



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 15-Dec-2020 | Report No: PIDISDSA31157



BASIC INFORMATION

A. Basic Project Data

Country Lebanon	Project ID P173367	Project Name LEBANON EMERGENCY CRISIS AND COVID-19 RESPONSE SOCIAL SAFETY NET PROJECT	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 02-Jul-2020	Estimated Board Date 05-Jan-2021	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Lebanese Republic	Implementing Agency Prime Minister's Office	

Proposed Development Objective(s)

The objective of the Project is to: (a) provide cash transfers and access to social services to extreme poor and vulnerable Lebanese populations affected by the economic and COVID-19 crises in Lebanon; and (b) in case of an Eligible Crisis or Emergency, provide immediate and effective response to such emergency or crisis.

Components

- Provision of Cash Transfer for Basic Income Support
- Provision of Cash Transfer for Students-at-Risk
- Provision of Social Services
- Enhanced Social Safety Nets Program Delivery
- Contingent Emergency Response Component (CERC)

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	246.00
Total Financing	246.00
of which IBRD/IDA	246.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	246.00
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Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Lebanon faces a combination of a balance of payments crisis, an economic and banking sector crisis, and a 10-year humanitarian situation caused by an unprecedented influx of displaced Syrians, all of which have been exacerbated by the COVID-19 pandemic, and most recently, by the Port of Beirut explosion.** On October 17, 2019, hundreds of thousands of people poured into the streets in protest of worsening economic and social conditions, demanding an efficient and transparent governance system. Prior to these events, economic conditions on the macro-financial front had been acute. A shortage of US dollars in the market resulted in parallel exchange rates, as well as informal restrictions and control mechanisms on dollar deposits and transfers out of the country—an unprecedented situation for Lebanon’s historically free capital account. On March 7, 2020, the Government of Lebanon (GOL) announced the decision to withhold all payments on its US\$1.2 billion Eurobond debt due on March 9, 2020, and to undertake reforms to stabilize and restate its economy. On March 23, the GOL took the decision to discontinue payments on all its foreign currency denominated Eurobond and seek out restructuring agreements due to the spiraling financial crisis that has hit foreign currency reserves. Much of Lebanon's economic and social crises have their roots in the system of elite capture which after decades of poor governance and corruption has failed to deliver adequate services to its people.¹ The fragile and dysfunctional political system has blocked reforms and development. There is little trust in government by its citizens, a state of affairs which has been exacerbated by the above events.

The Lebanese economy is undergoing a large contraction. As a result of the exchange market pressures, businesses are facing a liquidity crunch, especially regarding trade and corporate finance, leading to disruptions all along the supply chain. Real Gross Domestic Product (GDP) is projected to decline by 19.2

¹ Lebanon Systematic Country Diagnostic, World Bank, 2016.

percent in 2020, following 6.0 percent and 1.9 percent contractions in 2019 and 2018, respectively. Inflation is surging from 10 percent in January 2020, to 46.6 percent in April, 89.7 percent in June, and most recently in October inflation hit 137 percent (well above the 50 percent threshold often used to define hyperinflation). Although robust evidence-based data on the impact on jobs due to the current situation in Lebanon is lacking, a rapid survey (Business News 2020)² conducted before the COVID-19 outbreak estimated that more than 220,000 jobs had been temporarily or permanently lost between October 2019 and February 2020. In addition, about a third of firms have “temporarily” reduced their employees’ salaries—by an estimated 40 percent on average. One third of companies reduced their workforce by 60 percent on average, and 12 percent have ceased or suspended their operations.

The situation in the country is further compounded by the outbreak of the COVID-19 pandemic and subsequent lockdown measures which pose a serious threat to Lebanon’s health system and economy, particularly impacting the poor and the vulnerable. The pandemic adds on to the worst financial, economic and social crises in the recent history of Lebanon and the Government has limited resources to respond. As of December 14, 2020, Lebanon has reported a total of 147,613 confirmed COVID-19 cases and 1210 deaths due to the COVID-19 pandemic. The unmet needs are immense, and the health system is stretched with respect to human and financial resources available to manage the public health emergency. The outbreak will further set back Lebanon’s efforts in its fight against poverty.

The Port of Beirut (PoB) disaster on August 4, 2020 constitutes a significant shock to the country, which compounds the economic, public health, and social crises the country is facing where further impacts on poverty and inequality cannot be ruled out. The Rapid Damage and Needs Assessment estimates damages in the amount of \$3.8-4.6 billion, economic losses of \$2.9-3.5 billion, and priority recovery and reconstruction needs of \$1.8-2.0 billion.³ The disaster is estimated to cause: (i) up to 0.4 and 0.6 percentage point (pp) declines in the growth rate of real GDP in 2020 and 2021, respectively, due to losses in the stock of physical capital; and potentially; (ii) import constraints that could subtract an additional 0.4 to 1.3 pp from growth in 2020 and 2021, respectively. These impacts are beyond the double-digit contractions in real GDP growth stemming from the pre-existing economic and financial crisis and COVID-19 effects. Concerns are growing that the damage to the PoB will exacerbate food insecurity, which was already increasing amid the COVID-19 pandemic and prolonged socioeconomic crisis, combined with the reduced capacity of households to cope with the situation.⁴

Sectoral and Institutional Context

The ongoing economic, financial and COVID-19 crises, as well as the PoB explosion, are having far-reaching and potentially disastrous consequences on households’ economic well-being in Lebanon. Already prior to the crisis, poverty was on the rise, with overall poverty nowcasted to have increased from 25.6 percent in 2012 to 37 percent in 2019, and extreme poverty nowcasted to have increased from 10 percent in 2012 to 16.2 percent in 2019. The Syrian crisis itself contributed a seven percentage points increase in overall poverty between 2012 and 2017. Based on World Bank estimates of GDP growth and

² Conducted by InfoPro—<http://www.businessnews.com.lb/cms/Story/StoryDetails/7423/220,000-jobs-lost-estimated-by-InfoPro>

³ “World Bank Group; European Union; United Nations. 2020. Beirut Rapid Damage and Needs Assessment. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34401> License: CC BY 3.0 IGO.”

⁴ Beirut Port Explosion, Situation Report. Office for the Coordination of Humanitarian Affairs (OCHA)

inflation rates in first half of 2020, it is estimated that extreme (food) poverty will double to 22 percent, and overall poverty will increase to 45 percent. This translates into approximately 1.7 million people (350,000 households) falling under the poverty line, of which 841,000 people (156,000 households) will be under the food poverty line, among which 12 percent are female-headed households. An immediate social protection response is critical to limit the projected increase in extreme poverty to the maximum extent possible, by supporting the poorest households in Lebanon that will be the worst affected by these crises.

If unmitigated, the economic crisis would not only result in a steep increase in poverty and inequality in Lebanon, but it could also reverse hard-won gains in human capital investment, as well as fuel social tension between vulnerable Lebanese and non-Lebanese communities. As a direct fallout of the increases in poverty, households will come under increasing strain to smooth consumption and delay needed investments in education, nutrition and healthcare. As the poorest are most likely to bear the brunt of the economic contraction, an increase in early marriages, child labor, abuse and inequality is also very likely. This further underscores the need to provide immediate safety net support to the poorest households through emergency interventions.

In addition to poverty impact, the crisis and the COVID-19 pandemic can potentially create conditions for social tensions, inter- and intra-household conflict and an accentuation of distress. Beyond addressing immediate basic needs, it would be incumbent to provide the necessary social support for vulnerable groups such as women facing the risk of gender-based violence (GBV), children in need of protection, the elderly and people with disabilities, to address their multi-dimensional vulnerabilities and to ensure that the crisis does not marginalize such groups further. This calls for a prioritization of socially vulnerable groups for both, monetary support as well as social services that can address wider forms of deprivation.

The coverage of the existing targeted social safety net programs (chiefly NPTP) is insufficient to protect poor households against the effects of the multiple crises that Lebanon is going through. The GOL's only poverty-targeting social assistance program—the NPTP—has demonstrated the ability to channel targeted social assistance to extreme poor Lebanese households, yet its impact on overall poverty alleviation is limited due to low coverage. The NPTP was launched in 2011 by the GOL with technical and financial assistance from the World Bank⁵ with the objective of targeting extreme poor Lebanese households, defined as households who are unable to meet their basic food needs.⁶ The latest recertification/verification of the NPTP database was completed in 2018, whereby, of the 140,000 households that applied, 43,000 households were deemed to fall under the then extreme poverty line. Currently, the NPTP provides health and education benefits to 43,000 households, of which 15,000 households also receive food assistance through an electronic prepaid card. These represent only 4.5

⁵ The World Bank has provided technical assistance and financial support (US\$25 million) through four emergency grant project – the First and Second Emergency Social Protection Implementation Support Projects (US\$1 million and US\$6 million, 2007 and 2011, respectively), and the Emergency NPTP (US\$8.2 million, 2014) and NPTP Additional Financing (US\$10 million, 2016).

⁶ The standard international approach for setting a poverty line—which is followed in Lebanon by the Central Administration of Statistics (CAS)—is the cost-of-basic-needs approach (CBN). To estimate the extreme poverty line, a minimal nutrition requirement for healthy living is identified—usually defined in terms of minimal caloric requirements. Households whose consumption expenditure falls below this line are considered extreme poor. To estimate the upper poverty line, a non-food component is added to the food poverty line (rents, durables, education, health etc.), and households whose consumption expenditure falls below this line are considered poor.



percent and 1.5 percent, respectively, of all Lebanese households. Informal mechanisms such as remittances, NGO aid and inter-household transfers are also limited in scale, not always progressively targeted, and not sustainable in a manner that supports long-term poverty reduction and human capital investments. The NPTP has the foundational features of an effective social safety net program, including progressive targeting, information on applicant and beneficiary households, and an up-to-date and well-managed Management Information System (MIS). However, at its current level of coverage, the NPTP will be inadequate to offer any meaningful cushion to the anticipated shocks that households will face as a result of the projected economic contraction, as it reaches only a small fraction of the population that is expected to fall into poverty/extreme poverty as a result of the crisis. An extension of the program from 15,000 e-card food voucher beneficiaries to 147,000 households will be an effective means to reduce the increase in extreme poverty. This proposed rapid scale-up of safety net coverage among the extreme poor under the emergency operation will also require complementary investments in safety nets infrastructure to ensure that the scale-up is effective and does not overwhelm existing capacity of the SSN system, which currently is of a relatively smaller scale. Specifically, investments are required in core SSN systems, including Grievance Redress Management (GRM), communication and outreach, applicants' eligibility verification, monitoring and evaluation, and social registry/database management. The scale-up also offers an opportunity to build and equip Lebanon's SSN capacity to manage a national scale crisis-ready social safety net program even beyond the current crisis.

In response to the COVID-19 pandemic, the GOL launched a “National Social Solidarity Program” (NSSP), aimed at assisting households impacted by the lockdown restrictions. The program aims to provide temporary emergency aid of LBP400,000 to approximately 200,000 households. Three months of distributions have taken place and a final one before end 2020 is planned. To support this program, the Ministry of Interior and Municipalities (MOIM), in collaboration with the MOSA, the Central Inspection Office, and the Presidency of the Council of Ministers (PCM), launched an electronic platform (IMPACT) to collect household applications for social assistance.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The objective of the Project is to: (a) provide cash transfers and access to social services to extreme poor and vulnerable Lebanese populations affected by the economic and COVID-19 crises in Lebanon; and (b) in case of an Eligible Crisis or Emergency, provide immediate and effective response to such emergency or crisis.

Key Results

Progress towards the achievement of the PDO would be measured by the following outcome indicators:

- Number of households receiving basic cash transfers (of which female-headed households, households with persons with disabilities (PwD), households with elderly persons, households with children 0-18 (percentage))
- Number of households receiving top-up cash transfers for children ages 13-18
- Number of children (ages 13–18) enrolled in school year among beneficiary households
- Percentage of boys (ages 13-18) enrolled in school year among beneficiary households
- Number of beneficiaries of social services (of which female (percentage))



D. Project Description

The ESSN Project consists of five components: (i) provision of cash transfers for basic income support to 147,000 extreme poor Lebanese households; (ii) provision of top-up cash transfers for students from extreme poor Lebanese households at risk of dropping out of school; (iii) provision of social services to vulnerable households; (iv) enhanced social safety nets program delivery; and (v) a Contingent Emergency Response (CERC). The total project cost is US\$246 million for 3 years.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

While the proposed program will provide social benefits, it will also have potential social risks mainly related to exclusion of some vulnerable and disadvantaged groups, such as: 1) smaller families because of the household characteristics used by the targeting program to calculate household poverty; and 2) the near poor subgroups who may not qualify as part of the targeting program and may therefore not benefit from the program. While filters have been added under the ESSN, as per the ESF guidelines, social risk determination is based on pre-mitigation risks and impacts. Other risks include contextual risks such as general citizen mistrust in government organizations, as well as social tensions between the Syrian displaced and Lebanese poor. In addition, an inadequate Grievance Redress Mechanism and/or a poor communications and outreach program could also affect the efficient delivery of the program and thus be considered social risks to the program. Finally, the implementation of the program is associated with the risk of gender-based violence (GBV) or sexual abuse and exploitation which need to be mitigated through the preparation and implementation of a GBV Action Plan. From the environmental perspective, the risks are low as the project will not support any physical works.



E. Implementation

Institutional and Implementation Arrangements

The institutional and implementation arrangements of the ESSN Project include several GOL ministries and entities, hence coordination and collaboration are critical. This essential function of ensuring high-level coordination, collaboration and transparent oversight of social safety net programs including the ESSN, is the responsibility of the Inter-Ministerial Committee (IMC) for Social Affairs (established on March 2, 2020 and chaired by the PM). The IMC for Social Affairs will be supported by a Technical Committee which also acts as the Secretariat to the IMC. An Expert Advisory Group will be established to provide guidance to the Technical Committee on the ESSN. The Group will consist of local experts from academia, think-tanks and civil society in the fields of poverty and social policy. A Central Management Unit (CMU) located in the Presidency of the Council of Ministers (PCM) will house the targeting database, as well as the fiduciary and related activities of the project. The implementation of the cash-based assistance parts of Components 1 and 2 will be contracted out to the World Food Program (WFP). The MOSA is responsible for technical implementation of the social services component, as well as the GRM system and eligibility verification (with support and oversight from the WFP). Other partners in implementation include the Ministry of Education and Higher Education which is responsible for monitoring of student attendance. A Third-Party Monitoring Agent (TPMA) will be recruited as an independent party to verify the eligibility of the beneficiaries under components 1 and 2 and to confirm that payments have been made to the end beneficiaries across components. The TPMA will collect monthly data and report quarterly. Reports of the TPMA will be publicly disclosed to ensure complete transparency in the implementation of the program. In addition, post-distribution monitoring (PDM) will be undertaken by the WFP at the end of each payment cycle with a sample of beneficiaries. This PDM survey will specifically ask beneficiaries questions on the payments process, the amount of cash transfer received, their awareness of and experience with using GRM systems, the use of cash receipts, and any bribes/corruption encountered. Adverse findings will be used to trigger immediate action. PDM reports will be posted on the NPTP PCM website.

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APPROVAL

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