments and improve

cash management. With support from the Bank TA, the budget classification is now aligned with GFS 2001 and the draft budgets for 2014 and 2015 have been prepared using this classification. A budget preparation manual was also revised. On the other hand, new accounting procedures and guidelines were prepared but they have not been adopted formally by the Ministry of Finance to date. While a Medium-Term Fiscal Framework has been prepared, the MTEF remains a target and in both cases, an endorsement by the Council of Ministers is recommended to ensure line ministries adhere to the targets and ceiling identified by these frameworks, and hence achieve the underlying objectives behind these planning frameworks.

***CPS outcome: Statistical Capacity Building***

19. **The outcome was partially achieved.** The Bank provided funding to the Government in revising the Statistical Law and designing an implementation plan for the Statistical Master Plan (SMP), and outcomes under this area have been mixed. The GoL has to date not endorsed the SMP, and no agreement has been reached on the statistical legal framework. This has been partly due to the political stalemate and the caretaker status of the previous government, which led to a loss of momentum. A circular regarding the SMP has been drafted and submitted to the Council of Ministers for its consideration. In order to move to the actual implementation of the Statistical Master Plan over a five-year period, consensus within the GoL must be reached on its implementation and financing. Despite this mixed progress throughout the CPS period, the World Bank engaged with the Central Administration for Statistics (CAS) to develop statistical technical capacity in poverty monitoring, through poverty analysis and social statistics (TAPS), and the design of a Household Budget Survey. All surveys conducted by the CAS are now being carried out according to international standards. In addition, through a component on "engendering" statistics funded by Bank TA, three analytical pieces were carried out by the CAS on Gender and Education, Gender and Health, and Gender and Labor. The CAS now has a link on Gender statistics on their website and has launched a publication series called "Statistics in Focus", which initially covered Gender statistics and has since been expanded to cover other sectors.

**Strategic Goal 2 – Improved Competitiveness (Mostly Achieved)**

20. **Overall, this goal was mostly achieved.** As part of its efforts to help improve the business environment for private sector development in Lebanon, the IFC is supporting the GoL in reducing the burden on investors by helping to modernize the commercial registry, and to reduce the time and number of business registration procedures through simplification of regulations and introduction of ICT applications. Delays and other challenges required the IFC project to be restructured into two phases. The first phase was focused on building consensus around a reform strategy and was achieved during the CPS period. The second phase will focus on implementation of the strategy and is expected to be implemented during the FY17-FY22 CPF period, after which specific process improvements should be achieved. This should ultimately facilitate the entry of new businesses, help informal businesses become formal, and consequently benefit the rights and services available to registered firms, and attract more investments in Lebanon.

***CPS outcome: Business Environment***

21. **The outcome was partially achieved.** Coordinating closely with the Office of the Presidency of the Council of Ministers and in partnership with the European Commission in a number of areas, IFC has supported efforts by the Ministry of Justice, Ministry of Tourism and Ministry of State for Administrative Reform, among others, to improve Lebanon's business environment. For example, with IFC support a law on Secured Transactions was drafted, which would allow banks to lend against movable assets in order to facilitate increased access to finance for smaller and medium size firms. The draft law awaits parliamentary consideration. Given that the Lebanese Parliament does not meet regularly, it is unclear when this (or other draft laws) might be approved. In addition, a court-referred mediation mechanism has been embodied in the draft judiciary mediation law, mediation centers have been established in Beirut and Tripoli, mediators have been trained, and awareness about the benefits of mediation has been raised. To date, the market

response to the launch of mediation services has been limited with few actual cases. However, slow market uptake is in line with international experience which demonstrates that it typically takes up to 5 years for the market to adopt mediation in significant numbers. The regime for addressing insolvency is also being improved which includes drafting of bankruptcy legislation and modernization of the status of insolvency practitioners. While the draft bankruptcy legislation will likely take time to be adopted, IFC has assisted the Banque du Liban (BdL) in drafting a circular to facilitate resolution of past due bank loans, which was published in October 2015. The IFC is also collaborating with the Ministry of Tourism and the Office of the Minister of State for Administrative Reform to simplify the regime for granting licenses and approvals required in the tourism sector. This project aims to reduce the time and cost required to license a business by streamlining, simplifying and automating key licenses in the tourism sector through the issuance of decrees by the Ministry of Tourism (thus avoiding parliamentary hurdles). One decree has been approved by the Cabinet while the second is still pending. Once both decrees are adopted and implemented, it is expected that the cost and time necessary to obtain licenses through the Ministry would be reduced by more than half (currently 590 days).

***CPS outcome: Access to Finance for SMEs and Women Entrepreneurs***

22. **This outcome was fully achieved.** Both financing capacity and actual financing to these target groups have increased over the CPS period. The GoL took a clear step towards addressing the market gap in early stage equity financing for SMEs through the World Bank-financed project on Innovation in SMEs. The project finances Concept Development Grants and Equity Investments to stimulate start-ups and bring innovative early stage companies to scale. The BdL also extended its support to SMEs through the launch of its Circular 331 initiative that provides early equity to SMEs. These initiatives have been further complemented by the SME Technical Assistance grant from the World Bank-administered multi-donor regional facility. These funds will provide, inter alia, matching grants to business development service providers, including accelerators and incubators, to strengthen their product mix and market outreach and support start-up enterprises to effectively deploy and manage equity finance.

23. Building on these targeted initiatives, technical assistance to the BdL was provided on two related fronts: (i) the Bank is assisting further development of its national payment systems in coordination with IFC that conducted an assessment of private sector activities related to mobile payment systems; and (ii) comprehensive revamping of the regulatory framework for capital market activities. Following the 2013 FSAP Development Module, the WBG advised on drafting the regulations for licensing of institutions and registration of professionals, business conduct, market conduct, securing offerings and disclosure regime, collective investment schemes, and prudential rules. This engagement originates from the fact that the Parliament created in 2011 a new, independent Capital Market Authority (CMA) that took over the role of BdL in this area. Bringing the regulatory framework in line with the international best practice is a condition for developing a sustainable local capital market, introducing new instruments and practices, and providing the private sector with a broader range of financing solutions to complement the services offered by banks (e.g. infrastructure, equity for young firms, securitization of SME loans). The CMA and national payment systems work streams reinforce each other in that the CMA has become the regulator and supervisor of the financial market infrastructure of Lebanon.

24. The IFC undertook a number of advisory and investment initiatives to increase access to finance to SMEs, as well as microenterprises. For example, the IFC advised BLC Bank on how to scale up its lending to SMEs and how to target women and women-owned businesses as a unique market segment. This program was the first of its kind in the MENA region and has evolved into a showcase example within IFC for successful “women’s banking” programs, having been runner-up in IFC’s Chief Executive Officer Gender award in FY13 and being the core engagement of MENA’s women’s banking program which won IFC’s Gender Award for FY15. BLC Bank also licensed the IFC’s “SME Toolkit” which is an online platform available to all SMEs in Lebanon to assist in business operations. In addition, the IFC advised three Lebanese financial institutions (Banque Libano-Francaise, Fransabank, and Lebanese Leasing

Company) on how to scale up lending to finance sustainable energy projects (i.e., energy efficiency, renewable energy and cleaner production) targeting SMEs and corporate clients. These Sustainable Energy Finance (SEF) assignments were the first in MENA for the IFC, and the successful experience of these banks has positioned Lebanon as a leader in MENA for SEF. The latter two institutions also benefited from the IFC lines of credit to help finance the SEF projects.

#### ***CPS outcome: Trade and Regional Integration***

25. **This outcome was fully achieved.** Participation by client banks in the IFC’s Global Trade Finance Program (GTFP), which provides guarantees to banks to facilitate international trade flows, grew significantly during the CPS period ensuring bank clients had the financing needed to import and export. The number of Lebanese partner banks grew from 3 to 8 over the period and cumulative guarantee volumes exceeded US\$1 billion, making Lebanon one of the top users in the IFC’s global network.

26. Significant equity and debt investments in systemically-important Lebanese banks (i.e., Byblos Bank and Bank Audi) helped strengthen capital bases, which allowed the banks to weather shocks (e.g., global financial crisis and Syria conflict in the case of Byblos Bank), while supporting Bank Audi’s regional expansion into Turkey. Likewise, IFC provided a loan to Malia Group, a Lebanese sponsor, to open its first hotel project in Iraq. The IFC was also successful at helping Lebanese sponsors (e.g., Medgulf Insurance) attract significant capital from international investors at a time when the Lebanese economy was under significant stress.

#### ***CPS outcome: Telecommunications***

27. **The outcome of improved capacity to develop a strategy for and regulate the Telecommunication sector was partially achieved.** The Bank provided substantive advice on the development of a Telecommunication Sector Strategy, including assistance through a TA on Broadband Strategy and Deployment to model different broadband reform scenarios with a view to supporting top policy makers (in the Ministries of Telecommunications and Finance) to take decisions on broadband sector reform. While the goal of informing and assisting policy makers was achieved, the outcome of this engagement is rated as partially achieved because the Broadband Strategy 2020 is only just now being finalized after much delay and does not articulate an optimal use of public funds or private capital. The Bank also supported capacity building of the Telecommunications Regulatory Authority through an IDF grant, and all of the objectives under the project were satisfactorily completed. Specifically, the Telecommunications Regulatory Authority was successful in streamlining and enhancing the transparency of its internal processes and preparing additional regulatory instruments to enhance its internal capacity. Cutting across these components, a new Management Information System has been installed to support the TRA and is operational.

#### **Strategic Goal 3 – Improved Economic Infrastructure (Mostly Achieved)**

28. **Overall, this goal was mostly achieved.** In the **Electricity sector**, the outcome of improved capacity to implement the Government’s electricity sector reform strategy was only partially achieved due to lack of consensus to move forward on reforms. In the **Water sector**, the outcome of increased access to and reliability of potable water in targeted project areas was partially achieved, although reforms have progressed well in this sector. In the **Transport sector**, the outcome of improved efficiency of existing urban transport infrastructure and traffic management in the city of Beirut and Greater Beirut Area has been mostly achieved, as traffic management is being reformed through the implementation of a new Traffic Management program. In the **Environment sector**, targets towards improved environmental management have been fully achieved. In the **Local Development** area, the outcome of basic services restored and support for local economic recovery and development have been mostly achieved.

*CPS outcome: Electricity*

29. **In the Electricity sector, the outcome of improved capacity to implement the Government’s electricity sector reform strategy was partially achieved.** A roadmap for reform of the EdL was developed, calling for its corporatization in accordance with commercial principles and building its management capacity. However, political consensus regarding this roadmap has still not been achieved and its implementation remains uncertain. The World Bank provided support to the Ministry of Energy and Water in the development of its Policy Paper on the Electricity Sector, through the Emergency Power Sector Reform Capacity Reinforcement Project, and additional studies to show the economic benefits of developing Liquefied Natural Gas (LNG) supply to provide lower cost fuel for power generation. Several Bank-executed technical assistance activities were also provided for the development of an Energy Efficiency Framework, an action plan for promoting energy efficiency measures in Lebanon, and for the development of a wind power market in Lebanon.

30. The Government’s efforts to leverage the private sector to reduce non-technical losses and improve service delivery within the electricity sector, resulted in the award of contracts to three Lebanese firms (Distribution Service Providers (DSPs) to upgrade and maintain the state-owned electricity distribution network. In support of these efforts, the IFC committed US\$8 million in financing to an IFC investee to help fund its DSP subsidiary although the client subsequently decided against drawing on the commitment. Coordinating closely with IFC, MIGA concluded its first transaction in Lebanon by providing US\$35.5 million in coverage to foreign investors of this DSP subsidiary. Other efforts by the IFC to engage with the Government on PPP transactions in the sector have been stymied by the lack of an effective authorizing environment.

*CPS outcome: Water*

31. **In the Water sector, the outcome of increased access to and reliability of potable water in targeted project areas was partially achieved.** The technical, financial and managerial capacity of the Beka’a Regional Water Establishment and the Beirut Mount Lebanon Water Establishment (BMLWE) was strengthened through the appointment of the Managing Director for the Beka’a Regional Water Establishment and the development of a business plan, as well as the implementation of several important utility strengthening activities within the BMLWE. Despite significant results in infrastructure delivery on the ground (namely in the Ba’albeck and West Beka’a regions), the water sector continues to be challenged by delays in the implementation of critical reforms, including those related to cost recovery, utility strengthening, and public private participation, as discussed in the IEG review of both water projects implemented during the CPS period. Moving forward, the Greater Beirut Water Supply Project (GBWSP) and the Water Supply Augmentation Project will continue to support utility strengthening of the BMLWE in general, as well as the implementation of the Ministry of Energy and Water’s National Water Sector Strategy more broadly. The Bank has also played an active role in supporting the development and implementation of the Government’s strategy for improving the sector’s performance, through TA in the development of a National Water Sector Strategy and the development of its own World Bank Country Water Sector Assistance Strategy.

*CPS outcome: Transport*

32. **In the Transport sector, the outcome of improved efficiency of existing urban transport infrastructure and traffic management in the city of Beirut and Greater Beirut Area has been mostly achieved.** The utilization of the existing infrastructure and scarce public space in Beirut has been largely improved through the installation of traffic signals, a Traffic Management Center, parking meters, and infrastructure improvements at critical intersections. Technical assistance and analytical and advisory services to the Ministry of Public Works and Transport were instrumental in supporting the finalization of GoL’s Public Transport Strategy to improve mobility within the Greater Beirut Area through the development of an integrated public transport system plan (“TransBeirut”). This is paving the way to move to the next

level of congestion reduction measures in Greater Beirut through the future introduction of reliable mass transit and public transport solutions.

***CPS outcome: Environment and Waste Management***

33. **The outcome of improved environmental management was fully achieved.** The World Bank partnered with the GoL in the preparation of a Country Environmental Analysis (CEA, June 2011) which provided the analytical underpinnings for integrating environment into the development process. One of the main recommendations of the CEA was “Managing Environmental Risks” to assist the GoL in reducing environmental threats due to pollution and natural resources degradation. Subsequently, the Bank-financed Environmental Pollution Abatement operation was approved in 2014. The World Bank has assisted the GoL in developing the Environmental Impact Assessment (EIA) guidelines which were approved by parliament; the EIA application decree no. 8633 was subsequently issued by the Council of Ministers (COM) in 2012. Since then, the EIA system is being fully implemented in Lebanon. The Strategic Environmental Assessment (SEA) was also implemented by virtue of decree no. 8213 of 2012. Decree no. 8471 of 2012 has established the Environmental Compliance certification for enterprises which is operational. Furthermore, an ongoing IDF grant for Environmental Compliance is contributing to the improvement and strengthening of environmental compliance in the industrial sector (particularly in SMEs) in Lebanon. In relation to managing environmental risks, a GEF grant for the management of PCBs in the power sector was approved in 2014 and became effective in March 2015. An ongoing IDF grant for Environmental Compliance is contributing to the improvement of environmental compliance in the industrial sector (particularly in SMEs) in Lebanon. In relation to managing environmental risks, a GEF grant for the management of PCBs in the power sector was approved in 2014 and became effective in March 2015.

***CPS outcome: Local Development***

34. **The outcome of basic services restored and local economic recovery and development supported was mostly achieved.** An Additional Financing to the First Municipal Infrastructure Project was processed as a grant in order to support Lebanon’s efforts to rebuild infrastructure and alleviate the impact of the 2006 Lebanon-Israeli conflict on municipalities. The project contributed to short- and medium-term reconstruction and economic recovery and directly benefited an estimated 375,427 people with restored basic services and economic development opportunities. The project included 440 sub-projects which benefited 178 municipalities, restored basic infrastructure, and contributed to bringing the city environment back to pre-conflict or better conditions, reestablishing transport and access to water, and providing street lighting for increased security. Technical assistance and training were also provided to support municipalities with the technical, social, environmental and economic criteria required for the prioritization of their needs.

35. On June 20, 2014, the Bank approved the allocation of a US\$10 million grant from the State and Peacebuilding Fund to the Lebanon Syria Crisis Trust Fund to finance the Municipal Services Emergency Project with the objective of addressing urgent community priorities in select municipal services. The project targets the areas most affected by the influx of Syrian refugees and focuses on services ranging from solid waste management, water, wastewater and sanitation, roads (and related services), recreational facilities and community activities. The project became effective on February 25, 2015, and implementation has begun.

36. The efforts to support the conservation and management of Lebanon’s cultural heritage and increased local economic development in a number of historic cities have been mostly achieved. The Cultural Heritage and Urban Development Project (CHUD), co-financed by the Lebanese Government, the Bank, the French Government, the *Agence Française de Développement*, and the Italian Government, has been successful in promoting a balanced vision of development encompassing heritage protection, urban management, and local economic development. This approach is supported by participatory processes

which place the municipalities at the core of the project. Urban development encompasses improvements in the quality of life through infrastructure and housing development, poverty alleviation, and enhancement of the cities' appeal by way of traffic management, restoration of historic buildings and beautification works. Local economic development targets local businesses, hospitality, and tourism in and around the sites and in the cities' historic centers. The most successful achievements include the rehabilitation of Byblos' historic center, which attracts a sustained flow of local visitors and tourists throughout the year, and the rehabilitation of parts of Tripoli's, Saida's, Baalbeck's and Tyre's historic districts, which is enhancing the appeal of the cities, in addition to a number of archeological works.

37. Analytical work included the preparation of a Tourism Sector Assessment and Growth Potential Study, completed in December 2010. The study provided evidence of the role of the sector as a main driver of economic growth, underlined its potential regional and local development impact, and suggested adopting a "hub and spoke" strategy to boost the sector, notably outside the Beirut and Mount Lebanon areas.

#### **Strategic Goal 4: Enhanced Human Capital Development and Social Protection (Partially Achieved)**

38. **Overall, this goal was partially achieved.** The outcome of improved availability of education data for decision making in the Ministry of Education and Higher Education (MEHE) was partially achieved. In the area of Social Protection and Social Safety Nets, although the planned reforms at the National Social Security Fund were dropped, progress was achieved with the formal adoption of the National Poverty Targeting Program (NPTP) in 2009, as well as the approval by the Government of the New Entrants to Work program in 2011. More recently, in March 2015, the Bank approved two grant-funded emergency projects: one in education sector aimed to support the operational needs of Lebanese public schools and to improve the learning environment, and the other in health sector aimed to restore access to essential healthcare services for poor Lebanese affected by the influx of the Syrian refugees.

##### ***CPS outcome: Education***

39. **The outcome for the Education sector was partially achieved.** The Bank's support to the development of a National Education Sector Strategy in 2010 through the first Education Development Project (EDP I), and institution building of the MEHE, resulted in the adoption of policies and programs focusing on early childhood development and teacher professional development. This has resulted in improved learning environments in preschool. In addition, as a result of persistent and consistent capacity building, the MEHE began a comprehensive, multi-donor supported education reform program. However, this has largely stalled in the last two years due to a lack of appetite for policy reform both within the Ministry and nationally, and the ongoing Second Education Development Project (2010-2016) is currently in problem status. Elsewhere in the sector, the World Bank has provided technical assistance on university governance and has begun a Public Expenditure Review. This work informs the policy dialogue on quality assurance and keeps the dialogue going on the reform despite an overall lack of policy movement.

##### ***CPS outcome: Social Protection and Social Safety Nets***

40. **The outcome under Social Protection and Social Safety Nets was achieved on the safety net side but not achieved on the social insurance/pensions side.** With respect to the former, the impact, efficiency and effectiveness of Lebanon's social safety nets is being improved through the implementation of the first poverty-targeted social assistance program in Lebanon, the National Poverty Targeting Program (NPTP), which was launched in October 2011, and is now fully operational. The NPTP is based on a transparent targeting mechanism, the proxy-means testing (PMT), which only uses poverty (welfare) as the criterion for eligibility (not confessional or political affiliation). The NPTP was piloted under the World Bank Emergency Social Protection Implementation Support Project, ESPISP I (2009), and launched nationwide under the ESPISP II (2011-2013). More importantly, through the NPTP, institutional capacity has

been built in the Ministry of Social Affairs and the Presidency of the Council of Ministers. The NPTP has also ensured gender equality by aiming to target 50 percent of female beneficiaries for the provision of benefits. For the first time in its modern history, Lebanon today has a program with an objective of poverty reduction and which has already reached thousands of Lebanese households through the distribution of education and health benefits. More recently, in response to the impact of the Syria crisis on Lebanon and specifically the rise of poverty rates among Lebanese, the World Bank prepared, at the Government's request, a grant-funded project to scale up the number of beneficiaries covered under the NPTP. The scale up is a three-year US\$8.2 million Emergency National Poverty Targeting Program Project. The project introduces new benefits to the already existing basket of benefits, namely food assistance provided through an electronic card system, currently being implemented by the World Food Programme (WFP) for Syrian refugees in Lebanon. The UNHCR has provided US\$3.4 million to contribute to financing the e-card food voucher component of the project. The objective of the GoL is to reach 350,000 individuals in three years in the areas heavily impacted by refugee presence and all Lebanese living under the extreme poverty line. To date, more than 125,000 households (495,000 individuals) have applied to the NPTP program, and approximately 86,000 households (376,000 individuals) were deemed eligible to receive the health and education benefits. Finally, a total of around 5,000 households (27,200 individuals) have received the e-card food voucher benefit for six months to date, as part of the Emergency NPTP project. Component II of the ESPISP II (Rationalizing Health Sector Expenditures) achieved all its targets as planned. The project was successful in supporting the Ministry of Public Health with developing an automated billing system to improve the efficiency of claims processing. The project also established a: (i) utilization review management function, staffed and integrated into administrative processes of the Ministry (this was further formalized through a Ministerial Decree 1/802 dated 22 April 2014); (ii) system of Admission Criteria and admission guidelines to reduce inappropriate inpatient admissions and lengths of stay; and (iii) system of hospital performance assessment to reimburse hospitals based on selected number of key performance indicators (the implementation of new hospital-performance contracting was formalized in a Ministerial Decree 1/1686 dated 29 September 2014, and new rates became effective on November 1, 2014).

41. In addition, a multi-year technical cooperation program on labor markets entitled "MILES" (Macroeconomy, Investment Climate, Labor, Education, Social Protection) assisted the GoL in identifying constraints to the creation of quality jobs, presenting policy options in the areas related to the investment climate, education and training options, labor regulations, social insurance and labor market programs. The MILES program has resulted in the identification of an innovative active labor market program for first-time job seekers (the New Entrants to Work Program) which aims to address both demand and supply side constraints in the Lebanese labor market and therefore increase the employability of Lebanese school and university graduates. This New Entrants to Work Program is funded through the ESPISP II project, which was restructured in 2014 to enable Government to fully accomplish the objectives of the New Entrants to Work (NEW) program, and, while it had been in problem status for some time due to the need for an administrative decree, this has recently been resolved, and the program is expected to move forward quickly. The MILES program also resulted in the modeling of the Lebanese economy through the development of a Computable General Equilibrium Model, which is being employed by the Government to simulate the impact of proposed social policies such as increases in wages and salaries on growth, investment, and employment levels. Finally, the Bank's programmatic TA in pension reform has resulted in a revised proposal for private workers' pension.

### ***Overall Progress in Financial Management and Procurement***

42. **In the area of public financial management, the Bank supported the GoL in several areas, including:** strengthening internal controls and internal audit, through several knowledge exchanges workshops; raising awareness of the Court of Accounts (CoA) through several capacity building events and training, which contributed in helping the CoA in prioritizing its reforms needs; engaging with the Lebanese Finance and Budget Committee at Parliament to increase its awareness on the role of the legislators during



the preparation and implementation of public budgets; promoting a channel for dialogue and exchange of experiences for Lebanon, through connecting them with other countries in major annual forums such as the “Exchange”, Bootcamps, and Solutions Lab, as part of the connecting voices initiative, enabling countries to share experiences, lessons learned and best practices.

43. **In the area of corporate financial reporting, the Bank has supported the GoL in several areas, including:** promoting a sound financial reporting environment, through Bank support to the Lebanese Association of Certified Public Accountants to prepare the launch of the Quality assurance and peer review process, which is an important part of the Association’s action plan and membership requirement in the International Federation of Accountants. In addition, the Bank engaged with the newly established Capital Markets Authority (CMA) to clarify its role and responsibilities with regards to supervising the company’s accounting and auditing, and enhancing coordination between CMA and other organizations to promote high quality financial information.

44. **In the area of procurement, the Bank is supporting Lebanon under two dimensions: (i) public procurement reform through enhancement of the central tender board procurement regulatory mandate, as well as support in drafting the new Public Procurement Law; and (ii) investment operations through continuous training in procurement procedures to the Borrower.** Under the Emergency Fiscal Management Reform Project, a particular focus aiming to enhance the performance of the central tender board (General Inspection) has resulted in the development of a single entry procurement portal, standard bidding documents, procurement manuals, capacity building, etc. In parallel, a technical assistance was deployed to improve the draft Public Procurement Law, which has been submitted to Parliament for ratification. For enhancing the portfolio performance, continuous procurement trainings are being provided by the Bank to project implementing units of new and ongoing projects. Topics included various types of procurement methods, drafting technical specifications, participating in evaluation, contract management and acceptance of deliverables, etc. This training and the capacity building activities have led to the improvement of procurement documents, increased procurement processing efficiency and quality, and enhanced contract management performance with a decrease in contracts’ extensions and amendments. In coordination with the World Bank, the Lebanese Institute of Finance is providing training in procurement leading to an official certification, as well as training program to SMEs to increase their success in entering in public procurement contracts.

### *C. Portfolio Performance*

45. **During the CPS period, a total of US\$827.6 million in IBRD lending was approved (nine investment loans, including additional financing),** which exceeded the envisaged lending program of US\$550 million. **In addition, a total of US\$39 million in recipient-executed grants was approved for eight projects,** which received financing from various trust funds administered by the World Bank such as the State and Peace Building Fund (SPBF), the Global Fund for Youth Investment (GFYI), the Institutional Development Fund (IDF), the Lebanon Trust Fund (LTF), the Global Environment Fund (GEF), and the newly established LSCTF.

46. **The planned Bank program was adjusted to address the impact of external shocks and the recent events across the Region, including the Syria crisis.** Combined with the political and economic challenges in the country, these events are major factors that continue to affect Lebanon today. To help Lebanon cope with the impact of the crisis, the LSCTF was established in December 2013 and the Trust Fund for Lebanon was used to scale up the NPTF. Three projects were financed under the LSCTF in the areas of emergency municipal services, emergency education and emergency primary healthcare services. As of March 31, 2016, the active World Bank portfolio in Lebanon consisted of seven investment operations

for a total net commitment of US\$822.7 million in IBRD loans, and eight recipient-executed grants valued at US\$76.04 million.

47. **At the beginning of the CPS period in FY11, portfolio performance was satisfactory with a strong disbursement ratio of 43.8 percent.** Lebanon was one of the best performers in the Region at the time. Thereafter, the portfolio showed signs of weakness and the disbursement ratio drastically declined from FY12 to the present: FY12 at 9.7 percent; FY13 at 4.6 percent; FY14 at 3.5 percent; and FY15 at 2.5 percent. In FY11, the portfolio comprised: (a) ten projects which were approved between FY02 and FY09 and have been disbursing on schedule; and (b) two new IBRD loans from the current strategy which were approved in mid-FY11 - Greater Beirut Water Supply Project (GBWSP) for US\$200 million, and Second Education Development Project (EDP II) for US\$40 million. The sharp decline in disbursements started in FY12 with the two new IBRD loans (GBWSP and EDP II), which at the time had not yet been declared effective (six months after approval by the World Bank’s Board of Directors). At the beginning of FY12, these two projects had significant undisbursed balances and did not disburse at all during the fiscal year, thus adversely affecting the performance of the entire portfolio and causing the disbursement ratio to drop to 9.7 percent. Since then, most new projects approved by the World Bank experienced long delays in Cabinet approval and Parliament ratification, making effectiveness delays a major impediment to project implementation. As of end December 2014, eight projects which were approved between FY12 and FY15 were not yet effective: Mobile Internet Ecosystem Project (US\$6.4 million)<sup>48</sup>; Fiscal Management Reform II (US\$5.2 million)<sup>49</sup>; Environmental Pollution Abatement Project (US\$15 million)<sup>50</sup>; Water Supply Augmentation Project (US\$474 million)<sup>51</sup>; Supporting Innovation in SMEs Project (US\$30 million)<sup>52</sup>; Social Promotion and Protection Project (US\$30 million)<sup>53</sup>; Municipal Services Emergency Project (US\$10 million); and PCB Management in the Power Sector (US\$2.5 million).

**Table 2. Portfolio Status Indicators by Year**

Fiscal year	# Proj	Net Comm Amt	Tot Disb	# Proj At Risk	% At Risk	# Prob Proj	% Prob Proj	Proact Proj	Actions #	% Proactivity
2011	11	510.2	196.1	5	45	3	27	2	0	0
2012	9	450.3	140.7	6	67	2	22	3	2	67
2013	10	505.2	150.6	5	50	2	20	2	2	100
2014	11	529.0	158.9	6	55	2	18	2	2	100
2015	15	1,032.0	171.2	9	60	4	27	3	2	67

48. **While the average number of problem projects per fiscal year during the CPS period was about three, the recurring factor has historically been delayed effectiveness.** The trend shows that projects took an average of two years to become effective and as new projects were approved, the impact of effectiveness delays was carried forward to the next fiscal year. Long effectiveness delays translate into implementation delays and results in projects being rated unsatisfactory in either implementation progress (IP) or development objective (DO), or both. Furthermore, other implementation issues also emerged such as delays in counterpart funding, slow disbursement, non-compliance with legal covenants, monitoring and evaluation, procurement, project management and financial management issues, all of which required proactive actions by the World Bank teams. Table 2 indicates that during the CPS period eight proactive

<sup>48</sup> Mobile Internet Ecosystem Project was approved by the Bank on July 31, 2013, and signing of the Loan Agreement took place on February 24, 2015. The Loan was subsequently cancelled on August 23, 2015, due to delayed parliamentary ratification.

<sup>49</sup> Fiscal Management Reform Project was declared effective on December 23, 2015.

<sup>50</sup> Environmental Pollution Abatement Project was declared effective on January 28, 2016.

<sup>51</sup> Water Supply Augmentation Project was declared effective on December 15, 2015.

<sup>52</sup> Supporting Innovation in SMEs Project: After the delay of two years, the project was approved by the Council of Ministers and ratified by Parliament on January 9, 2013 and October 1, 2014, respectively. However, the project was finally declared effective on February 3, 2015, i.e. over two years since the Bank Board approval.

<sup>53</sup> Social Promotion and Protection Project: After waiting for the Council of Ministers’ approval for nearly two years, the project was restructured on December 23, 2014. The signing deadline was recently extended for the second time till August 17, 2015. On January 13, 2016, the Bank informed the GoL that the project has been cancelled.

actions were carried out for projects which have been in problem status for more than 12 months, thus improving proactivity index since FY11 to date. It is also important to note that every project in Lebanon inherently has two risk flags (Country Environment and Country Record)<sup>54</sup>, which means an additional third flag will automatically shift the project to a potential problem project. In all these cases, the World Bank continues to work with the GoL to unlock portfolio issues and is committed to engage actively with the Parliament in order to win their buy-in early on in project preparation.

49. **Nine projects closed during the CPS period and four of these were reviewed by IEG as of March 31, 2015.** Of these four, three projects received unsatisfactory ratings in outcomes: (a) Ba'albeck Water and Wastewater Project had modest achievements on three of its objectives, while failing on its fourth objective and efficiency was negligible; (b) West Beka'a Emergency Water Supply Project, given the absence of direct evidence related to the intended objective of improving health conditions in the project area, as well as lower than expected demand for tariffed connections, efficacy of the single project objective was rated modest and efficiency was negligible; and (c) Emergency Power Reform Capacity Reinforcement Project, its relevance for an emergency assistance project was negligible although other design aspects leave relevance of design, on balance, rated modest. The achievement of targets related to the project's objectives was modest for both the original and restructured project. Only the Municipal Infrastructure Project was rated satisfactory by IEG due to highly relevant objectives, substantial achievements in terms of helping improve living conditions in the affected areas, and high efficiency.

50. **ASA are key instruments for achieving the CPS objectives.** The World Bank's assistance through Technical Assistance (TA) and ASA was designed to cut across the four CPS goals and continue to inform policies around reform, as well as the design of the World Bank Group's future program in Lebanon. During the CPS period, ASA delivered included support in the areas of telecommunication, trade, public financial management, environment, social services, social protection, water, higher education, health and energy. It also included an assessment of the economic and social impact of the Syria crisis, which provided a basis for the Government to define its needs and priorities for the assistance it seeks from the international community. The current ASA portfolio includes support for sound macroeconomic management, public financial management, capacity building activities to the Central Administration for Statistics, business environment reform, support for structural reforms in electricity and water, public transport development, environmental management, education, employment and labor markets, and social safety nets. The World Bank is also providing technical assistance to: (i) support the establishment of a Capital Market Authority in Lebanon, which builds on the recommendations of the FSAP Development Module in insurance and capital market regulation and supervision; and (ii) assist the Central Bank in the further development of its National Payments System. In addition, the World Bank is providing TA to the Ministry of Energy and Water to support the consolidation of a Gas Unit within the Ministry, and support it with wind energy resource mapping. Moving forward, close policy dialogue, analytical and advisory services, and targeted investments can help inform and build momentum around the reform agenda.

### **III. BANK GROUP'S PERFORMANCE**

51. Evaluation of the Bank Group's performance focuses on two key dimensions: (a) design and relevance of the CPS program; and (b) implementation of the CPS program. The flexible design and implementation of the program contributed successfully to the pursuit and achievement of the CPS objectives resulting in a Good rating of the Bank Group's performance. The strong commitment of the country team has laid the groundwork for good results in the next strategy period.

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<sup>54</sup> Country Environment Flag is triggered for a project in a country with weak economic management (CPIA rating of less than 3.0 on a scale of 1 to 6). Once "flagged", the CPIA rating must exceed 3.5 for the flag to be removed. Country Record Flag is set for all projects located in a country with a net disconnect of 20% or more, or where net commitments associated with unsatisfactory projects (as rated by IEG) represent more than 40% of committed or completed projects over the previous five years.

## A. CPS Design and Relevance

52. **The main objective of the CPS was to support the Government in putting the economy on a path to sustained, high, and broad-based economic growth.** In consideration of Lebanon's fragile economic and political environment and, having drawn lessons learned over the ISN period, the CPS adopted a two-tiered flexible approach to the work program: (i) maintain a Core Program of engagement which consisted of selected investments in basic services, as well as technical assistance and analytical work to inform and build momentum around key reforms; and (ii) stand ready to engage more deeply in additional areas where there was traction for reform, and where the reform was anticipated to strengthen growth potential, increase fiscal stability, and enhance social equity. The CPS envisaged engaging in the areas of fiscal stability and public financial management, competitive business environment, economic infrastructure, human capital development and social protection. The CPS indicative lending envelope for the World Bank was between US\$375 and US\$550 million.

53. **The CPS was jointly designed by the World Bank and IFC, which was reflected in the close cooperation in the select areas where both Bank and IFC operated.** This was mainly manifested through coordination in the energy sector as Bank ASA and investment products (e.g., PRG) complemented IFC PPP advisory and its ability to invest directly and mobilize the private sector. Teams at the country level and within industry groups effectively shared information, conducted joint meetings when appropriate and continually communicated to ensure an integrated WBG approach, which also included MIGA when appropriate as noted above. In other program areas, there was less complementarity between the Bank and IFC programs though coordination efforts and communications were effective. For example, when designing the Innovation for SMEs project to promote financing of early-stage equities, Bank and IFC staff discussed market failures, opportunities for Bank support to the sector, and ways in which the project could be successful in funding private firms by filling gaps in the market that would, eventually, build pipeline for future IFC investments.

54. **The FY11-FY14 CPS was designed in partnership with the GoL and its objectives were well aligned with the country's development priorities.** The partnership was frequently jolted by political and security crises as well by external shocks, including the Syria conflict, and the Bank remained flexible and responsive to shifting priorities. The CPS Progress Report emphasized the flexible structure of the Strategy, particularly given the rapidity of the evolving development challenges as a result of the Syria crisis. Moreover, the CPS design was characterized by complementarity within the lending program and between its lending and non-lending elements. The dynamism of Lebanon's private sector allowed for a significantly larger IFC investment program (averaging US\$464 million per year during the CPS period versus US\$192 million in the three previous years).

55. **The CPS Progress Report introduced course correction and updated the results matrix accordingly.** The CPSPR included new indicators to replace those unlikely to be achieved, and adjusted those whose targets were overly ambitious, given the challenging and fluid nature of Lebanon's political economy over the CPS period. Some indicators were difficult to monitor because the client did not have the capacity to provide the data, which suggests additional support for such capacity-building might be warranted in the future. In addition, a more realistic assessment of preparation time and implementation readiness when the CPS was designed could have helped to set achievable target values for some of the indicators.

## **B. Implementation of the CPS**

56. **The political, macroeconomic, and security risks were substantial during CPS implementation.** Lebanon suffered heavily from unprecedented political paralysis, both in the executive and legislative branches. The Council of Ministers, due to polarization amongst its constituencies, repeatedly failed to make any decisions or pass decrees. The country has been effectively operating under a caretaker regime in various guises since early 2011: (i) in 2011, Prime Minister Najib Mikati spent five months forming a Cabinet after the former government was brought down on January 12; (ii) in 2014, Prime Minister Tammam Salam spent nearly 11 months forming a Cabinet following Mikati's resignation in 2013. In addition, the extension of Parliament's own tenure in 2013 put its constitutionality in doubt in the eyes of many Lebanese. The country has been without a President of the Republic since May 2014, and the security situation remains tense, as it is heavily tied to the conflict in Syria next door, and the resulting protracted refugee crisis. The CPS had identified risks associated with sectarian interests and their tendency to obstruct implementation of the economic reform program, risks related to weak governance and systemic corruption, risks related to the fragile internal political environment as well as risks brought on by the tense regional security environment. The CPS Progress Report re-confirmed these risks and added to them the risks related to the ensuing conflict in Syria and the associated displacement of large numbers of Syrians into Lebanon. All of these risks materialized over the remainder of the CPS period, and the Bank responded in real-time to the emerging challenges.

57. **The experience over the CPS period highlights the Bank Group's ability to be flexible and to respond to unanticipated changes in the country's circumstances and needs.** The Bank tailored its support in response to changing priorities and demands of the Government, and effectively provided just-in-time advice in dealing with new challenges, particularly as a result of the Syria crisis. The Bank has been able to offer the Government rapid, high-quality development solutions in response to changed circumstances, while also preparing new lending operations in transformational sectors. The Bank's flexibility was also key to achieving salient objectives not initially included in individual project designs, which further solidified Bank-GoL relations. Examples include: (i) the inclusion of the land expropriation costs (US\$155 million) in the Water Supply Augmentation Project financing arrangements to facilitate project implementation, as well leveraging Islamic Development Bank funds to complete the financing package on the project; and (ii) prompt restructuring of the Social Protection and Promotion project (SPPP) to allow for urgent support in the Northern region which is heavily impacted by the Syria crisis<sup>55</sup>. At the request of the GoL, the World Bank, in collaboration with the United Nations (UN), the European Union (EU), and the International Monetary Fund (IMF), rapidly undertook an Economic and Social Impact Assessment of the Syria conflict on Lebanon for the 2012 to 2014 period. The ESIA provides a set of short- and medium-term priority interventions targeted towards supporting Lebanese communities, households, and the economy more broadly. The Bank also supported the GoL in the preparation of its Roadmap of Priority Interventions for Stabilization from the Syria Conflict, developed as an outcome of the ESIA. Finally, at the request of the Government the World Bank established the LSCTF in December 2013, which is a Bank-administered multi-donor trust fund to garner donor support for the priorities identified in the Roadmap. To date, contributions to the LSCTF amount to approximately US\$75 million from a number of bilateral donors. The trust fund is overseen by a Steering Board which provides overall strategic direction and priorities for the program financed by the LSCTF. Through this funding mechanism, the Bank has helped prepare emergency programs to: (i) address urgent community priorities in select municipal services, targeting areas most affected by the influx of Syrian refugees; (ii) support stabilization of the Lebanese

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<sup>55</sup> The SPPP was approved by the Board of Executive Directors in May 2013, however, the GOL was in caretaker status and the newly formed government only received the parliamentary vote of confidence on March 20, 2014. During this period, the large influx of Syrian refugees into Lebanon required urgent interventions to mitigate the impact of the conflict on host communities. One such intervention is the NPTP – which was one of the components of the SPPP. In light of this, the NPTT component of the SPPP was fast-tracked and financed from grant resources through an emergency project. This grant was declared effective on August 18, 2014, and is currently under implementation.

public education sector in the face of a continued influx of Syrian students; and (iii) provide primary health care coverage to poor Lebanese affected by the Syria crisis. In addition, the Bank prepared a scaling up of the National Poverty Targeting Program (NPTP) project to expand and enhance the coverage provided by the existing social assistance program to those Lebanese affected by the Syria crisis and to all Lebanese households under the extreme poverty line.

58. **IFC was largely able to work successfully in the areas set forth in CPS.** Core to IFC's strategy during this period was to expand its trade finance program, which grew from three partner banks to eight and with very significant increases of guarantees offered, which helped facilitate trade flows and contributed to inter- and intra-regional integration. Overall on the investment front, despite challenges (e.g., security concerns, global financial crisis and, more recently, the Syria crisis), IFC's investment volumes grew significantly with annual commitments increasing by almost 240 percent during the CPS period. First-in-MENA projects to improve outreach by financial institutions to women and to mitigate effects of climate change through promotion of Sustainable Energy Finance have been successful and are now being leveraged elsewhere within MENA and beyond. Investment climate reform was another area core to IFC's program. While difficulties were faced given the challenging political and stakeholder environment, which has stymied passage of legislation and required flexibility and greater effort/time to keep projects on track, progress has been made sufficient to ensure continuity of efforts as projects (e.g., modernizing the commercial registry) move into implementation, and others (Debt Resolution & Insolvency) have started to bear fruit (e.g., release of BdL circular on loan restructuring). Meanwhile, MIGA signed its first project in Lebanon which should help position it for further engagement going forward given the significant risks foreign investors face (or perceive) in Lebanon.

59. **Sustained dialogue with counterparts has strengthened the already good partnership between the Bank Group and the Government.** The WBG and Lebanon have built a strong partnership that has enabled frank and substantive discussion on the country's development challenges, as well as on the political economy and its impact on the Government's ability to implement reforms. The Bank Group continues to be one of Lebanon's key development partners, delivering results across a broad range of engagement areas in collaboration with other donors. However, changes in the Cabinet and the program's leadership, as well as the lack of coordination between line ministers and PIUs somewhat impeded the transfer of experience and knowledge gained from earlier projects.

60. **Despite the complex and challenging political landscape, overall the government was committed to the WBG program during the implementation of the CPF.** The Office of the Presidency of the Council of Ministers played a vital role in all respects to ensure IFC activities were fully aligned with Government priorities and, most importantly, to address bottlenecks and facilitate the cooperation among various ministries and agencies during implementation. The Office of the Minister of State for Administrative Reforms (OMSAR) also played a key coordination role to modernize the Commercial Registry and improve the licensing regime in the tourism sector. In addition, active engagement and strong support from the Director General of the Ministry of Justice was critical in advancing efforts to modernize the regimes for insolvency and bankruptcy, as well as supporting mechanisms related to court-referred mediation mechanism. However, some Government functionaries did not see active engagement in WBG-financed projects as part of their core job responsibilities and as such, engagement by some key functionaries whose input would have otherwise been valuable was lacking. More generally, positive efforts by some individuals and agencies were, in many instances, stymied by the political situation prevailing during the CPS period (e.g., changes in the Cabinet, paralysis of decision-making, agreed reforms held hostage to political bargains unrelated to the proposed reform, etc.). The general lack of consistent, broad and coordinated support for reform initiatives on the part of the Government greatly increased project risks due to extended timelines and higher-than-expected resource requirements.

61. **The Bank was able to mitigate fiduciary risk during implementation of its program.** Procurement issues relate to the Government's lengthy, centralized and bureaucratic administrative procedures that overburden procurement processing and contract management, resulting in implementation delays. However, commendable efforts are being made in drafting and maintaining project procurement plans that contain description of procurement packages, cost estimate, expected contract signing dates, etc. Although the objective of a procurement plan is to support decision making in validating the activities and substantiating the adequacy of allocated budgets, nevertheless, and counterproductively, each procurement initiation needs to be cleared centrally. In addition, the absence of the "procurement" profession in the organizational chart of the ministries has resulted in the creation of project management units in ministries, solely dedicated to implementing the project. Almost all these units are staffed with highly qualified technical staff necessary to support all procurement decisions (TOR, specifications, evaluations, contract management), however, very little is done to: (i) integrate these consultants in the ministry when funding ends; or (ii) transfer the knowledge to the procurement staff at the ministry level.

62. **The overall assessment of the Financial Management (FM) performance of the Bank-financed operations over the CPS period was satisfactory.** The underlying reasons include reliable and timely reporting, adequate controls respective to project's implementation, and clean audit reports. The portfolio audit compliance rate is satisfactory with the exception of one (water- GBSWP) project where there was a delay by the entity to submit the audit report. The channeling of donor funds to the implementing agencies is, however, witnessing significant delays following the enactment of a recent MoF decree. In order to better monitor and control funds received from donors, the MoF is now requiring that all grant funds be deposited in a Treasury Single Account (TSA) before being transferred to the projects' designated accounts. However, the procedures required for the transfer process are lengthy and delaying the implementation of projects. In addition, assurance and accountability mechanisms are weak. Both internal control and internal audit functions are absent in the public sector, which is increasing the risk of misuse of public funds and leading to weaker transparency and accountability of the internal financial controls over budget execution. External audit by the Court of Accounts (CoA) suffers from weak capacities, and the resource-consuming *ex-ante* review carried out by the CoA is undermining its core function as a supreme audit institution. The Bank has focused on strengthening the external audit function and the oversight role of Parliament. Efforts include empowering, reforming and modernizing the CoA, and revising its mandate to cover exclusively the external audit function. The Bank has also been engaging with Parliamentary committees with the aim of sharing best practices.

63. **Overall, compliance with safeguards in Bank-financed operations was satisfactory.** Involuntary Resettlement (OP/BP 4.12) was triggered under the Cultural Heritage and Urban Development Project, due to the resettlement of inhabitants and market vendors on some of the project locations. A total of six Resettlement Action Plans (RAPs) were prepared based on the Resettlement Policy Framework (RPF). These RAPs have been successfully implemented. There has been no progress to date, however, in the implementation of the RAP pertaining to the relocation of street vendors to Tripoli's central platform due to security conditions, which forced temporary suspension of works. Overall safeguards management has been satisfactory, with a strong technical team assisted by a social scientist in place. The affected communities have been properly consulted on the various RAPs and compliance with Bank safeguards has been noteworthy and on schedule. The Project Management Unit also has very strong field presence, including field based staff, which has resulted in regular interactions with affected people and local government authorities. This interaction also serves to strengthen the grievance redress process because field based staff (who are from the local area) are well known to affected peoples, thus are available for airing viewpoints and complaints on a regular basis, if needed. Other factors that have impacted implementation of the portfolio include the unavailability of government funds for land acquisition. This has directly affected procurement processing, particularly in the Urban Transport Development Project, whereby two overpasses incurred delays. However, it should be noted that, drawing from this and other similar lessons, the Water Supply Augmentation Project (approved September 2014) was designed to

finance the costs of land acquisition out of the IBRD loan in order to enable this important step to be addressed early on in implementation.

64. **A request for Inspection of the Greater Beirut Water Supply Project was registered on November 10, 2010.** Following a March 2011 Board discussion of the Request for Inspection, MENA Management commissioned three independent studies on issues raised by the Inspection Panel, namely: (i) source water quality; (ii) water availability; and (iii) project cost estimates, financial analysis and economic analysis. While the three independent studies reconfirmed the project's design details and implementation arrangements, some potential risks were also identified. In its July 28, 2011 memo to the Board and Inspection Panel, MENA management thus committed to enhance plans for project implementation in an 18-month supervision action plan designed to mitigate the identified risks. Following the successful implementation of the World Bank enhanced supervision action plan, the Inspection Panel declared the complaint to be ineligible for inspection in April 2013.

65. **The World Bank Group's effort to improve coordination among development partners and enhance the overall value of donor assistance was highly effective.** The WBG coordinated planned interventions with development partners to ensure harmonization of activities and avoid overlap. The Bank Group maintained regular contact with these coordinating bodies and actively participated in development partner coordination/information sharing events. The Bank also played a key role in leveraging donor funds to the LSCTF and used its convening power to engage with partners on a broad range of Bank activities. Several multi and bi-lateral donors co-finance and collaborate with the Bank Group in the areas of Water, Energy, Cultural Heritage and Urban Development, Urban Transport, and Social Protection.

66. **In order to enhance collaboration and harmonization amongst donors engaged in education in Lebanon, the Minister of Education and Higher Education set up under his chairmanship an Executive Committee to advise on and steer the implementation of the *Reaching All Children with Education (RACE) in Lebanon Strategy*.** The Strategy aims to get all vulnerable Lebanese and Syrian refugees into school. It consists of contributing donors, UN partners and the World Bank and is a model of how coordination among donors is done, with each donor funding a slice of the strategy and ensuring the effective and integrated implementation of programs, resources, and outputs from all donors and external interveners in the implementation of RACE.

67. **At the request of the Government, the Bank-led Economic and Social Impact Assessment of the Syria conflict witnessed strong donor collaboration and was an inclusive process, which benefited from the active participation of Government representatives, the UN, the EU, and the IMF.** The World Bank worked closely with the EU, ILO, IMF, OHCHR, UNESCO, UNICEF, UNHCR, UNDP, UNESCWA, UNFPA, UN Habitat, UNRWA, UN Women, FAO, WFP, and WHO to prepare the ESIA, in record time (less than a month). Following the ESIA and subsequent Roadmap of Priority Interventions, the Bank set up a Multi-Donor Trust Fund to help mitigate the impact of the Syria crisis and continues to work closely with the UN and donor partners to build and strengthen the simultaneous humanitarian/development drive.

68. **Over the CPS period, the World Bank Group scaled up external communications, civil society outreach and partnerships.** The Bank Group worked closely with the Government to support communications through various workshops and consultative forums to disseminate the results of studies and sustain momentum on policy reform, including business environment, public financial management, energy, water, transport, regional development, education and social protection. Public outreach was carried out under the 800-household survey on water connections in the Ba'albeck area with PPIAF funding to determine the principal barriers to connecting households to the infrastructure, which is key to the



economic and financial sustainability of the water utility.<sup>56</sup> Beyond these measures, the Bank also engaged more broadly with different stakeholders across the political spectrum to ensure a solid understanding of the Bank’s work in the country and the objectives of the specific Bank-financed operations. Knowing that effectiveness delays are a problem in the country, the Bank held interactive sessions with members of Parliament with a view to sensitizing the legislative branch to the scope and objectives of the Bank’s engagement in Lebanon and to review and discuss the proposed pipeline of projects and their development outcomes.

**69. The World Bank Group’s performance in designing and managing implementation of the CPS program is rated as Good.** The program was designed according to the core principles of alignment with the country’s development goals, high selectivity, good identification of critical risks and mitigation measures, increased coordination within the WBG and with other development partners, a revised results framework, and appropriate interventions. The Bank closely supervised its program, and the presence of the field based Country Director, technical, procurement, and financial management specialists, including some Task Team Leaders helped in resolving implementation bottlenecks, ensuring quality of new and ongoing operations, disseminating knowledge services, and adequately responding to the country’s changing needs and priorities. This consistent portfolio management resulted in continuous adjustments to evolving circumstances and needs. The Bank has maintained a strong dialogue with the Government throughout CPS implementation, including a strong focus on results and a substantial level of proactivity for poorly performing operations, such as prompt restructuring of projects when necessary and closing projects that had long effectiveness delays. In addition, the Bank was agile and creative in finding ways to advance project activities that were otherwise held up by the political paralysis in the country. For example, the Bank team identified an alternative source of (grant) financing for the National Poverty Targeting Program (NPTP) when the Social Promotion and Protection Project (of which the NPTP was a component) was delayed in receiving Parliamentary approval. Because the financing was on grant terms, only Council of Ministers’ approval was necessary, and this much needed program was able to get started with assistance to the poorest Lebanese living in communities hosting Syrian refugees.

**70. Risk identification and corresponding mitigation measures played a key role in the overall achievements of the program.** At the CPS Progress Report stage, the Bank identified the Syria crisis and its impact on Lebanon’s security, political and economic situation as a major risk that could hamper achievement of the country’s development objectives, when the Government had not yet realized the seriousness of the impact. Measures were recommended in the CPSPR to help mitigate these risks, such as scaling up and retrofitting projects in the existing portfolio. The CPSPR was also used to review the program’s development objectives, particularly in light of the Syria crisis and its effects on Lebanese hosting communities.

**71. The tense local and regional security environment, as well as the fragile internal political environment and governmental gridlock have heavily impacted Lebanon’s program.** The Syria crisis has also exacerbated the political divide, leading to sporadic violent incidents across the country. During the CPS period, the Cabinet’s attention shifted from the reform drive to the more urgent issues of political stability and volatile security amid deepening polarization within the Government, the Parliament and the public at large. Due to the “consociational”<sup>57</sup> nature of the Lebanese Government, which was set up to

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<sup>56</sup> The survey included questions on the gender impact of the Beka’a Regional Water Establishment’s service delivery, which allowed for an assessment of different gender experiences of access to and usage of water at the household level. This allowed for a better understanding of how to operationalize gender in the water sector. Lessons learned are being applied to the Greater Beirut Water Supply Project and to assist MOEW with implementation of the National Water Sector Strategy.

<sup>57</sup> Consociationalism is a form of government involving guaranteed group representation, and is often suggested for managing conflict in deeply divided societies. It is often viewed as synonymous with power-sharing, although it is

guarantee equal distribution of political and institutional power among religious communities/confessional groups, decision making in Lebanon requires consensus among a large number of divided political actors. Resulting stalemates in the executive and legislative branches of the Government have severely constrained reform efforts, and have impeded the enactment of important bills, regulations and appointments which remain pending. This paralysis has also affected World Bank lending operations, resulting in effectiveness and implementation delays. Furthermore, delays in the election of a new President of the Republic and its impact on the Government has substantially affected Government's and Parliament's ability to act. These combined factors have affected successful implementation and performance of the WBG program.

#### IV. ALIGNMENT WITH WBG CORPORATE STRATEGY

72. **Although the CPS precedes the articulation of the WBG twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner, it was well aligned with these goals.** During the CPS period, the improvement of basic infrastructure services, along with the provision of social services and the establishment of an efficient social protection system, have helped in reducing poverty and increasing shared prosperity. The establishment of the Lebanon Syria Crisis Trust Fund also contributed to the World Bank's overarching goals by providing support to the poor in the areas of public education, primary healthcare and host community support.

73. **The CPS program was also focused on protecting and ensuring the social inclusion of vulnerable segments of the population through the implementation of the Emergency Social Protection and Implementation Support Projects (ESPISP I and II).** The projects improved the efficiency of Ministry of Public Health hospital expenditures, strengthened the capacity of the Ministry of Labor to promote youth employment, established a national poverty targeting program (NPTP) for social safety net programs, and increased availability of education data for decision making in Ministry of Education and Higher Education. Officially launched in October 2011, the NPTP is the first poverty-targeted social assistance program in Lebanon with the objective to “provide social assistance to the poorest and most vulnerable Lebanese households based on transparent criteria that assess each household's eligibility to receive assistance, given the available public resources”.<sup>58</sup> The NPTP is based on a proxy-means testing (PMT) targeting mechanism – which is among the global best-practices.<sup>59</sup> The NPTP social assistance (the basket of benefits) consists of the following: (i) comprehensive health coverage for beneficiaries in public and private hospitals, through the waiver of 10-15 percent co-payments for hospitalization; (ii) coverage of chronic disease prescription medications through the Ministry of Public Health centers; and (iii) registration fee waivers and free books for students in primary and secondary public schools; and (iv) discounts on the electricity bills submitted to the Electricite du Liban (EDL). In light of the impact of the Syria conflict on Lebanon and the high importance placed by the Government on the NPTP, there was an urgent need to advance the implementation of the program through a new project – the Emergency NPTP (TF017200). The Emergency NPTP is a US\$8.2 million project that aims to expand the coverage and enhance the social assistance package of the NPTP to Lebanese affected by the Syria crisis and all Lebanese households under the extreme poverty line. The objective of the GoL is to reach 350,000 individuals in three years. As of December 2015, more than 125,000 households (495,000 individuals) have applied to the NPTP program, and approximately 86,000 households (376,000 individuals) were deemed eligible to receive the health and education benefits. Finally, a total of around 5,000 households (27,200 individuals) have received the e-card food voucher benefit for six months to date, as part of the Emergency NPTP project.

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technically only one form of power-sharing. When consociationalism is organized along religious confessional lines, it is known as confessionalism, as is the case in Lebanon.

<sup>58</sup> Cabinet policy statement on the NPTP (June 18<sup>th</sup>, 2009) formally adopting the program.

<sup>59</sup> The NPTP was successfully piloted in 2009 with assistance from the World-Bank ESPISP I funds, in three areas in Beirut, namely Ein El Remmeneh, Chiyeh, and Tarik El Jdideh.

74. **On inclusion, the Bank has supported the National Volunteer Services Program, which aims to increase youth civic engagement, contributing in the medium term to improved social cohesion across communities and regions.** This is being achieved by expanding youth volunteerism in communities other than their own and improving the employability of youth through enhanced (soft) skills. The National Volunteer Services Program has already benefitted 2,500 youths across different regions in the country through the completion of five summer camps, 12 weekend volunteering programs and 22 Small Grant Program volunteering projects, and it is expected that by the end of summer 2016 the project will benefit an additional 700 youths. The project is also helping to build youth employability; 38,790 hours of life skills training have been delivered to participating youth through the project. In addition, the New Entrants to Work (NEW) program aims at improving the employability of Lebanese first-time job seekers. The program offers participants an integrated program of life skills training, intermediation (i.e placement) and monitoring services combined with two years on-the-job training (OJT) in a private firm.

75. **The Government's priority of improving basic infrastructure services, along with the provision of social services and the establishment of an efficient social protection system are also consistent with the Systematic Country Diagnostic (SCD) priority areas.** The WBG program has been focused in one way or another on priorities subsequently identified in the SCD published in 2015. IBRD has been active in social protection, water and wastewater, transport, education, environmental mitigation, PFM reform, and strengthening the institutional capacity of the public sector, all of which were identified as constraints in the SCD. The structural issues identified in the SCD, particularly in relation to energy reforms, were prevalent at the time of the CPS preparation, and the CPS highlighted that significant politicization would likely complicate progress on any higher-level reform agenda in this area. In addition, the CPS was anchored in the country's sectarian and consensus-based political reality, which made it hard to pursue ambitious reforms, as evidenced in the SCD. The CPS recognized that continuous political fragmentation has hindered the Government's ability to reach consensus on economic reform and on addressing the country's infrastructure deficiencies and has impeded long awaited reforms to improve the business environment, tackle infrastructure bottlenecks, increase competitiveness, and facilitate access to credit.

## V. LESSONS LEARNED AND RECOMMENDATIONS FOR THE NEW CPF

76. **This section highlights key lessons learned during the CPS period and suggestions for the new CPF.** The lessons learned of the current CPS program focus on two areas: (i) lessons learned emerging from preparation and implementation of the CPS program; and (ii) lessons learned from emergency projects in a fragile and highly uncertain environment like that of Lebanon. Key lessons learned include the need for strong country ownership, a highly selective program, a good results framework, delivering as one WBG, the need to build capacity within Government, and the use of more flexible financing instruments.

### A. Lessons from Preparation and Implementation of the CPS program

#### *Flexibility, Adaptation and Simplicity in Design*

- The project design should be flexible and include adaptable elements that can help it thrive in difficult circumstances and lay the groundwork for continued improvements and adaptation to changing circumstances. The design should be less ambitious and less dependent on stable legislative bodies and actions. Simplicity and clarity of project goals, taking into account Government ownership and local institutional capacity, is critical for satisfactory outcomes. Task Teams should be realistic in setting goals, and should not abandon the conclusions of assessments they make during project preparation. For example, the lack of adoption of the reforms by the National Social Security Fund (NSSF) is a result

of complex governance structure of the NSSF and negative inertia to reforms, which the Bank was aware of prior to starting the project.

- The results framework should be prepared with greater caution focusing on realistic outcomes and indicators. In the absence of objectively verifiable indicators and clear baselines and targets, it becomes extremely difficult to measure progress, identify and remove bottlenecks, and take mid-course corrective measures.
- While long effectiveness delays may be unavoidable, the projects should be ready for implementation. Project teams should advance the preparation of procurement documents in order to quickly progress as soon as declared effective. Retroactive financing should also be discussed with the Borrower as a way to accelerate project implementation.
- The development of sector strategies and large scale infrastructure projects must both be based on evidenced-based analysis of the combined technical, economic, social and environmental impacts of alternatives.

#### *Improving Project Implementation*

- Timely and formal restructuring of a project when faced with political gridlock during implementation, can enhance its outcomes and achievements.
- Taking advantage of existing implementation capacity and extending the life of an already proven and tested Project Implementation Unit rather than creating new structures, helps to improve the success of the project in a difficult environment.
- The right incentive structure needs to be incorporated into project design and implementation. Furthermore, greater attention to local populations and local leaders in politically sensitive and fragile environments is critical. Targeted awareness raising campaigns should therefore be carried out early in project implementation and involve target beneficiaries in order to build trust and reinforce accountability. Adequate stakeholder engagement is essential to enhance results and outcomes. Citizen engagement must go beyond communications and stakeholder consultations, and emphasize two-way interaction process that increases greater citizen voice and participation.
- Weak capacity of civil servants and the absence of procurement professional profiles in the organizational chart of line ministries have led to the outsourcing of the procurement functions within the implementation units (PIUs). A procurement coordinator dedicated to the project is essential for processing standard procedures and facilitating timely submissions per Bank Guidelines. The absence of a procurement specialist in the PIU can add considerable delays to procurement transactions with the World Bank, resulting in missed deadlines and late payments to contractors, and overall delay in project implementation.

#### *Political Economy*

- At the CPF design stage, the politicized and time-intensive nature of decision-making within the Lebanese Government needs to be realistically assessed to ensure sufficient preparation time and implementation readiness, so that achievable target values for some of the indicators can be set.
- For important sector reforms, particularly in the electricity sector, having a clear and explicit understanding of the political economy challenges is essential, in order to understand who the winners

and losers behind the reform are. Realism about the binding constraints and political economy issues should be the guiding principle around the project's components and choice of activities. Broad cross-government (cross-political) cohesion and support is required for significant investment and reform programs. Progress on issues of national importance is often held-hostage to political differences. Transparency of interests in both investments and reforms can help to facilitate inter-political trust, and underwrite progress on key issues. Without common objectives and trust across political parties, important investments and reforms in the electricity sector (among others) are now foundering at significant cost to Lebanon. On the other hand, non-confessionally based programs can be implemented in Lebanon (e.g., the NPTP) as long as the various confessions feel comfortable and are not threatened by the program or reforms to be undertaken.

- The implementation of political reforms is a complex process to which project results should be cautiously linked. The implementation of broad-based reforms, such as those in the Lebanese water sector on which the Ba'albeck Water and Wastewater Project (BWWP) depended, required more time than the typical Bank-funded project life span. Where outcomes are dependent on both high-level and long-term political decision-making, alternative measures to avert risks that may be out of the control of the project must be incorporated. In the case of BWWP for example, the tariff structure reform never materialized and to date still negatively impacts the Bekaa Regional Water Authority's (BRWA) sustainability. An early restructuring of the BWWP might have helped avert financial outlays that result in negative project economic returns.
- Owing to the country's political fragmentation, fragile environment and strong sectarian interests, focusing on key investments rather than complex reforms can help build early momentum which could bolster reform programs later. The emphasis should be put on systems and institutions rather than on reforms. The focus should be on technical and capacity building issues, while giving time to reforms with political ramifications. Targeted technical and institutional support to strengthen functions and institutional set ups during this period can be instrumental in supporting the public administrations' readiness to implement reforms in times of a favorable political environment.
- Reforms such as those to improve the business environment usually require the adoption of laws and regulations, and cooperation across ministries to achieve significant impact. Given the challenging legislative environment and, at times, lack of cooperation among and within government structures, projects should be designed to the extent possible without need for recourse to legislative bodies. They should also, whenever possible, be structured for key decisions to be taken within the mandate of the project sponsors.
- Absence of effective authorizing and enabling environment prevents engagement on PPPs.

#### *Government Ownership*

- Strong and sustained leadership is an essential driver for institutional development. The delayed appointment of senior management officials (e.g. Managing Director of the BRWA) and the high reliance on temporary advisors within ministries (as opposed to ministerial staff) can impact the ability of the project to meet its development objectives. Institutional development thus requires an internal champion who is both empowered and competent to build consensus around solutions that can steer the institution towards success.
- Strong Government engagement in operations and investments is crucial. Operations should be driven by client demand, as this serves as a good foundation for solving problems as they arise during

implementation. Selectivity in sectors of engagement allows the WBG to concentrate resources on achieving impact.

- An effective architecture for Government-donor dialogue has assisted donors to avoid some of the pitfalls of duplication and has actively promoted strong collaborative mechanisms across donors.

#### **B. Lessons Learned from Emergency Projects**

- Operations in conflict environments require particular additional attention to the design of the monitoring and evaluation framework. The rapid preparation process associated with the emergency projects may require further development of the framework at the early stages of implementation. The M&E framework is a key element of the project design which can only be well apprehended and developed after the initial steps of implementation of emergency reconstruction projects. It then can be at the core of project monitoring.
- Rapid response from the Bank project staff based in Lebanon has largely contributed to the success of projects, as they were able to quickly respond to problems when they arose, and this facilitated project restructuring as needed.

## ANNEX I: CPS COMPLETION AND LEARNING REVIEW - STATUS AND EVALUATION SUMMARY

Strategic Goal 1 - Strengthened Fiscal and Public Financial Management			
Country Development Goals			
<p><b>1.1 Fiscal Space:</b> Debt and debt-servicing burden is reduced</p> <p><b>1.2 Public Financial Management:</b> Improve efficiency and quality of Public Expenditure</p> <p><b>1.3 Statistical Capacity Building:</b> Increased evidence-based policy making</p>			
Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
1.1 Fiscal Space – Achieved			
<p><b>1.1 Better informed fiscal policy decisions</b></p> <p><i>1.1.1 Macro Fiscal Framework adopted</i> BL: No (2010) Target: Yes (2014)</p> <p><i>1.1.2 A medium-term debt management strategy developed</i> BL: No (2010) Target: Yes (2014)</p> <p><i>1.1.3 Regularity of Cash Monitoring and Reporting</i> BL: Intermittent reporting Target: Daily with increased scope</p>	<p><b>Achieved</b> A medium term fiscal framework was developed (and is being updated on a semi-annual basis) and an MTBF is in the works. A macro-fiscal department within the Budget Directorate at MoF was established in March 2012 and work is ongoing.</p> <p><b>Achieved</b> A medium term debt strategy was developed (in 2013 and updated in 2014) and was officially endorsed by the Minister of Finance and the Central Bank in May of 2014. A High Debt Committee (HDC) has been established, as well as a Public Debt Directorate at MoF.</p> <p><b>Achieved</b> A Cash Management Unit has been set up and is producing daily cash briefs for the Minister. The scope and utility of these reports are expected to be increased as a result of recently hired local and international cash management consultants.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Emergency Fiscal Management Reform Project</p> <p>Lebanon Financial Management Reform Project II</p> <p>Using Lebanon’s Large Capital Inflows to Foster Long-Term Sustainable Growth (AAA)</p> <p>Boosting Growth and Social Welfare in a Context of Fiscal Consolidation (AAA)</p>	<ul style="list-style-type: none"> <li>Developing planning frameworks (e.g., MTEF) is a long term process - given the low starting bases, but the incubator model of EFMS/FMR2 is the right approach to develop in-house capacities for this purpose.</li> </ul>

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>1.2 Public Financial Management – Mostly Achieved</b>			
<p><b>1.2 Improved transparency and control environment in public financial management</b></p> <p><i>1.2.1 Revision of the budget classification approved to bring it in line with GFS 2001 norms and increase transparency</i>  <i>BL: No (2010)</i>  <i>Target: Yes (2014)</i></p> <p><i>1.2.2 Adoption of accounting procedures and guidelines</i>  <i>BL: No (2010)</i>  <i>Target: Yes (2014)</i></p> <p><i>1.2.3 Introduction of commitment numbers and controls</i>  <i>BL: No (2010)</i>  <i>Target: Yes (2014)</i></p>	<p><b>Achieved</b>  FY 2014 and 2015 budgets were prepared in accordance with GFS 2001 standards. Budget preparation manual has been revised. In the absence of a budget, efforts have been refocused on key elements to improve fiscal transparency and budget management, such as:</p> <ul style="list-style-type: none"> <li>• TA for the revision of the budget classification;</li> <li>• Functional review and documentation of accounting procedures;</li> <li>• Design of commitment controls systems;</li> <li>• The revision of the public accounting law, which is ready for Cabinet approval; and</li> <li>• The development of a budget preparation circular, based on a macro-fiscal framework and clear costing norms</li> </ul> <p><b>Not Achieved</b>  Accounting Procedures and guidelines have been drafted in a new accounting manual, which has not been formally adopted.</p> <p><b>Achieved</b>  Commitment numbers and controls were introduced, improving cash planning and management, and increasing transparency in the budgeting and payment process. A</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Emergency Fiscal Management Reform Project (PFM TA)</p> <p>Lebanon Financial Management Reform Project II</p>	



	<p>review of outstanding commitments took place (supported by a prime ministerial circular), and details of outstanding commitments brought forward are now visible in the IT system facilitating the payment verification process. Local Accounting Office ledgers are now annually unified with the central Accounting and Cashier Office into one ledger, and liabilities and deposits are now electronically unified. Security and control protocols were put in place with user roles defined.</p>		
Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
1.3 Statistical Capacity Building – Partially Achieved			
<p><b>1.3 Enhanced capacity of Central Administration of Statistics (CAS) to carry out and analyze key surveys</b></p> <p><i>1.3.1 Household survey totally carried out by CAS according to international standards. BL: No (2010) Target: Yes (2014)</i></p>	<p><b>Partially Achieved</b> CAS completed a household survey with technical support from the Bank for the purpose of the National Poverty Targeting Program. All surveys are now being carried-out according to international methodologies and standards. However, survey funding remains an issue and there is still some dependence on donors.</p> <p>A twinning program with Northern Ireland Statistics allowed for a Resident Advisor to work at the CAS for a period of just over 1 year.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>TA on Household Budget Survey (Completed)</p> <p>Capacity Building to implement the Statistical Master Plan (SMP) (AAA)</p> <p>Capacity Building to implement Key Steps for the SMP (TFSCB) (closes on February 22, 2015)</p>	

Strategic Goal 2 - Improved Competitiveness			
<p><b>Country Development Goals</b></p> <p><b>2.1 Business Environment:</b> Streamline and simplify legal and regulatory framework for business</p> <p><b>2.2 Access to Finance for SMEs and Women Entrepreneurs:</b> Increase number of financial tools/schemes available to SMEs and women-owned SMEs and streamline business support services across Lebanon</p> <p><b>2.3 Trade and Regional Integration:</b> Minimize trade related restrictions</p> <p><b>2.4 Telecommunications:</b> Introduce competition, improve capacity and quality of services, and reduce cost to consumers</p>			
Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>2.1 Business Environment – Partially Achieved</b>			
<p><b>2.1 Improved Business Environment</b></p> <p><i>2.1.1 Days to comply with business regulation (number)</i>  <i>BL: 587 (2011)</i>  <i>Target: 337 (2014)</i></p>	<p>Established under Hariri Government, Office of Prime Minister (PMO) now acting as Secretariat to lead effort under “Improving the Business Environment in Lebanon” program, and is active champion of reforms working closely with WBG.</p> <p><b>Partially Achieved</b>  During this CPS, delays &amp; other challenges required the restructuring of the project to include Phase 1 focused on achieving consensus on reform strategy, and Phase 2 focused on implementation. Phase 1 was successful in building consensus around the strategy for the modernization of the commercial registry and an inter-operability framework for the Lebanese administration has been developed and approved by the different stakeholders. Phase 2 will be conducted during the new CPF cycle. <b>Thus, no metrics available yet.</b></p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>FSAP on Capital Market and Insurance Investment Environment Reform (AAA)</p> <p>IFC Advisory Services</p> <ul style="list-style-type: none"> <li>- Debt Resolution &amp; Insolvency</li> <li>- Licensing Reform</li> <li>- Secured Lending</li> <li>- Business Start Up &amp; Commercial Registry</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Climate reforms usually require the consensus of many stakeholders across ministries &amp; diverse stakeholder groups, an effort that should not be underestimated in terms of time and resource requirements, as well as acknowledging uncertainties of ultimately achieving objectives.</li> <li>• Another constraint that often needs to be addressed for advisory work to be effective is “operational” capacity building to the government agency concerned. This can include computers, software and related training, incremental operating expenses including office equipment, facility rentals, and wider staff training etc. Without this support government agencies can lack core working and human capital to implement new system designs, regulations etc.</li> <li>• IC reforms that have potential for the most significant impact usually require legal reforms, which continue to be a challenge given Lebanon’s political economy so cost-benefit of engagements where legal reform is necessary needs to be carefully assessed. Related, projects should be structured such that less ambitious, interim results can be achieved which could help build momentum for larger reforms. It would also ensure that some positive reform happens in the event more ambitious impacts are unachievable or significantly delayed.</li> <li>• Project designs and expectations about potential results need to be flexible to take into account unforeseeable restructurings and delays that are inevitable given Lebanon’s complex operating environment.</li> <li>• Weaknesses in communication within and across Government entities, as well as inability of political leaders (including Ministers themselves) to drive reforms must be acknowledged and planned for.</li> <li>• Careful attention needs to be paid when introducing new services such as mediation or Out-of-Court workouts, and when establishing new entities (e.g., mediation centers) to ensure sufficient support among stakeholders and demand in the market exists or can be built in a reasonable timeframe. Projects should be careful to limit expectations about the uptake of services during the launch phase of such projects and allow for</li> </ul>



Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>2.2 Access to Finance for SMEs and Women Entrepreneurs - Achieved</b>			
<p><b>2.2 Improved access to finance among SMEs and Women Entrepreneurs</b></p> <p>2.2.1 <i>Increased Sustainable Energy Finance (SEF) in US\$ lent by banks</i></p> <p><u>Client 1</u><sup>60</sup> BL: 0 Target: None set (N.B. this was part of a regional project and considered a pilot at the time, therefore no baseline existed and no target was set)</p> <p><u>Client 2</u> BL: 0 Target: US\$10 million of which US\$2.8 million to SMEs</p> <p><u>Client 3</u> BL: 0 Target: US\$3 million</p>	<p>A US\$30 million World Bank loan delivering concept development grants and seed and early stage equity financing to innovative start-ups and early stage companies was ratified by Parliament in September 2014 and became effective in February 2015.</p> <p>Trained c. 300 bank and leasing company staff on SEF.</p> <p><b>Achieved</b> <i>As of end June 2014</i><sup>62</sup> – <i>Client 1</i></p> <ul style="list-style-type: none"> <li>• 24 projects for US\$136.3 million.</li> <li>• GHG reduction of 5572 tCO<sub>2</sub> eq.</li> </ul> <p><b>Achieved</b> <i>As of end July 2014</i> – <i>Client 2</i></p> <ul style="list-style-type: none"> <li>• 10 corporate projects for US\$12 million.</li> <li>• GHG reduction of 1945 tCO<sub>2</sub> eq.</li> </ul> <p><b>Achieved</b> <i>As of end Dec. 2014</i> – <i>Client 3</i></p> <ul style="list-style-type: none"> <li>• 3 projects for \$2.76 million</li> <li>• GHG reduction of 1033 tCO<sub>2</sub> eq.</li> </ul> <p><b>Achieved</b></p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Supporting Innovation in SMEs Project (IBRD)</p> <p>Development of SMEs &amp; Women SMEs (TA)</p> <p>Challenges of informality for Women (AAA)</p> <p>IFC Investment</p> <ul style="list-style-type: none"> <li>- SEF</li> <li>- Microfinance</li> <li>- Bank Audi</li> </ul> <p>IFC Advisory Services:</p> <ul style="list-style-type: none"> <li>- SEF</li> <li>- Women in Business (WIN)</li> <li>- Risk Management</li> <li>- SME Banking</li> <li>- Microfinance</li> </ul>	<ul style="list-style-type: none"> <li>• Given the lengthy periods (years) to obtain parliament ratification projects should do the following during design phase: <ol style="list-style-type: none"> <li>1- Maintain flexibility between components to adjust to changes that happen in the environment. E.g. shift more funds to grants and less to investment or vice versa.</li> <li>2- Include retro-active financing in the Financing Agreement of projects</li> <li>3- Hiring of a project manager should be a covenant and not an effectiveness condition as ratification may happen towards the end of the extension period leaving little time for the implementing agency to advertise find and hire the appropriate candidate. It is of course imperative to select an implementing agency with strong capacity to start implementation of certain activities until they get the project manager on board. E.g. an expert may be necessary for the main component but another component such as small grants for competitions, capacity building etc. can be implemented by the implementing agency immediately. Thus, effectiveness conditions should be well thought of in advance with flexibility in mind so as not to hold up project implementation.</li> </ol> </li> <li>• There is a significant market for SEF, but banks to need to invest in SEF resources (marketing, internal capacity, etc.) to maximize the opportunity and for SEF to become a sustainable business line.</li> <li>• Success with innovative programs like WIN requires clients that are fully-engaged and commitment across the organization. Payment of fees and explicit (and consistent) support from senior client management teams are very important demonstrations of commitment.</li> <li>• Lebanon is a good test market for innovative ideas (like SEF and WIN) to create MENA success stories for replication in region, and to identify lessons learned.</li> </ul>

<sup>60</sup> Client names were either removed or excluded due to confidentiality purposes.

<sup>62</sup> The figures below include both loans to corporate sector and to SMEs. For Client 1, SMEs accounted for 5 projects for \$4 million with GHG reduction of 339 tCO<sub>2</sub> eq. For Client 3, SMEs accounted for 2 for US\$1.8 million with GHG reduction of 1033 tCO<sub>2</sub> eq.

<p>2.2.2 Banks assisted to increase lending to women-owned businesses:  <i>BL: 1260 SME loans disbursed annually, of which 7% for women entrepreneurs (2011)</i>  <i>Target: 1525 SME loans disbursed annually, of which 20% will be for women (2014)</i></p> <p>2.2.3 Microfinance institutions assisted to scale up microfinance lending  <i>BL: US\$11,619,614 (2008)</i>  <i>Target: US\$15,410,000 (2012)<sup>61</sup></i></p>	<p>In FY13 &amp; FY14, 2040 &amp; 1961 SME loans disbursed respectively of which 17.5% in FY13 and 17.7% in FY14 were to women entrepreneurs</p> <p><b>Achieved  As of end 2012  Loan volume of \$18,112,241</b></p>		
Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
2.3 Trade and Regional Integration - Achieved			
<p><b>2.3 Improved access by private sector to trade financing</b></p> <p>2.3.1 Increase in trade finance volume under GTFP by banks to the private sector  <i>BL: \$92 million (2010)</i>  <i>Target: Growth of at least 10% by June 2014</i></p>	<p><b>Achieved</b>  Annual volume for FY14: \$464 million, a 500% increase</p> <p>Number of banks participating in Global Trade Finance Program (GTFP) increased from 3 in 2010 to 8 by end 2014.</p> <p>Cumulative Volume of GTFP from FY11 through FY14 \$1.5 billion</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>IFC Global Trade Finance Program</p>	

<sup>61</sup> These baseline and targets introduced into the CPS Progress Report of April 2013 related to an advisory project that was ongoing at the time to strengthen the central management function of a holding company that held the Lebanese-based MFI. NB: In 2012, IFC granted a US\$2m loan to the same MFI.

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>2.4 Telecommunications – Partially Achieved</b>			
<p><b>2.4 Improved capacity to develop strategy for and regulate the Telecommunication sector</b></p> <p><i>2.4.1 A long term strategy for reform of the Telecommunications sector developed. BL: No (2010) Target: Yes (2014)</i></p> <p><i>2.4.2 TRA regulatory technical capacity improved as evidenced by adoption of new regulatory approval processes and new spectrum regulations BL: No (2010) Target: Yes (2014)</i></p>	<p><b>Partially Achieved</b> Technical assessment of actions resulted in revisiting of options for sector reform. Potential for sector liberalization still open with a technical understanding of fiscal impact.</p> <p><b>Achieved</b> Yes, TRA has adopted new regulatory processes. The IDF grant to TRA is closed and the project is complete. All objectives under the Project have been satisfactorily completed. TRA has stream-lined its internal processes (Component 1); enhanced the transparency of its internal processes (Component 2); and prepared additional regulatory instruments to enhance its internal capacity (Component 3). Cutting across these components, a new MIS has been installed to support TRA and is operational, as contemplated by the Project.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Broadband Policy for ICT (TA)</p> <p>Broadband Strategy and Deployment (TA)</p> <p>Telecommunications Regulatory Capacity Building (IDF grant) The IDF grant is complete.</p>	

**Strategic Goal 3 - Improved Economic Infrastructure**

**Country Development Goals**

- 3.1 **Electricity:** Increase supply of reliable electricity and reduce drain on government budget
- 3.2 **Water:** Increase reliability of water supply, develop comprehensive water resources management plan
- 3.3 **Transport:** Improve efficiency of existing urban transport infrastructure in the Greater Beirut Area
- 3.4 **Environment and Waste Management:** Municipal solid waste management
- 3.5 **Local Development:** Promote balanced and sustainable territorial development

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>3.1 Electricity – Partially Achieved</b>			
<p><b>3.1 Improved capacity to implement the Government's electricity sector reform strategy</b></p> <p><i>3.1.1 Roadmap for EdL Restructuring / Corporatization finalized and agreed BL: No(2010) Target : Yes (2014)</i></p> <p><i>3.1.2 Satisfactory implementation of Sector Program, as evidenced by i) Sufficient budget allocation; ii) commencement of procurement of 50% of program projects BL: No (2010) Target : Yes (2014)</i></p>	<p><b>Partially Achieved</b> Corporatization plan prepared but broad Government consensus not yet achieved. Implementation pending. Although a Corporatization plan has been finalized, no agreement has been reached on this amongst interested stakeholders. Lebanon's current political economy makes progress on such complex reform highly problematic. The lack of progress on corporatization of EdL underwrites the need for an open and cooperative approach across Government. Without this, such reforms will not move beyond initial analysis.</p> <p><b>Partially Achieved</b> Significant progress had been made in the implementation of the 2010 Electricity Sector Policy Paper, but over the past 6-12 months this progress has now stalled. Contracts under execution have been suspended, and planned projects remain unfinanced. The cost of this suspension of progress</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Electricity Sector TA revised: Emergency Power Sector Reform Capacity Reinforcement Project</p> <p>Sectoral Policy Paper (AAA)</p> <p>Support to Implementation of Electricity Sector</p>	<ul style="list-style-type: none"> <li>• In contexts with a complex political economy situation and strong sectarian interests, focusing on key investments rather than complex reforms can help build early momentum which could bolster later reform programs</li> <li>• Broad cross-government (cross-political) cohesion and support is required for significant investment and reform programs. In Lebanon progress on issues of national importance is often held-hostage to political differences. Transparency of interests in both investments and reforms can help to facilitate inter-political trust, and underwrite progress on key issues. Without common objectives and trust across political parties, important and obvious investments and reforms in the electricity sector are now foundering at significant cost to Lebanon.</li> <li>• Absence of effective authorizing &amp; enabling environment prevents engagement on PPPs</li> <li>• Despite challenges, IFC and MIGA support to the DSP (and its parent) helped demonstrate the positive role private can play in helping to reform Lebanon's power sector, which should be recognized and highlighted in future.</li> </ul>

<p>3.1.3 Final Decision to proceed with development of alternate fuel supply (LNG)  BL: No (2010)  Target : Yes (2014)</p>	<p>on the implementation of the Government's Electricity Sector Program is significant and continues to mount.</p> <p><b>Not Achieved</b>  Preferred bidder to develop a floating storage regasification unit in Beddawi to import LNG and replace petroleum derivatives has been proposed to the Council of Ministers, however endorsement of this preferred bidder has not been given. This project has now effectively stalled, at significant ongoing cost to Lebanon due to foregone savings. Expressions of Interest released for PPP development of an LNG re-gasification facility. <b>Project stalled due to lack of endorsement by Government of a preferred bidder.</b></p> <p>IFC committed \$8m<sup>63</sup> in FY13 to one Distribution Service Provider (DSP), a subsidiary of Butec SAL, and IFC investee, which also took advantage of MIGA coverage.</p>		
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<sup>63</sup> Note that subsequently the client decided not to draw against the commitment so project was canceled, although MIGA did provide coverage.



Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>3.2 Water – Partially Achieved</b>			
<p><b>3.2 Increased access to and reliability of potable water in targeted project areas</b></p> <p><i>3.2.1 Households legally connected to the improved water supply network in the West Bek'aa and Ba'albeck and neighboring regions</i>  <b>West Beka'a:</b> BL: 13,589 (2007)<sup>64</sup>  Target: 47,705 (2013)</p> <p><b>Ba'albeck:</b> BL: 15,714 (water) / 18,000 (wastewater) (2001)  Target: 150,408 (water) / 93,406 (wastewater) (2013)<sup>65</sup></p> <p><i>3.2.2 WHO standards for water quality met</i></p>	<p>100 liters/capita day of water supply delivered to project beneficiaries.</p> <p><b>Partially Achieved</b>  West Beka'a: 9,905.</p> <p>West Beka'a Emergency Water Supply Project (closed): 194 kilometer of water supply network rehabilitated (over 85 kilometers more than planned at project appraisal). Pumping stations deliver water that meets World Health Organization quality standards.</p> <p><b>Partially Achieved:</b>  73,640 (water) / 29,410 (wastewater)</p> <p>Ba'albeck Water and Wastewater Project (closed): Over 134 kilometers of water distribution and wastewater collection network installed. Iaat wastewater treatment plant operational at design levels.</p> <p><b>Achieved:</b></p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Water Supply Augmentation Project (approved by the World Bank Board on September 30, 2014).</p> <p>Greater Beirut Water Supply Project (ongoing)</p> <p>West Beka'a Emergency Water Supply Project (completed)</p> <p>Ba'albeck Water and Wastewater Project (completed)</p> <p>Country Water Sector Assistance Strategy (AAA) (completed)</p>	<ul style="list-style-type: none"> <li>Consumer behavior is a key determinant of sustainability in the Lebanese water sector. Citizen engagement thus must go beyond communications and stakeholder consultations, and emphasize two-way interaction process that increases greater citizen voice and participation. The development of sector strategies and large scale infrastructure projects must both be based on evidenced-based analysis of the combined technical, economic, social and environmental impacts of alternatives</li> </ul>

<sup>64</sup> The baseline was miscalculated at the start of the project (as indicated in the West Bekaa ICR), and this is the reason why the achievement seems below the baseline. The exact number for the baseline is not known. In the ICR, the number achieved is 9,905.

<sup>65</sup> The target numbers are taken from the ICR of the Ba'albeck Water and Wastewater Project, i.e., 150,408 (water)/93,406 (wastewater).

<p><i>West Beka'a</i>  Baseline: Nitrates: 100 mg/l  .(2007)  Coliform: 10/100 ml. (2007)  Target: Nitrates: 10 mg/l (2013)  Coliform: 1/100 ml (2013)</p> <p><i>3.2.3 Per capita per day delivery of water within project area in West Beka'a</i>  Baseline: 60 liters (2007)  Target: 100 liters (2013)</p> <p><i>3.2.4 Volume of wastewater collected and treated (Ba'albeck)</i>  Baseline: 0(2007)  Target: 5,992m<sup>3</sup>/day (2013)</p> <p><i>3.2.5 National Water Sector Strategy finalized and approved by the Parliament<sup>66</sup></i>  Baseline: No (2010)  Target: Yes (2013)</p>	<p>WHO Quality parameters met. Results show that levels of nitrate across the network are well under 10 mg/l and total coliforms average 1/100 ml per month.</p> <p><b>Achieved</b>  100 liters/capita/day</p> <p><b>Achieved:</b> 8,000 m<sup>3</sup>/day</p> <p><b>Achieved</b>  The Ministry of Energy and Water developed a National Wastewater Sector Strategy which was approved by the Council of Ministers in March 2012. The Strategy is under implementation and incorporates wastewater management for the Beka'a Valley. The Ministry of Environment also finalized the Business Plan for Combating Pollution of Lake Qaraoun in the Beka'a valley.</p>		
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<sup>66</sup> The indicator should have been corrected at the time of the CPSPR to state that the Strategy is approved by the Council of Ministers (COM), not Parliament. As the Strategy was approved at the right-level (i.e., COM), the indicator is fully achieved.

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>3.3 Transport – Mostly Achieved</b>			
<p><b>3.3 Improved efficiency of existing urban transport infrastructure and traffic management in Beirut city and GBA *</b></p> <p><i>3.3.1 Average speed increases on major corridors improved under the project (km/r). BL: 20 (2004) Target: 30 (2015)</i></p> <p><i>3.3.2 Parking violations in areas critical to efficient traffic operations significantly reduced (% decrease) BL: 0 (2010) Target: 30 (2015)</i></p> <p><i>3.3.3 Average daily revenue per park-meter installed under the project (LBP) BL: 0 (2004) Target: 50,000 (2015)</i></p> <p><i>3.3.4 Traffic Management Center in operation using intelligent transportation systems technologies to monitor and control traffic operations BL: No (2004) Target: Yes (2015)</i></p> <p><b>* The indicator relating to percentage increase of traffic volumes has been deleted, in order to harmonize it with the indicators</b></p>	<p><b>Achieved</b> 29.14 (km/r) A Public Transport Strategy to improve mobility within the GBA (TransBeirut) has been finalized.</p> <p><b>Partially Achieved</b> 8.25</p> <p><b>Mostly Achieved</b> 42,463 The On-street Paid Parking of 899 pay-and-display parking meters has been implemented. Traffic control lights have been installed at 200 intersections along with 55 CCTV cameras connected to the equipped and operational TMC.</p> <p><b>Achieved</b> The Traffic Management Program has been successfully implemented. Operation of the traffic management system including the Traffic Management Center (TMC) is ongoing.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Urban Transport Development Project</p> <p>Public Transport Strategy (AAA)</p> <p>Mass Transit Options for the Beirut-Tabarja corridor (AAA)</p>	<ul style="list-style-type: none"> <li>Due to Lebanon’s tight fiscal space, high commitment at the ministerial level, including at the Ministry of Finance, is essential to successful project implementation.</li> </ul>

<p><i>of the Additional Financing Project Paper approved by the Bank, as well as the ISRs.</i></p> <p><i>* The intermediate indicators under this column relating to parking spaces, traffic lights and urban transport strategy have been removed as they are reported under Milestones and Progress to Date columns.</i></p>			
Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>3.4 Environment and Waste Management - Achieved</b>			
<p><b>3.4 Improved environmental management</b></p> <p><i>3.4.1 EIA, SEA and environmental compliance certification system operational</i> <i>BL: No (2010)</i> <i>Target: Yes (2014)</i></p> <p><i>3.4.2 GHG emissions reduced (IFC)</i> <i>BL: 0 (2010)</i> <i>Target: 10,000 metric tons/year (2014)</i></p>	<p><b>Achieved</b> EIA decree (no. 8633); SEA decree (no. 8213) and Environmental Compliance decree (no. 8471) approved by the Council of Ministers in 2012. All three systems are now fully operational.</p> <p><b>Achieved</b> <i>9,155 tCo2 reduction</i> Conducted 5 Green Building Audits. Trained 12 local consultants to conduct Green Building Audits (IFC).</p> <p>Developed “ARZ” green building rating system with 1 building rated through Feb 2013. (IFC).</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> <li>- CEA (AAA)</li> <li>- Best fit practices for reforestation (AAA)</li> <li>- Inventory &amp; Removal of POPs Materials</li> <li>- Env. Pollution Abatement TA</li> <li>- GEF Reg. Gov. &amp; Knowledge Generation</li> <li>- Improve Capacity for Env. Compliance (IDF)</li> <li>- Env. Pollution Abatement (IBRD)</li> <li>- PCB Management Project (GEF)</li> <li>- CP Building Sec. (IFC Advisory Services)</li> </ul>	

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>3.5 Local Development – Mostly Achieved</b>			
<p><b>3.5 Basic services restored and local economic recovery and development supported</b></p> <p><i>3.5.1 Infrastructure rebuilt</i>  <i>BL: None (2010):</i>  <i>Target: (2014):</i></p> <ul style="list-style-type: none"> <li><i>i. 18 municipal buildings repaired/restored</i></li> <li><i>ii. 183 road km repaired/restored</i></li> <li><i>iii. 50 retaining wall km repaired/restored</i></li> <li><i>iv. 4,684 street lighting poles repaired/restored</i></li> <li><i>v. 13 water drain km repaired/restored</i></li> </ul> <p><i>3.5.2 Estimated beneficiaries to 5 historic city centers</i>  <i>BL: (2010)</i></p> <ul style="list-style-type: none"> <li><i>i. 325,000 visitors</i></li> <li><i>ii. 1,196,000 residents</i></li> </ul> <p><i>Target: (2014)</i></p> <ul style="list-style-type: none"> <li><i>i. 375,000 visitors</i></li> <li><i>ii. 1,294,000 residents.</i></li> </ul>	<p><b>Achieved</b>  The First Municipal Development Project was satisfactorily completed on April 30, 2012. All the respective targets were achieved.</p> <p><b>Mostly Achieved</b></p> <ul style="list-style-type: none"> <li><i>i. 350,000 visitors</i></li> <li><i>ii. 1,255,000 residents</i></li> </ul> <p>The Cultural Heritage and Urban Development Project benefitted from an Additional Financing. It was also extended through December 31, 2015.</p> <p>In FY12, IFC invested US\$2m in Tripoli-based ICT firm, now surpassing 100 staff which is more than double pre-IFC staff numbers.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>First Municipal Infrastructure (completed)</p> <p>Cultural Heritage and Urban Development Project (CHUDP) (ongoing)</p> <p>Additional Financing to the CHUDP</p> <p>Tourism and Growth Potential (TA)</p> <p>MobiNetS (IFC investment)</p>	

**Strategic Goal 4 - Enhanced Human Capital Development and Social Protection**

**Country Development Goals**

**4.1 Education:** Improve quality teaching and learning in general public education

**4.2 Social Protection and Social Safety Nets:**

- Adequate social protection for the elderly, sick, and unemployed
- Improve living standards of the poorest and most vulnerable parts of the Lebanese population

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>4.1 Education – Partially Achieved</b>			
<p><b>4.1 Increased availability of Education data for decision making in Ministry of Education and Higher Education</b></p> <p><i>4.1.1 EMIS is used to take decisions related to the transfer of teachers in all cycles</i>  <i>BL: No (2010)</i>  <i>Target: Yes (2014)</i></p>	<p><b>Partially Achieved:</b>                      As tracked by the ISRs for EDP2, the number of Ministry units able to access education data for decision making have increased from the baseline of 0 to 4 as of June 2014 (and the end target is 5), Further progress is expected on the EMIS in the coming year. The indicator relating to the increase in access to EMIS data is directly linked to the outcome indicator of “increased availability of education data.”</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Higher Education TA</p> <p>Education Development Project II</p> <p>In-time TA on "University Governance" Progress</p> <p>Second Emergency Social Protection Implementation Support Project</p> <p>Measuring Financial Literacy (TA)</p>	<ul style="list-style-type: none"> <li>• Hiring of staff in Lebanon is extremely political even for the most junior of staff.</li> <li>• The lack of adoption of key education sector reforms supported by EDP2 is linked to overall political reform inertia in the country.</li> <li>• These and other political challenges are frustrating the RACE initiative by MEHE to channel donor support across the education sector to provide education services to all Syrian refugees.</li> <li>• Maintaining a fully staffed PIU is challenging as a result of the political struggles within the Ministry</li> <li>• Lack of policy reform combined with under-staffing and a general lack of urgency lead to lower than expected project disbursements.</li> </ul>

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of December 2014)	WBG Activities that Contributed to the Outcome	Lessons Learned
<b>4.2 Social Protection and Social Safety Nets – Partially Achieved</b>			
<p><b>4.2 Improved administration, delivery and financial sustainability and targeting of social services</b></p> <p><i>4.2.1 Increased percentage of hospital admissions according to Admission Criteria Standards by medical controllers</i> BL: 0 (2010) Target: 70% (2013)</p> <p><i>4.2.2 Youth that have successfully completed a 75 hour training on life skills, coaching and placement training under NEW program</i> BL: 0 (2013) Target: 650 (2014) .....of which 50% women</p> <p><i>4.2.3 People registered in the National Poverty Targeting Program (NPTP) database</i> BL: 62,000 (2012)</p>	<p><b>Achieved</b> By the end of the project in August 2014, the project exceeded its target of 70% to reach 83%.</p> <p><b>Not Achieved</b> The GOL, in an effort to address the high levels of unemployment and underemployment among youth, launched an innovative program for first-time job seekers to improve their employability. Decree N°8691 passed by the Cabinet in August 2012, approved the creation of a “First Job for Youth Program” and a 5-year budget for this program was approved by the Council of Ministers on December 18, 2014. With support from the Bank, this program will be piloted in its first 2 years through the New Entrants to Work program (NEW). All preparatory work has been completed under the NEW program, which is ready to be launched as soon as Cabinet approves the decree of the original ESPISP II Grant agreement.</p> <p><b>Achieved</b> The NPTP has exceeded the target of reaching 90,000 individual</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <p>Emergency Social Protection Implementation Support Project 2 (Component 2 – Health TA)</p> <p>Lebanon MILES Programmatic TA</p> <p>ESPISP II (Component I) National Volunteer Service Program (SPBF)</p> <p>National Poverty Targeting Program (NPTP) (TA)</p> <p>Labor Markets &amp; Migration (TA)</p> <p>National Volunteer Service Program Social Promotion and Protection Project Syrian Displaced People in Lebanon (SPBF)</p>	<ul style="list-style-type: none"> <li>• The lack of adoption of the reforms by the NSSF is a result of complex governance structure of the NSSF and negative inertia to reforms, which we knew about prior to starting the project but which we could do little to address.</li> <li>• Institutional change is extremely difficult to make happen. Easier to start anew/over. (contrast attempt to reform the NSSF versus introducing totally new SSN system such as the NPTP)</li> <li>• Implementation time in Lebanon for projects is double what we estimate when we design a project. Non-confessionally based programs can be implemented in Lebanon (NPTP) as long as at some level the various confessions feel comfortable/non-threatened by the program/reforms.</li> </ul>





**CPSCR ANNEX 2: PLANNED LENDING AND NON-LENDING PROGRAM AND ACTUAL DELIVERIES**

Loans		Loans		Advisory Services and Analytics	
Planned	CPS Est.	Actual	Actual	Planned	Actual
	US\$m		US\$m		
<b><u>FY11</u></b>		<b><u>FY11</u></b>		<b><u>FY11</u></b>	<b><u>FY11</u></b>
Greater Beirut Water Supply Project	200.0	Greater Beirut Water Supply Project	200.0	Broadband Policy for ICT (TA)	Broadband Policy for ICT (TA)
Second Education Development Project	40.0	Second Education Development Project	40.0	<b>Tourism &amp; Growth Potential (TA)</b>	<b>Tourism &amp; Growth Potential (TA)</b>
<b><u>FY12</u></b>		<b><u>FY12</u></b>		Using Lebanon's Large Capital Inflows to Foster Long-Term Sustainable Growth (ESW)	Capital Inflows and Growth (ESW)
Cultural Heritage Additional Financing	27.0	Cultural Heritage Additional Financing	27.0		
<b><u>FY13</u></b>		<b><u>FY13</u></b>		Country Environmental Analysis (ESW)	Country Environmental Analysis (ESW)
Supporting Innovation in SMEs Project	30.0	Supporting Innovation in SMEs Project	30.0		
Social Promotion & Protection Project	30.0	Social Promotion & Protection Project ( <i>Project cancelled on January 13, 2016</i> )	30.0	<b><u>FY12</u></b> Dev't of SMEs & Women SMEs (TA)	<b><u>FY12</u></b> Dev't of SMEs & Women SMEs (TA)
Mobile Internet Ecosystem Project	6.4	Mobile Internet Ecosystem Project ( <i>Project cancelled on August 24, 2015</i> )	6.4	Inventory & Removal POPS Materials (TA)	Inventory & Removal POPS Materials (TA)
<b><u>FY14</u></b>				Challenges of Informality for Women (TA)	Challenges of Informality for Women (TA)
Financial Management Reform II	4.0	Financial Management Reform II	5.2		
Water Supply Augmentation Project	125.0	Water Supply Augmentation Project	474.0	Broadband Strategy & Deployment (TA)	Broadband Strategy & Deployment (TA)
Environmental Pollution Abatement Project	15.0	Environmental Pollution Abatement Project	15.0	Labor Markets & Migration (TA)	Labor Markets & Migration (TA)
Sustainable Agriculture Livelihoods in Marginal Areas (SALMA)	24.0	<i>Project dropped</i>		Investment Environment Reform (TA)	Investment Environment Reform (TA)
Beirut Peripherique & A2 Highway Project LNG Development (PRG) – ( <i>cancelled</i> )		<b><u>FY16 (Under Preparation)</u></b> Lake Qaraoun Pollution Prevention I (\$55m)		Water Sector Strategy (ESW)	Water Sector Strategy (ESW)

Grants		Grants		Advisory Services and Analytics	
Planned	CPS Est.	Actual	Actual	Planned	Actual
	US\$m		US\$m		
<b><u>FY12</u></b>		<b><u>FY12</u></b>		<b><u>FY13</u></b>	<b><u>FY13</u></b>
SPBF – National Volunteer Service Program	2.0	SPBF – National Volunteer Service Program	2.0	Higher Education (TA)	Higher Education (TA)
TFSCB – Capacity Building to Implement Key Steps for the Statistical Master Plan ( <i>Reclassified as TA in FY14 Planned</i> )	0.13	GFYI – Young Environmental Leaders Program	0.03	Measuring Financial Literacy (TA)	Health Policy Dialogue (TA)
<b><u>FY13</u></b>		<b><u>FY13</u></b>			<b><u>FY14</u></b>
IDF – Improve Capacity for Environmental Compliance	0.3	IDF – Improve Capacity for Environmental Compliance	0.3	Environmental Pollution Abatement (TA)	Environmental Pollution Abatement (TA)
IDF – Building CSO Capacity to Provide Legal Aid Services ( <i>Dropped</i> )	0.3	SPBF- Displaced People in Lebanon ( <i>Approved \$1.2m of which \$300K was Cancelled</i> )	0.9	Best Fit Practices for Reforestation to Enhance Climate Resilience (TA)	Measuring Financial Literacy (TA)
SPBF- Displaced People in Lebanon	1.2	<b><u>FY14</u></b>		Boosting Growth & Social Welfare in a Context of Fiscal Consolidation (ESW)	Economic & Social Equity of Taxes (ESW)
		LTF – Emer. National Poverty Targeting Project	8.2	<b><u>FY14</u></b>	
<b><u>FY14</u></b>				Capacity Bldg. to Implement Statistical Master Plan (TA)	ESMAP Wind Power Development Study (TA)
GEF – PCB Management	2.54	LSCTF – Municipal Services Emer. Project	10.0	Investment Climate Assessment (ESW)	FSAP Development Module Lebanon (ESW)
GEF - Sustainable Agriculture Livelihoods in Marginal Areas (SALMA)	7.2	<b><u>FY15</u></b>		Innovation & Competitive Industries Policy Framework (ESW)	Lebanon Impact & Needs Assessment (ESW)
		GEF – PCB Management	2.54	FSAP on Capital Market & Insurance (ESW)	<b><u>FY15 (Ongoing)</u></b>
		LSCTF – Emer. Primary Health Care Restoration Project	15.0	Multi-Sectoral Social / Poverty Assessment (ESW)	Land Admin. System Modernization (TA)
		LSCTF – Emer. Educ. System Stabilization Project			Civil & Military Pension Schemes (TA)
					Capacity Bldg. to Implement Statistical Master Plan (TA)
					Support to Gas Unit for LNG at MOEW (TA)
<b>Total Loans</b>	<b>501.4</b>		<b>827.6</b>		Wind Energy Resource Mapping (TA)
<b>Total Grants</b>	<b>13.7</b>		<b>39.0</b>		Cap. Markets Regulation & Dev't. (TA)
<b>Grand Total</b>	<b>515.1</b>		<b>866.6</b>		Dev't. of Nat'l. Payments Systems Stat. (TA)
					MSME Development Facility (TA)
					Investment Climate Assessment (ESW)

# Annex 9: Map

