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Report No: ICR00618

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TFB6361 and TFC4711)

ON A

GRANT AND ADDITIONAL FINANCING GRANT

IN THE AMOUNT OF US$ 28 MILLION

TO
The Lebanese Republic

FOR
Building Beirut Businesses Back & Better (B5) Fund

April 14, 2026

Finance, Competitiveness and Innovation
Middle East, North Africa, Afghanistan, Pakistan

CURRENCY EQUIVALENTS

(Exchange Rate Effective Aug 14, 2025)

Currency Unit =	Lebanese Pound
8,950=	US$1
US$1.42 =	SDR 1

FISCAL YEAR
January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AEP	Association d'Entraide Professionnelle
B5	Building Beirut Businesses Back & Better Fund / Project
BDL	Banque du Liban (Central Bank of Lebanon)
CPF	Country Partnership Framework
CSOs	Civil Society Organizations
ERR	Economic Rate of Return
EU	European Union
GDP	Gross Domestic Product
GoL	Government of Lebanon
ICR	Implementation Completion and Results Report
IFC	International Finance Corporation
IOB	Independent Oversight Board
IR	Intermediate Results (Indicator)
LAF	Lebanese Armed Forces
LFF	Lebanon Financing Facility
M&E	Monitoring and Evaluation
MFIs	Microfinance Institutions
MSEs	Micro and Small Enterprises
NGOs	Non-Governmental Organizations
NPLs	Non-Performing Loans
NPV	Net Present Value
OPEX	Operating Expenditures
PAD	Project Appraisal Document
PDO	Project Development Objective
PIA	Project Implementation Agency
PLR	Performance and Learning Review
PMU	Project Management Unit
POB	Port of Beirut
RF	Results Framework
ToC	Theory of Change
3RF	Reform, Recovery and Reconstruction Framework
WBG	World Bank Group
WOL	Women-Owned or Led

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DATA SHEET

BASIC DATA

Product Information

Operation ID	Operation Name
P176013	Building Beirut Businesses Back & Better (B5) Fund
Product	Operation Short Name
Investment Project Financing (IPF)	LB: Bldg Beirut Businesses Back & Better
Operation Status	Approval Fiscal Year
Closed	2022
Current ESRC	
Moderate	

CLIENTS

Borrower/Recipient	Implementing Agency
Kafalat SAL	Kafalat SAL

DEVELOPMENT OBJECTIVE

Original Development Objective (Approved as part of Decision Package on 28-Jul-2021)

The Project Development Objective is to support the recovery of targeted micro and small enterprises (MSEs) and sustain the operations of eligible microfinance institutions (MFIs).

Current Development Objective (Approved as part of Additional Financing Package Seq No 2 on 28-Jun-2024)

The Project Development Objective is to support the recovery of targeted micro and small enterprises (MSEs) and sustain the operations of eligible microfinance institutions (MFIs).

FINANCING

Financing Source	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Administered Financing	28,000,000.00	27,940,684.71	27,940,684.71
TF-B6361	25,000,000.00	24,986,365.37	24,986,365.37
TF-C4711	3,000,000.00	2,954,319.34	2,954,319.34
Total	**28,000,000.00**	**27,940,684.71**	**27,940,684.71**

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Type	Amount Disbursed (US$M)	Key Revisions
16-Jan-2025	Portal	26.00	• Results
16-Jun-2025	Portal	27.74	• Results • Loan Closing Date Extension

KEY DATES

Key Events	Planned Date	Actual Date
Decision Review	27-May-2021	27-May-2021
Authorize Negotiations	23-Jul-2021	21-Jul-2021
Approval	30-Jul-2021	28-Jul-2021
Signing	05-Aug-2021	05-Aug-2021
Effectiveness	08-Oct-2021	08-Oct-2021
Additional Financing Sequence.02	Not Applicable	28-Jun-2024
Restructuring Sequence.01	Not Applicable	16-Jan-2025
Restructuring Sequence.02	Not Applicable	16-Jun-2025
Mid-Term Review No. 01	25-Sep-2023	25-Sep-2023
Operation Closing/Cancellation	30-Sep-2025	30-Sep-2025
ICR/NCO	15-May-2026	--

RATINGS SUMMARY

Outcome	Bank Performance	M&E Quality
Highly Satisfactory	Highly Satisfactory	Substantial

ISR RATINGS

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	07-Nov-2021	Satisfactory	Satisfactory	0.00
02	31-May-2022	Satisfactory	Satisfactory	0.00
03	07-Dec-2022	Satisfactory	Satisfactory	0.00
04	18-Jun-2023	Satisfactory	Satisfactory	0.00
05	07-Mar-2024	Satisfactory	Satisfactory	0.00
06	28-Jun-2024	Satisfactory	Satisfactory	0.00
07	28-Jan-2025	Satisfactory	Satisfactory	0.00

SECTORS AND THEMES

Sectors

Major Sector	Sector	%	Adaptation Co-benefits (%)	Mitigation Co-benefits (%)
FY17 - Financial Sector	FY17 - Capital Markets	94	0	0
	FY17 - Public Administration - Financial Sector	6	0	0

Themes

Major Theme	Theme (Level 2)	Theme (Level 3)	%
FY17 - Finance	FY17 - Financial Infrastructure and Access	FY17 - MSME Finance	100
FY17 - Human Development and Gender	FY17 - Gender		80
	FY17 - Enterprise Development	FY17 - Entrepreneurship	80

FY17 - Private Sector Development		FY17 - MSME Development	80

ADM STAFF

Role	At Approval	At ICR
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I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Country Context

1. **The World Bank's Lebanon Economic Monitor "Lebanon Sinking (to the Top 3)", published in Spring 2021, characterized Lebanon as among the top three most severe economic crises globally since the mid-nineteenth century.** In 2021, Lebanon was in the state of an economic and financial crisis that began in 2019, the COVID-19 pandemic that began in early 2020, and the aftermath of the Port of Beirut (POB) explosion of August 4, 2020. Years of fiscal mismanagement culminated in a severe liquidity crunch in 2019 and the government's Eurobond default on US$31 billion of debt. The banking system was in a state of collapse, with 70 percent of banking assets tied to the sovereign. Banks imposed strict capital controls and foreign-currency restrictions, paralyzing trade finance and driving a multi-tier exchange-rate system. The absence of a credible macroeconomic stabilization plan or timely financial sector restructuring eroded confidence and blocked access to credit, which is essential to reconstruction and business recovery. The global impact of the COVID-19 pandemic shuttered businesses and livelihoods. The POB explosion further worsened the situation by severely damaging physical infrastructure in one of the most densely populated and critical for businesses zones in the country. As a result, real gross domestic product (GDP) contracted by 24.6 percent in 2020, on the back of a 6.7 percent contraction in 2019, with more than half of the population falling below the poverty line.[1]

2. **In years preceding the crisis, structural weaknesses were already constraining Lebanon's private sector performance.** Weak governance, corruption, underdeveloped infrastructure, and anti-competitive regulations with a high regulatory burden were hindering Lebanon's private sector development for decades, causing firms to underperform and downsize. The trend accelerated rapidly in October 2019, and, according to the 2019/2020 World Bank Enterprise Survey[2], between 2017 and 2020, firms' real sales declined by 11.1 percent per year, and total employment dropped by 3.6 percent per year. In 2020, Lebanon ranked 88 out of 141 countries globally in the World Economic Forum's Global Competitiveness Index and 143 out of 190 in the Ease of Doing Business Index.

Sectoral and Institutional Context

3. **The POB explosion claimed the lives of at least 200 people, injured over 6,000, and left 300,000 homeless**. The blast was estimated to have caused between US$3.8 billion and US$4.6 billion in damage to physical stock and between US$2.9 billion and US$3.5 billion in economic losses[3]. Approximately 10,000 businesses within the blast radius suffered severe damage, with estimated physical losses of up to US$330 million and direct economic losses of up to US$580 million. Many affected firms, particularly Micro and Small Enterprises (MSEs) and those in commerce, tourism, and creative industries, lacked the liquidity to rebuild. According to a firm-level survey[4] conducted by the World Bank in November 2020, 16.62 percent of firms were confirmed (or assumed to be) permanently closed, and over half of the impacted businesses could not reopen without external aid and were at risk of permanent closure.

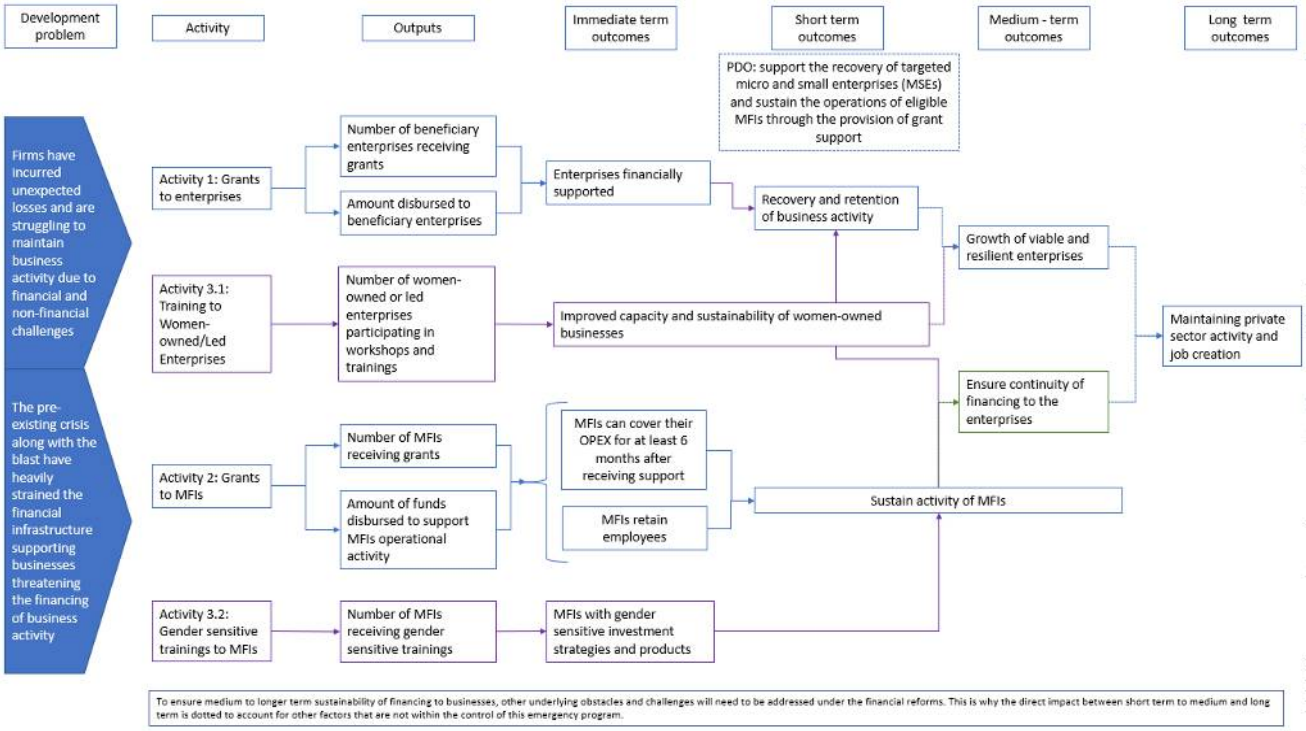
[1] Lebanon Economic Monitor, May 2021.
[2] World Bank Enterprise Survey: Business owners and top managers in 532 firms were interviewed from May 2019 through April 2020. https://www.enterprisesurveys.org/en/data/exploreeconomies/2019/lebanon.
[3] Based on the initial Rapid Damage and Needs Assessment (RDNA) produced in conjunction with the World Bank, EU, and UN
[4] The World Bank conducted a rapid firm-level survey in November 2020, which was a follow-up to the 2019/2020 enterprise survey that was carried out between May 2019 and April 2020.

4. **The explosion further intensified stress within the already weakened financial sector, particularly the microfinance segment, which served as a critical financing channel for low-income entrepreneurs and informal MSEs.** At its peak, in 2019, the microfinance sector served more than 135,000 borrowers—over half of whom were female entrepreneurs—with an aggregate portfolio value of US$220 million. However, amid economic contraction and pandemic lockdowns, loan demand fell to less than 10 percent of its peak, while declining client revenues led to repayment delays and a surge in non-performing loans (NPLs) from 2 percent to over 20 percent by late 2020. Currency mismatches and reliance on external debt exposed Microfinance Institutions (MFIs) to significant foreign exchange losses, compounded by capital controls on US dollar deposits. Reduced activity, deteriorating portfolio quality, and exchange rate losses created acute solvency risks, threatening the continuity of micro-lending services at a time when commercial banks had largely ceased lending.

5. **The Reconstruction Framework (3RF) alongside a pooled financing mechanism, the Lebanon Financing Facility (LFF) were established to coordinate response efforts.**[5] The LFF, which remains in operation to-date, was established to support the immediate socioeconomic recovery of vulnerable people and businesses affected by the POB explosion. The first LFF PC meeting, held on April 29, 2021, endorsed the US$25 million Building Beirut Businesses Back & Better (B5) Fund Project, which was aligned with the priority pillar 'Jobs and Economic Opportunities'. B5 was aligned with the World Bank Group's Country Partnership Framework (CPF) for Lebanon for FY17–FY22[6] Focus Area 2: "Expand economic opportunities and increase human capital".

Theory of Change (Results Chain)

Figure 1: B5 Theory of Change



[5] The Reform, Recovery, and Reconstruction Framework (3RF) was launched in December 2020 as a collaborative framework developed jointly by the Government of Lebanon, the World Bank Group, the European Union (EU), and the United Nations (UN). Its role is to coordinate international and national efforts to respond to the Port of Beirut explosion, and to address Lebanon's overlapping economic, financial, and governance crises.
[6] Report No. 94768-LB, June 15, 2016

6. **Amid the multilevel crises, Lebanon required rapid and transparent financial support to restore livelihoods, sustain MSEs, and prevent the collapse of the microfinance sector**. With banks ceasing lending, MFIs remained the only active financing channel but faced severe challenges that threatened their sustainability. The project needed to generate immediate outputs (grants disbursed, MFIs stabilized, technical assistance delivered, entrepreneurs trained), which would have translated into intermediate outcomes (MSEs survival, jobs preserved), and ultimately into results (recovery of blast-affected MSEs and sustained operations of MFIs).

Project Development Objectives (PDOs)

A. Project Development Objective

PDO Statement

7. **The PDO was to support the recovery of targeted micro and small enterprises and sustain the operations of eligible microfinance institutions.** The activities were expected to preserve private sector jobs.

(a) '*Targeted micro and small enterprises*' referred to (i) viable informal and formal private sector activities and businesses, (ii) businesses that were directly damaged by the August 4, 2020 explosion and located within a 5-kilometer radius from the Port of Beirut (or were present in that radius at the time of the blast), and (iii) businesses that had less than 20 registered employees.

(b) '*Eligible microfinance institutions*' referred to institutions that (i) extended microcredit and were financially self-sufficient before the economic and financial crisis (as of June 2019), (ii) required support to sustain their operations in the short term, and (iii) operated according to microfinance global standards of performance and good conduct.

Key Expected Outcomes and Outcome Indicators

8. **The objectives were to be measured through the following PDO-level indicators:**

- PDO Indicator 1: Share of MSEs that are operational for at least 12 months after receiving the grants, of which 30 percent are women-owned or led (WOL)[7] enterprises; and
- PDO Indicator 2: Number of MFIs operational for at least 24 months after receiving support.

Components

9. **The Lebanon B5 Project comprised three components, presented below.**

10. **Component 1 – Grants to Micro and Small Enterprises (US$18.5 million, fully disbursed):** This component provided recovery grants to MSEs and entrepreneurs, including self-employed workers in both formal and informal sectors, with at least 30 percent expected to benefit WOL businesses. Grants were delivered through a dual approach: (i) a wholesale mechanism implemented via MFIs to reach micro entrepreneurs through small grants (up to US$10,000), and (ii) a retail mechanism managed directly by Kafalat SAL[8], the B5 Project Implementation

[7] In the context of this project, a woman-owned enterprise is defined as having at least one owner who is a woman, and woman-led enterprise is defined as having at least one woman in a managerial or leadership position.

[8] Kafalat SAL is a Joint Stock Company, established in 1999 based on Law No. 24 authorizing the National Deposit Guarantee Institution to participate in a Lebanese Joint Stock Corporation. It was set up as a government-sponsored donor-funded loan guarantee scheme intended to improve SMEs access to finance. Kafalat's mandate was later expanded to include direct equity investment in eligible MSEs, as well as supporting MSEs in seeking venture capital and seed investments.

Agency (PIA), to reach larger and more formal MSEs through larger grants (up to US$25,000). A zoning approach prioritized firms closest to the explosion site.

11. **Component 2 – Grants to Microfinance Institutions (US$5 million, fully disbursed):** This component provided self-sustainability grants to eligible MFIs to stabilize operations and preserve access to finance for low-income entrepreneurs. The grants covered operational expenses for an average of six months, helping MFIs to retain staff, sustain community outreach, and prepare to resume lending once market conditions improved. Kafalat appraised, selected, and monitored MFIs based on third-party performance and financial sustainability assessments, ensuring that support was targeted to viable, well-managed institutions.

12. **Component 3 – Project Management and Gender Support (US$1.5 million, fully disbursed):** This component financed project implementation, coordination, and capacity-building activities, managed by Kafalat as the PIA. Kafalat was selected as the PIA based on its technical capacity as finance manager and its experience with managing the World Bank-financed project (namely the iSME project[9], which closed in 2024) and, therefore, had proven capacity to assume fiduciary responsibility for B5. Component 3 financed administrative and consultancy costs, monitoring and evaluation (M&E), fiduciary oversight, and citizen engagement. It also financed gender-focused capacity building for MSEs through competitively selected service providers offering short-term training in financial management, e-commerce, and related areas.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

Revised PDOs and Outcome Targets

13. **PDO and outcome targets remained unchanged**.

Revised PDO Indicators

14. **The PDO indicators were updated in June 2024 during restructuring (in conjunction with the Additional Financing (AF), which is further discussed in the section "Revised Components" below).**

- PDO Indicator 1 was revised to reduce the period during which MSEs were to remain operational from 12 months to 6 months to be counted under this indicator. This was an adjustment recommended at the Mid-term Review (MTR) to address the reality that initial disbursement delays had pushed a large share of grants into the last year of implementation, and, therefore, a 12-month window would have excluded them from the measurement. While the 6-month window has inherent limitations as a measure of long-term durability, MTR data provided confidence in the durability of results: 96 percent of MSEs that had received grants at least 12 months prior were still operational at the time of the MTR in October 2023.
- PDO Indicator 2 changed the definition from "24 months after support was provided" to "24 months or by the project closing date (whichever comes later)". This adjustment was necessitated by the AF, which introduced new activities contributing to Part 2 of the PDO (MFIs remaining operational), requiring the measurement window to capture the full contributions of both the original project and the AF to the MFIs' sustainability.

15. **In June 2025, PDO Indicator 2 reduced its final target from 3 MFIs to 2.** While all three MFIs — Al Majmoua, Vitas, and Ibdaa — met the operationality criterion under the original project, the change was triggered by the inability of one of the participating MFIs (Ibdaa) to comply with financial and operational standards required to manage

[9] Lebanon Supporting Innovation In Small And Medium Enterprises Project (P127306), PAD Report No: 72377-LB, October 3, 2012.

activities under the on-lending sub-component added to the project with AF in 2024, and by the absence of a viable replacement. Under the original project scope, all three MFIs successfully provided grants to MSEs and sustained their operations, meeting the original target of three MFIs. The target reduction applied to the AF phase and did not affect achievement under the original project.

Revised Components

16. **In June 2024, the LFF approved a B5 AF grant in the amount of US$3 million**. The components were revised as follows: (i) the budget for the grants to MFIs was increased from US$5 million to US$7.7 million; (ii) two new sub-components were added to Component 2: Sub-component 2.2: Grants to MFIs for on-lending (US$2.65 million) and 2.3: Capacity Building for *Association d'Entraide Professionnelle* (AEP)[10] (US$0.05 million); and (iii) the budget for Component 3 was increased by US$0.3 million to become US$1.8 million. To maintain a target of 80 percent employment capacity for MFIs (subsequently reduced to 70 percent – see Table 2), the project extended the duration of MFI financing to cover grants for up to 18 months and to allow MFIs to finance employees' allowances.

17. **Intermediate results indicators linked to project components were updated as well**. The targets of four intermediate indicators were revised, and four new indicators were added at AF stage to improve results tracking with an expanded scope of the project and new sub-components, and one intermediate indicator was dropped (see Table 2, in Section "Assessment of Achievements by Each Objective/Outcome").

Other Changes

18. **The project closing date was extended twice**. The first extension was granted in June 2024 in conjunction with the AF, extending the project implementation period from July 2024 to June 30, 2025. The second extension was approved in June 2025 – to allow an additional three months to complete the ongoing activities, moving the closing date to September 30, 2025. The extensions increased the project duration from three years to four years and three months – still significantly below the typical lifespan of five years or more for such projects.

Rationale for Changes and Their Implication on the Original Theory of Change

19. **Changes to the project design did not alter the ToC**. Revisions were primarily triggered by AF, which expanded the scope of this well-performing project, including introducing on-lending activities by MFIs to improve their liquidity through their normal business activities. The objectives and expected key project outcomes remained unchanged, while the changes enhanced the project's impact by increasing the number of MSEs benefiting from the project and improving the chances that participating MFIs will remain operational beyond the project's lifetime. Changes were well justified, as documented in the Project Paper for AF and in the subsequent Restructuring Papers.

II. OUTCOME

A. RELEVANCE OF PDO

[10] AEP is a Lebanese non-profit NGO founded in 1984, a member of Emmaus International, specializing in microfinance for socio-economic development. It supports the creation of small productive projects through loans and support, aimed at autonomy rather than assistance.

Assessment of Relevance of PDOs and Rating

20. **The B5 PDO remained highly relevant throughout the project implementation period and is rated High.** B5 was launched and completed under the World Bank Group's CPF for Lebanon for FY17–FY22, which remained in force at the time of project closure. The Performance and Learning Review (PLR), published in April 2022, extended the CPF period by one year to FY23[11], allowing the World Bank and the GoL to advance urgent programs supporting socioeconomic recovery and stabilization.

21. **The B5 Fund was aligned with the CPF's Focus Area 2: "Expand economic opportunities and increase human capital" by supporting MFIs and MSEs to sustain private sector activity and entrepreneurship following the Port of Beirut**. B5 also contributed to the implementation of the World Bank Group's Fragility, Conflict, and Violence (FCV) Strategy by focusing on the recovery of a severely damaged area in a country already affected by overlapping crises, including economic collapse, regional instability, and periodic violence. Through targeted support to viable businesses and financial institutions, the project aimed to preserve institutions with strong track records and the potential to remain operational and continue serving their clients beyond the life of the project, thereby helping mitigate the economic impact of the crisis and supporting a gradual recovery of private sector activity. The PDO remains relevant to Lebanon's current recovery priorities: with the banking sector yet to be restructured and access to formal credit still severely constrained, MFIs continue to serve as critical pillars of private sector resilience, making the objectives of B5 as pertinent today as they were at appraisal, especially in the current conflict context.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

22. **Methodology.** The PDO was two-pronged: Part 1 supported the recovery of targeted MSEs, and Part 2 sustained the operations of eligible MFIs. The project had two PDO-level indicators (both were updated through restructuring) and 12 intermediate-level indicators (nine original IRs, of which one was dropped, and four added with the AF). Part 1 of the PDO is measured by PDO Indicator 1 and IRs 1-3. Part 2 of the PDO is measured by PDO Indicator 2, IRs 4-6, and IRs 10-13. IRs 7-9 are cross-cutting and support gender specific training to reinforce a more inclusive approach. The Outcome rating is derived using the "split rating" method, which considers the original and revised targets. Ratings are weighed according to the share of actual disbursements made during each reference period as indicated in Table 1 below. Table 2 contains progress under the Results Framework.

Table 1: Periods and Disbursement Shares

Period	Dates	Disbursement (USD M)	Share
Period 1: Original targets	July 2021 – June 2024	US$24.69M	88.2%
Period 2: After June 2024 AF	June 2024 – June 2025	~US$3.05M	10.9%
Period 3: After June 2025 restructuring	June 2025 – September 2025	~US$0.2M	0.7%

Source: World Bank Staff

23. **Under Part 1 of the PDO, the project achieved all its targets**. The project, through direct support to MSEs, helped preserve an estimated 10,375 jobs, substantially exceeding the target of 7,600. The share of businesses

[11] The PLR was intended to serve as a bridge to the next CPF (FY24–FY29). However, due to ongoing security challenges and regional conflict—including the crisis in Gaza and intermittent military activity within Lebanon—the new CPF had not yet been approved at this time.

surviving past the 6-month mark was 93.8 percent (above the target of 80), indicating improving profitability, with businesses generating sufficient income and managing expenses to remain operational. The 93.8 percent survival rate of B5-supported MSEs stands in stark contrast to the baseline conditions. According to a study conducted by the Consultative Group to Support the Poor (CGAP) conducted after the POB blast, 17 percent of businesses in the affected area closed between August and December 2020, and 42 percent had to temporarily shut down during pandemic lockdowns. Against this backdrop, the near-universal survival of B5-supported enterprises provides a compelling indication of the program's additionality and impact. 3,616 enterprises received recovery grants, exceeding the target of 3,500, leading toward improved business continuity and household welfare beyond preserved jobs. The grants were provided as “wholesale” through MFIs, focusing on microentrepreneurs and using a door-to-door outreach approach, and as “retail” through Kafalat, focusing on larger more formal enterprises (450 enterprises out of 3,616 supported). Most grants were directed to the most affected zones and the most vulnerable communities, with Zone K and O (Bourj Hammoud, Karantina, and Mar Mikhael), accounting for 70 percent of beneficiaries. This distribution demonstrates that the project’s geographic targeting successfully prioritized enterprises that were most directly impacted. A technical audit, carried out by an independent consultant, confirmed a remarkably high (especially considering the large number of grantees and fragile environment in which they operated) compliance rate of financing extended under B5 with the B5 MSE eligibility criteria and with the overall rules for use of project funds.

24. **Under Part 2 of the PDO, the project also achieved all its targets.** B5 safeguarded the operations of Lebanon’s largest MFIs during a period of acute financial distress, when the banking system remained paralyzed. All three originally supported MFIs — Al Majmoua, Vitas, and Ibdaa — received operational grants under the original project and all three remained operational for at least 24 months following receipt of support, fulfilling the original PDO indicator in full. The reduction of the MFI target from 3 to 2 at the June 2025 restructuring was a technical adjustment reflecting Ibdaa's exclusion from the AF-financed on-lending component due to its inability to meet the fiduciary requirements for the newly added activities. Ibdaa remains operational to date and continues to undergo a restructuring process. The amount of the envisaged Ibdaa grant (US$150,000) was negligible compared to other MFIs' grants and therefore did not necessitate additional adjustments. At project closing, Al Majmoua and Vitas had both maintained operations for at least 24 months, meeting the revised target of 2. The AF-funded on-lending component resulted in 1,562 microloans, with an average loan size of US$1,686 and an average tenor of 13 months. The MFIs’ loan portfolios maintained excellent performance during the observed period of B5 implementation, with zero NPLs reported across both institutions. As a result, selected MFIs continued to serve vulnerable clients and maintain sector presence despite the collapse of the wider banking system. The project enabled MFIs to maintain around 70 percent of their pre-crisis capacity (in line with the B5 target).

25. **The project achieved meaningful results in reaching women entrepreneurs**. B5 exceeded its PDO-level target for financing women entrepreneurs, disbursing 38 percent of loans to women, exceeding the 30 percent target. However, it fell short of its training participation target: 229 women entrepreneurs (24 percent) benefited from tailored training and coaching programs against a revised target of 50 percent. This shortfall was primarily attributable to structural barriers, including conflict-related disruptions, the inability of women business owners to leave their enterprises unattended, and crisis-related demotivation — largely beyond the project's control. Training modules covered Crisis Management and Financial Training, E-Commerce and Digital Marketing, and Legal Awareness. Despite lower-than-expected participation, beneficiary feedback was highly positive, with 92 percent reporting satisfaction. This gap represents an important learning opportunity for future FCV operations, including the use of remote delivery modalities, flexible scheduling, and peer-based training models. The project also fully achieved its targets to strengthen Kafalat's PMU capacity, maintaining high standards of implementation and compliance throughout.

Table 2: B5 Result Indicators status as of September 30, 2025

Indicator	Target	Actual	Achievement
Outcome Results Indicators			
Support the recovery of MSEs and sustain the operations of MFIs			
PDO1: Share of Micro and Small beneficiary enterprises that are operational for at least *6 months* after receiving the grants (%)*	80	93.8	Exceeded
Of which are women-owned or led enterprises (%)	30	30.8	Achieved
PDO2: Number of Microfinance Institutions operational for at least 24 months, *or by the project closing date,* after receiving support (Number)*	3 *Revised: 2**	2	Achieved
Intermediate Result Indicators			
Grants to Micro and Small Enterprises			
IR 1: Number of Micro and Small enterprises receiving grants (Number)	4,300 *Revised: 3,500**	3,616	Exceeded
Percentage of women-owned or led micro and small beneficiary enterprises receiving grants (%)	30	31	Exceeded
IR 2: Amounts of funds disbursed to Micro and Small Enterprises (USD)	17,800,000	17,795,213	Achieved
IR 3: Number of jobs maintained within *6 months* of receiving the grants (Number)*	4,472 *Rev: 7,600**	10,375	Exceeded
Grants to Microfinance Institutions			
IR 4: Number of MFIs receiving financing *for Opex* (Number)*	3	3	Achieved
IR 5: Amount disbursed to Microfinance Institutions *for OPEX (*USD)*	4,900	4,900	Achieved
IR 6: Employment Capacity of Microfinance Institutions maintained (%)	80 *Revised: 70**	71	Achieved
IR 10: Number of micro and small businesses benefitting from financial services (Number, Custom)**	1,350	1,562	Exceeded
of which are for women-owned or led businesses (%, Supplement)	30	38.5	Exceeded
IR 11: Number of jobs maintained at beneficiary businesses **	1,350	1,985	Exceeded
of which are for women (%, Supplement)	30	38.5	Exceeded
IR 12: Improved capacity for one MFI **	Yes	Yes	Achieved
IR 13: Time-bound capitalization plans developed for participating MFIs **	3	3	Achieved
Project Management and Gender Support			
IR 7: Share of Micro and Small women-owned or led enterprises receiving business support training (%)	100 *Revised: 50**	24.18	Partially achieved
IR 8: Beneficiary Engagement: Share of women-owned or led beneficiary firms who reported being satisfied with the technical support offered (%)	75	92.14	Exceeded
IR 9: Number of Microfinance Institutions receiving gender sensitive training (Number)***	3		Indicator dropped.

Source: Kafalat

** Indicator formulation revised during restructuring (change italicized)*

*** Indicator added at AF*

**** Indicator dropped at AF*

Justification of Overall Efficacy Rating

26. **Efficacy of the project is rated as High.** As illustrated in Table 3 below, **t**he High efficacy rating is consistent across all three periods of the split rating assessment, reflecting the project's sustained performance against both

original and revised targets throughout implementation. The project completed all planned activities, exceeded the majority of its targets, and fully achieved its development objective. Notwithstanding headwinds, including financial crisis, a global economic downturn, and security unrest, the share of companies surviving at least six months after receiving project support and the number of jobs saved and maintained exceeded appraisal estimates. B5 succeeded in supporting many affected companies in the vicinity of the POB blast and in keeping the two largest MFIs afloat, enabling them to serve their clients in a challenging environment. The MFI model demonstrated its effectiveness in reaching clients through a door-to-door approach, and MSEs' demand for MFI services remained strong throughout the project. The absence of NPLs in the participating MFIs' portfolios (substantially above expectations) during the implementation period demonstrated the soundness of their operational practices, putting them on the path toward sustainability.

Table 3: Efficacy Summary by Period

PDO Element	Period 1	Period 2	Period 3
Part 1: MSE recovery	High — 96% survival at 12 months (MTR)	High — 93.8% survival at 6 months; 3,616 MSEs supported; 10,375 jobs preserved; targets exceeded	High — same as Period 2
Part 2: MFI sustainability	High — all 3 MFIs operational 24 months after support	High — Al Majmoua and Vitas are fully operational; Ibdaa operational independently	High — 2 of 2 MFIs per revised target; Ibdaa is still operational
Overall Efficacy	**High**	**High**	**High**

Source: World Bank Staff

C. EFFICIENCY

Assessment of Efficiency and Rating

27. **The rationale of inaction and of future reconstruction was estimated to be substantially higher than the cost of preventing the collapse of existing MSEs and MFIs[12].** In the context of a conglomerate crisis, the project's economic benefits were expected to far outweigh its cost and the cost of inaction. The inaction meant that (i) MSEs would have continued suffering from the eminent closures and workers' layoffs, which would have worsened the economic situation in the country as a whole, and (ii) a damaged microfinance sector would have led to potentially high cost of restoring MFIs (should their collapse have occurred), while footing the cost of supporting the most vulnerable micro enterprises through other vehicles (noting that commercial lending was in crisis due to currency collapse and departure of investors). The microfinance sector's collapse would have led to a decline in public confidence in the financial sector.

28. **The economic analysis at appraisal was based on assumptions from an IFC case study in Lebanon[13] and accounted for two scenarios: an optimistic one (where 4.3 full-time jobs per firm would be created) and a pessimistic scenario (where only 1 job per firm would be created)**. The economic analysis based on salaries

[12] A similarly designed MFI grant facility in Lebanon by the World Bank in 2022 found that supporting otherwise strong MFIs during the crisis is five times more cost-efficient and 10 times faster than building new institutions after a crisis. CGAP blog on *Navigating Compound Crises: Microfinance Learnings From Lebanon*. April 25, 2024.

[13] To measure the impact of SME financing on job creation in Lebanon, IFC conducted a case study on a sample of 73 SMEs, which received financial support between 2009 and 2012. The study reported the creation of 473 full-time jobs with a compound annual growth rate of 13 percent. The study found that 6.3 full-time and 0.8 part-time jobs were created in the Beirut area, while very small firms created 4.3 full-time jobs and 1 part-time job, and small firms created 7.6 and 0.7 jobs, respectively.

generated or saved showed a positive economic rate of return (ERR) and a positive net present value (NPV), see Table 4. The calculations at appraisal took into account indirect benefits and spillover effects and also assumed the end (or at least the easing) of broader economic and financial crises in Lebanon. This made the optimistic scenario, while aspirational, rather unrealistic in Lebanon's environment.

29. **At closure, the project showed a 93 percent 6-month survival rate of MSEs benefiting from the project, which translated to 10,375 jobs maintained among MSEs, and an additional 1,985 jobs were preserved through MFIs financing.** The participating MFIs maintained approximately 70 percent of their employment capacity (the target), preserving 310 staff positions. Consistent with the PAD methodology, the ex-post economic analysis monetized the wage stream generated by the observed jobs (see Table 4). Using conservative wage assumptions, the total annual economic benefit amounts to approximately US$71.5 million[14]. Assuming a five-year benefit horizon and applying discount rates of 5 percent and 10 percent, the analysis yields an NPV of US$281.5 million (5 percent) and US$243.0 million (10 percent), with an estimated ERR of 247 percent. These results substantially exceed the pessimistic appraisal scenario and confirm that the economic rationale of the intervention remained robust at completion. It is noted that the analysis performed at project closing does not include income generated by the approximately 40,000 active borrowers served by the participating MFIs from December 2023 to today, nor does it monetize broader financial inclusion, consumption smoothing, multiplier effects, or avoided systemic collapse effects (all of which will have a positive impact but extent to which they can be attributed to B5 would be speculative). The estimated economic returns are, therefore, conservative and likely understate the total economic benefits generated by B5.

Table 4. Economic Rate of Return (ERR) and Net Present Value (NPV): Appraisal vs. Completion

Scenario	ERR	NPV at 5% (US$ million)	NPV at 10% (US$ million)	Key Assumptions
Appraisal – Pessimistic	101%	≥ 91	Not specified	1 job per firm; 50% survival; minimum wage
Appraisal – Optimistic	487%	472	193	4.3 jobs per firm; higher job generation assumption
Completion (Ex-post)	247%	281.5	243	Observed 12,360 MSE jobs + 310 MFI jobs; wages of US$468/month (MSE) and US$550/month (MFI staff); 5-year horizon

Source: World Bank staff

30. **The project was implemented over four years, a year and three months longer than planned, which in part was required to accommodate the project scope expansion through the AF.** Some implementation delays were also due to the ongoing conflict, triggered by regional events and military actions, and MFIs' institutional challenges. All funds were disbursed with minimal variance, as illustrated in Table 5 below, demonstrating sound financial management and efficient resource use. The project management and capacity-building costs accounted for around six percent of the total allocation, a modest overhead for such a complex, oversight-intensive project as B5. The steady disbursement rate demonstrated strong management capacity and efficient use of funds.

Table 5: B5 Project Budget Allocated at Appraisal and Disbursements as of November 30, 2025 (in US$ million)

Project Components	Amount at approval	Amount of Additional Financing	Actual at project closing	Difference
Component 1	**18.50**		**18.50**	**0.00**

[14] Although the exact wage assumptions used at appraisal were not available for replication, the analysis applies updated but conservative wage proxies to observed job outcomes. As such, the underlying methodology remains consistent, providing a reasonable basis for comparing appraisal and completion results.

Component 2	**5.00**	**2.70**	**7.64**	**0.06**
2.1 Grants to MFIS (Opex)	5.00		4.95	0.05
2.2 Grants to MFIS for on-lending		2.65	2.65	0.00
2.3 Capacity Building to AEP		0.05	0.04	0.01
Component 3	**1.50**	**0.30**	**1.85**	**-0.05**
Total	**25.00**	**3.00**	**27.99**	**0.01**

Source: Kafalat

31. **The Project's efficiency is rated High across all periods.** The project demonstrated strong results and value for money. The project exceeded its targets while staying firmly within the allocated budget (high impact and efficient use of resources). The ERR and NPV calculated after the project's completion were substantially above the base scenario (noting that the optimistic scenario was unattainable given the complexity and depth of the economic crisis in Lebanon and the impacts of military actions and prolonged regional conflict, which were outside B5's control). Overhead and management costs were efficient and stayed within allocation. There were no NPLs in MFIs portfolios during the period, and compliance with the eligibility criteria and the Bank's requirements was exceptional. The project required additional time to complete, but the four-year, three-month implementation period is still shorter than the majority of financial intermediation projects of similar size, which typically take over five years. The above-board success supports the High rating for project efficiency.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

32. **The overall outcome rating of *Highly Satisfactory* (Table 6) using a split-rating methodology reflects the Project's excellent performance across evaluation dimensions and the project meeting its development objectives notwithstanding ongoing crises and a substantially worsened security situation during the latter half of the implementation.** Applying the split rating methodology, the weighted overall outcome rating is 5.98, which rounds to 6 — Highly Satisfactory. The project demonstrated strong, sustained performance against both the original and revised targets. The Project's high relevance is evidenced by its close alignment with national development priorities and the World Bank's strategic objectives for private-sector–led growth. Its high efficacy is demonstrated by full achievement—and in several cases, overachievement—of its intended outputs and outcomes. Efficiency is rated High in view of effective and efficient resource utilization, tangible economic returns, and lasting institutional and market-level benefits – all of which exceeded expectations in an FCV environment. Collectively, these results confirm that B5 achieved significant and sustainable impact beyond its implementation period, justifying a Highly Satisfactory overall outcome rating.

Table 6: Overall Outcome Ratings by Period

Period	Relevance	Efficacy	Efficiency	Outcome	Value	Share	Weighted
Period 1: Original	High	High	High	Highly Satisfactory	6	88.2%	5.29
Period 2: After June 2024 AF	High	High	High	Highly Satisfactory	6	10.9%	0.65
Period 3: After June 2025	High	High	High	Highly Satisfactory	6	0.7%	0.04
Weighted Total					**5.98 → Highly Satisfactory**		

Source: World Bank Staff

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

Gender

33. **The 3RF framework made a specific effort to reach more women-owned businesses, which were severely impacted by the crises and exacerbated by the blast.** While only one in five businesses affected by the blast were led by women, 48 percent of these businesses were shuttered, compared to 40 percent of those owned by men[15]. With this, B5 dedicated a specialized capacity-building program to WOLs, focusing on the profiles of businesses run by women (often smaller and less formal than typical microenterprises led by men). The program ran from August 2024 to January 2025 (see the Efficacy section). While it did not meet expectations for the number of participating female entrepreneurs, it demonstrated the effectiveness of the training, which participants credited with improving their business administration skills. These courses can be expanded in the future, utilizing more targeted outreach techniques to ensure broader participation.

Mobilizing Private Sector Financing

34. **The project helped mobilize private capital by stabilizing the microfinance sector and restoring investor confidence amid extreme liquidity constraints**. In addition to grants to MSEs, B5 provided critical operational support to two largest MFIs to prevent sector collapse by maintaining core staffing and lending functions. It extended on-lending grants to inject liquidity, support balance sheet recovery, and enable a gradual resumption of lending at scale. In the absence of this support, MFIs would have been unable to rebuild revenues, restore portfolios, or attract external financing. The project played a catalytic role in de-risking, enabling MFIs to reestablish operational viability and rebuild their track records. The MFIs prepared a time-bound recapitalization plan by project closing and were able to mobilize additional financing, including a US$10 million from the IFC, with further interest from *Agence Française de Développement* and other bilateral partners. This catalytic effect, whereby B5 helped de-risk the sector sufficiently to attract renewed private and institutional investment, represents one of the most significant and lasting impacts of the project beyond its own results.

Poverty Reduction and Shared Prosperity

35. **The impact of the explosion on MSEs, alongside the economic and financial crises, was tremendous**. A significant portion of the businesses in this small geographic area (service, shop, food, and lodging facilities, and transportation) was considered vulnerable even prior to the explosion and often operated as subsistence enterprises. B5's "wholesale" financing provided through MFI reached over 3,000 vulnerable recipients with US$12.6 million in financing. The project helped preserve over 12,000 jobs, which, when counting dependents, helped two to three times as many people avoid severe hardship resulting from the blast's devastation and the economic crisis.

Other Unintended Outcomes and Impacts

36. Not applicable.

III. KEY FACTORS AFFECTING IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

37. **The B5 Project was prepared in the context of Lebanon's unprecedented macroeconomic and financial collapse**. Deep economic contraction, high inflation, and the absence of macroeconomic stabilization required the project to prioritize rapid, flexible, and grant-based support to address immediate recovery needs rather than longer-term

[15] UN Women, CARE, United Nations Economic and Social Commission for Western Asia, ABAAD (Resource Center for Gender Equality), UNFPA (United Nations Population Fund).2020. *Rapid Gender Analysis of the August 2020 Beirut Port Explosion: An Intersectional Examination*.

investment financing. The paralysis of the banking sector and acute liquidity shortages significantly influenced the design. Capital controls and restrictions on deposit access under the oversight of the BDL, constrained financial intermediation and necessitated disbursement arrangements that bypassed commercial banks. As a result, project preparation emphasized the use of specialized non-bank intermediaries with proven operational capacity, while strengthening fiduciary and transparency measures to mitigate implementation risks.

38. **Severe exchange-rate volatility and the coexistence of multiple exchange rates complicated project costing and expectations for beneficiary grants**. The rapid depreciation of the Lebanese pound heightened risks related to the real value of support and operational sustainability. Project preparation, therefore, required conservative financial assumptions and careful consideration of currency denomination and adjustment mechanisms to preserve the effectiveness of project resources. The ongoing crises shaped both the urgency and focus of the intervention. All target beneficiaries experienced asset losses, prolonged business disruptions, and weakened demand in blast-affected urban areas. These conditions reinforced the need for an emergency recovery operation emphasizing speed, simplified procedures, and support for the business community.

39. **Weakened institutional capacity and elevated implementation risks influenced preparation timelines and design choices**. Fiscal stress, public sector capacity erosion, and governance challenges increased reliance on non-governmental implementing partners and streamlined project structures. Close coordination with World Bank recovery initiatives and donor partners was critical to ensure alignment with the 3RF and to support rapid yet accountable implementation.

40. **Based on the economic, financial, technical, fiduciary, risk, and safeguards assessments completed during preparation, the project was considered fully ready for implementation.** The project selected a highly reputable and experienced implementing agency, Kafalat, to administer the funds; Kafalat also served as a grant recipient to ensure prompt decision-making and enable funds transfers to MSEs and MFIs. Kafalat's prior experience with the World Bank project assured a smooth launch in an emergency environment. The project had a limited number of non-standard effectiveness conditions (adoption of the Project Operations Manual and adoption of the Labor Management Procedures), which were considered appropriate and met shortly after project approval. The project began implementation promptly after approval, confirming its readiness and a sound design appropriate to Lebanon's conditions at the time.

A. KEY FACTORS DURING IMPLEMENTATION

Factors outside of the Government and Implementation agency control:

41. **Macroeconomic, security, and exchange-rate instability**: Project implementation took place amid continued economic contraction, high inflation, and severe exchange-rate volatility. Currency depreciation, multiple exchange rates, and conflict disruptions complicated both MSE recovery and MFI viability. These conditions required frequent operational adjustments and conservative assumptions about the country's economic and security environment and the beneficiaries' capacity. Project implementation was further affected by external geopolitical shocks beyond the control of the GoL and the project. Israel's military operations in Southern Lebanon, which started in October 2024, caused significant infrastructure damage and economic disruption[16].

[16] According to a World Bank Interim Damage and Loss Assessment of November 14, 2024, damage to physical assets alone was estimated at US$3.4 billion, with total economic losses reaching US$5.1 billion and rising. The conflict displaced more than 875,000 people and resulted in an estimated 166,000 job losses. Although a ceasefire was reached on November 27, 2024, continued Israeli presence and intermittent military activity in Southern Lebanon have prolonged infrastructure damage and economic disruption.

42. **Residual impacts of the POB Explosion and COVID-19**: Ongoing supply-chain disruptions, energy shortages, and weakened demand—particularly in blast-affected areas—slowed enterprise recovery and delayed outcomes, despite timely disbursement of support.

Factors within GoL and the Implementing Agency control

43. **B5 enjoyed robust implementation structure and institutional coordination.** Kafalat proved itself to be an experienced and efficient implementing agency, providing the project with high-quality management, fiduciary, and safeguards support. Partner MFIs (Al Majmoua, Vitas, Ibdaa, AEP) were essential in reaching informal and smaller MSEs. B5 demonstrated strong audit and oversight arrangements: independent technical audits confirmed that all selected grants were legally compliant, funds were correctly transferred, and beneficiaries used them for eligible expenses, with more than 97.4 percent fully documented. The project collaborated with the Lebanese Armed Forces (LAF) for damage verification and with MercyCorps and Danish Refugee Council to avoid duplication. These verifications were necessary due to the high risk of duplication given the enormous number of potential beneficiaries identified by the MFIs under the wholesale approach, which exceeded 6,800 names. The process of verification and cross-checking slowed approvals and disbursement of funds but ultimately achieved its goals despite the delays. Main inefficiencies included: (i) slower than expected weekly name cross-checking with LAF (50 vs. 400 names promised per week), which slowed approvals; and (ii) a lack of automation of the verification process, which was very time and effort-intensive when performed manually.

44. **Documentation bottlenecks and fragility of project beneficiaries**: Many informal MSEs could not present invoices, formal rental contracts, or financial records in a timely manner, leading to delays in disbursing second tranches of assistance to these MSEs. Ibdaa's internal restructuring and its persistent inability to submit timely financial statements resulted in significant delays in disbursements to MSEs funded by that MFI. When compliance standards could not be met despite sustained engagement, the decision was made to exclude Ibdaa from the project. The balance of funds originally allocated to Ibdaa was redirected to the remaining two MFIs, Al Majmoua and Vitas, ensuring no reduction in the overall financial support to the microfinance sector or to MSE beneficiaries. This reflects the strength of the project's fiduciary governance framework and the proactive supervision under exceptionally difficult operating conditions. Kafalat worked successfully with the beneficiaries to ensure their compliance, but at the expense of time.

Factors within the World Bank team control:

45. **The World Bank B5 team provided consistent, proactive, and high-quality implementation support**. The Bank was responsive to client needs and facilitated timely project restructurings to adapt to evolving circumstances. The Bank provided additional financing when it became feasible, ensuring the continuity of support and enhanced results. Technical advice was consistent, deepening project impact and quality. Supervision was intensive and adaptive, featuring frequent missions and ongoing communication between the client and a field-based Task Team Leader (TTL), enabling real-time problem-solving and guidance. The Bank’s approach demonstrated good practice in maintaining flexibility while safeguarding fiduciary integrity and development effectiveness. The Bank’s engagement helped the project remain relevant and resilient amid changing economic and operational conditions.

46. **The Bank complemented B5 implementation through collaboration with other projects.** As an emergency response, several international and bilateral organizations (including the United Nations Development Programme, the World Food Programme, the UK, the United States Agency for International Development, and the EU) channeled funding through their existing programs or through other local NGOs (such as MercyCorps and the Danish Refugee Council) for immediate relief to the private sector. The World Bank was engaged with the GoL on several private-sector activities and was therefore well connected to various stakeholders and counterparts.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

47. **The M&E design, including results framework, was adequate for monitoring progress toward achieving the PDO and had clear linkages to project activities, with intermediate indicators directly attributable to the project**. The results indicators were intended to capture: (i) the effectiveness of support provided to beneficiary MSEs and their improved resilience; and (ii) the resilience and effectiveness of the participating MFIs. The system was robust and simple, with two PDO-level indicators measuring high-level impacts on MSEs and MFIs, and twelve intermediary indicators to track progress across three components. Results indicators were directly attributable to project activities and sufficient to make a judgment about project performance. Targets were measurable, time-bound, and realistic given the sector's status. The M&E system was presented in PAD and included in the Project Operations Manual, outlining operational details. Kafalat, with input from implementing partners, was to prepare quarterly and annual reports to track progress made on the project implementation plan and RF. The World Bank support missions were expected to take place at least semiannually to review project implementation and target achievement. Kafalat was also expected to collect, through surveys, feedback on the design and implementation of technical assistance from beneficiary enterprises. The survey was to be conducted within six months of project effectiveness and again every six months throughout the life of the project.

48. **The M&E system envisioned the 3RF Independent Oversight Board (IOB) as a part of the project oversight and monitoring at the strategic level to emphasize transparency and accountability**. The IOB was established in June 2021 to serve as an independent mechanism for civil society representatives to provide broad oversight of 3RF implementation and to hold 3RF stakeholders and implementing entities accountable for overall 3RF progress.

M&E Implementation

49. **Kafalat provided regular reports to the Bank within the agreed M&E framework.** Reports were filed quarterly and annually and included beneficiary feedback to measure progress toward achieving project targets along the Result Framework, as well as planned versus actual expenditures, supporting invoices, revenues, jobs maintained, and confirmation of business continuity among grantees. The RF remained adequate and relevant throughout the implementation period, requiring fine-tuning to better reflect operational realities and ensure data representativeness, to cover additional activities added to the project with the AF, as well as to improve the realism and measurability of the results while maintaining their alignment with the PDO (details on changes to result indicators are provided in the earlier section of the ICR). Revisions to RF recommended at MTR took around nine months to be processed and were completed..

50. **M&E data was collected systematically through Kafalat and the participating MFIs, supported by several independent validation layers:**

- *Retail Window*: Kafalat field officers visited all retail beneficiaries before and after grant disbursement to verify damage status and proper utilization of funds.
- *Wholesale Window*: MFIs' field officers visited multiple times (at least 3) all wholesale beneficiaries. Kafalat staff conducted spot checks on over 15 percent of MFI-managed grants to ensure compliance and accuracy.
- *Third-Party Monitoring Agent*: An external auditor carried out a technical verification of more than 15 percent of approved files, confirming compliance with eligibility and grant utilization rules.

- *Surveys*: Kafalat conducted beneficiary satisfaction surveys for all women-owned or led businesses receiving capacity building and shared results with the World Bank and GoL.
- *Cross-Checking with External Partners*: Data was validated against lists from the LAF, Mercy Corps, and the Danish Refugee Council to confirm damage status and avoid duplication of support. This multilayered system, combining internal monitoring, spot checks, independent audits, and external cross-checking, ensured high-quality data and strengthened confidence in the reported results.
- B5 maintained a publicly accessible website with real-time data on implementation progress and results, providing transparent and up-to-date information on grant disbursements, beneficiary numbers, and project outcomes.

M&E Utilization

51. **M&E data were actively used to guide decision-making.** Adjustments to disbursement modalities (e.g., shifting from an advance-based to a reimbursement-based model for Component 2.2) were informed by ongoing monitoring of loan issuance and documentation. The project adjusted targets to better reflect reality. Approval of AF was supported by high-quality data and the project's excellent track record, as evidenced by the results. M&E reports were shared among participants to keep them motivated and acknowledge progress.

Justification of Overall Rating of Quality of M&E

52. **M&E quality is rated as Substantial.** The project had a robust M&E system that, combined with Kafalat's strong implementation capacity, facilitated project reporting to the GoL, the Bank, and stakeholders. The M&E system provided a sound basis for tracking PDO achievement, but toward the latter part of the project, some of the original indicators required revisions to their targets and definitions, necessitating a split rating methodology in evaluating the outcome. Kafalat achieved full reporting compliance, with its submissions fully documented and consistent with the Grant Agreement and the Project Operations Manual. The data reporting was of high quality, consistently shared, and used to support project implementation. Given the rigorous M&E requirements, the project significantly built the M&E capacity of the MFIs and improved sector coordination.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

Environmental and Social

53. **At appraisal, the environmental risk of the project was rated Substantial and was recalibrated to Moderate during implementation.** This risk rating was defined by (a) the scope of the project activities by MFIs and MSEs, which included maintenance and repairs of damaged physical structures, and (b) the fact that the project was the first financial intermediation (FI) project approved in Lebanon under the Environmental and Social Framework (ESF), with the recipient's capacity for applying the ESF yet to be proven. At AF approval, the environmental risk was recalibrated to Moderate, reflecting the strengthened E&S systems in place at Kafalat and the participating MFIs.

54. **The social risk for the project was rated Moderate.** The social risks included: (a) risks related to social exclusion and potential unequal access; (b) risks related to labor and working conditions for workers; (c) inadequate grievance redress mechanisms (GRMs) to handle complaints and concerns; (d) weak communication outreach and transparency; and (e) potential Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) risks.

55. **B5 maintained satisfactory environmental and social performance, with no E&S incidents reported.** Kafalat was responsible for environmental and social project compliance and implemented the project under its existing Environmental

and Social Management System (ESMS). A dedicated E&S officer oversaw compliance, with semi-annual reporting submitted to the Bank. During implementation, environmental risks were minimal and were managed effectively through application of the project's exclusion list and site-level screening. Targeted training was also provided to Kafalat and MFI staff on E&S compliance, grievance handling, and labor standards, alongside awareness sessions on preventing sexual harassment and discrimination, reinforcing the project's commitment to social standards and inclusion.

56. **A comprehensive GRM was in place at Kafalat throughout the project implementation.** The GRM cascaded to the participating MFIs and allowed concerns to be raised via hotline, email, or online channels. More than 1,400 grievances were registered and resolved during the project, mostly related to documentation or eligibility issues. At the staff level, three labor-related grievances emerged within MFIs, requiring Kafalat's direct intervention. These cases were settled satisfactorily, demonstrating the GRM's effectiveness in addressing sensitive issues.

Financial Management

57. **Project Financial Risk at appraisal was rated Substantial after mitigation measures.** The risks included: (i) risk of delays in the submission of the Interim Financial Reports (IFRs) because they were required to be certified by the external auditor, and (ii) risk of funds not reaching the end beneficiaries or not being used for their intended purposes due to a large number of beneficiaries. Kafalat's PMU was responsible for FM, including managing segregated accounts, quarterly IFRs, annual external audits, and a technical audit. The FM function took time to develop, initially causing some delays in reporting, but the system matured and reached compliance with the Bank's requirements. IFRs were submitted on time, disbursements were tracked accurately, audits were commissioned on time, and all opinions were unqualified. ISRs reported occasional delays in the collection of the financial reports to be submitted by the MSEs. FM was consistently rated **Moderately Satisfactory** in the ISRs, consistent with the PMU's overall good performance, though with occasional delays.

Procurement

58. **The procurement risks were rated Substantial**. The main procurement risks included: (i) macroeconomic issues, local currency instability, and political situation of the country; (ii) high perception of corruption in the current fragile political environment; and (iii) the capacity of the PMU. Under Component 1, MSME beneficiaries were required to follow simplified procurement procedures consistent with the World Bank requirements. As outlined in the POM, enterprises procuring assets or equipment exceeding US$1,500 were mandated to obtain and submit at least three comparative invoices prior to purchase. This measure ensured transparency, value for money, and uniform fiduciary standards across both formal and informal beneficiaries. During implementation, this ceiling was revisited to account for inflationary pressures and market shortages that constrained supplier availability. As reflected in aide-mémoires, the threshold was increased to US$3,000, thereby maintaining fiduciary control while reducing administrative burdens on small enterprises operating in a crisis environment. Procurement was rated **Satisfactory** in the ISRs, consistent with good performance and no major issues or complaints during the implementation period.

C. BANK PERFORMANCE

Quality at Entry

59. **The Project design relied on analysis and stakeholder consultation and reflected the World Bank and GoL priorities.** Lessons learnt from similar projects in other countries were described in the PAD and incorporated into the design, such as (i) adopting a people-centered approach and providing support at the microlevel (directly supporting firms and workers and compensating their losses); and (ii) keeping responses to the crises broad-based, as simple as possible, and limiting

the locations and sectors that were hit the hardest before expanding to the next phase of recovery. Preparation timelines were in line with emergency project preparation: two months between project concept and approval, and under three months from Board approval to effectiveness.

60. **The PAD gave a clear picture of the country's needs and available routes to deliver emergency assistance.** The project objectives, results, outcomes, impacts, and implementation responsibilities and risks were clearly defined. A detailed analysis of technical issues was provided. The results framework was straightforward, targets were adequate. Economic and financial analyses included in the PAD provided economic justification for the use of public funds and clearly stated the emergency nature of the operation. The project did not require complex E&S arrangements and included appropriate guidance for Kafalat, MFIs, and beneficiaries to ensure compliance with the Bank's safeguard policies. The Bank undertook Kafalat's capacity assessment and relied on its prior experience with the entity under other projects to design a robust implementation structure suitable for B5. The project conducted a detailed risk assessment, rating the overall project risk as Substantial. Assumptions made during project preparation held well over time, and risk management and risk mitigation measures designed at project appraisal were sufficient and helped the project achieve the desired results.

61. **Quality of design was sound and robust, and carried the project through successful implementation.** No significant revisions were required, and the solid base developed during project preparation translated into a highly successful project that achieved its objectives and experienced no significant negative shocks.

Quality of Supervision

62. **The Bank team consistently conducted implementation support missions, provided technical and fiduciary guidance, and ensured follow-up**. Field-based procurement, financial management, and safeguards specialists were actively involved throughout the project. The TTL was based in Beirut and provided real-time hands-on support. ISRs were filed at least twice a year to review implementation progress and disclose results and ratings (a total of seven ISRs were filed). The mission aide-memoires were sent to the client after each mission. The Bank completed an MTR in September 2023 (on schedule) and, based on strong project performance and the availability of funds, approved additional financing to scale up this well-performing grant. The project was restructured twice, demonstrating the Bank's adaptability to a changing project environment. The team maintained sustained stakeholder engagement throughout implementation, holding regular update meetings with donors, sharing progress reports, and organizing several field visits to project sites. This proactive approach ensured transparency, built donor confidence, and facilitated access to additional financing.

63. **The Bank's records of supervision efforts and the client's implementation progress were full and efficient.** ISRs provided detailed updates, and ratings were candid and reflected progress under the project. The project was rated Satisfactory for both achievement of PDO and Implementation Progress throughout its implementation, consistent with gradual on-the-ground results, a good pace of disbursement of grant proceeds, and compliance with fiduciary and safeguard requirements. The project required an additional 15 months to complete, justified by the scale-up in year three of its implementation (the final year under the original project timeline) and by a complex economic, geopolitical, and security situation in Lebanon. Notwithstanding an imperfect environment, challenges, and uncertainties beyond the Project's control, the Bank team helped the GoL achieve outcomes that exceeded expectations. The experience and lessons learned from B5 are transferable and will benefit other micro-finance operations in the FCV environment.

Justification of Overall Rating of Bank Performance

64. **Bank performance is rated Highly Satisfactory.** B5 was a well-designed operation, tailored to Lebanon's needs and conditions. The project design was robust, ensuring a smooth start and implementation. Notwithstanding a challenging

economic and security environment in Lebanon, the project largely overachieved its targets. Throughout the project's implementation period, the Bank maintained close engagement with the client, development partners, and beneficiaries, providing consistent, proactive, and high-quality implementation support in a fragile and conflict-affected context. The quality of supervision and technical advice was consistently high throughout the project, as evidenced by the client's positive feedback, the achievement of project development objectives, and the project's full compliance with the Bank's guidelines and project requirements. The Bank team in Beirut remained actively engaged and responsive to clients' needs throughout the project implementation, notwithstanding the economic and financial crisis and the prolonged conflict in the Middle East, which impacted Lebanon and caused significant operational disruption. Despite the conflict and its heavy escalation between October 2023 and November 2024, the task team remained fully committed and sustained diligent follow-up on project implementation, ensuring continuity and timely execution even under extremely complex FCV conditions. This sustained commitment, flexibility, and strong technical support from the Bank's supervision team were integral to the project's success. Supervision was consistent and adaptive, and beneficiary feedback was positive, reflecting responsiveness in project delivery.

D. RISK TO DEVELOPMENT OUTCOME

65. **Risk to the development outcome in general is considered manageable, with macro and financial risks posing the highest risk to future sustainability**. The project succeeded in keeping businesses and MFIs in the project area afloat and in building sector capacity to continue operations after the project closure (MFIs actively raising funds from donors and the state). But MFIs' liquidity remains fragile, and without stable access to US Dollar funding, their sustainability is at risk. Most of the supported enterprises remain informal and lack integration into formal credit systems, leaving them vulnerable to shocks and reliant on a shallow pool of MFIs. The broader macro risks, the unresolved banking crisis, informal capital controls, which are outside of the project's control, can jeopardize the outcome. Without structural reforms to improve access to finance and inclusion, MSEs remain exposed to future shocks.

66. **The project utilized the existing non-governmental institutions (Kafalat and MFIs) to implement support to MSEs to ensure long-term sustainability**. Kafalat, with its established reputation and capacity, will remain an active player in the finance field. MFIs that participated in the project have strengthened their capacity and are better positioned to raise funds for future operations. Vitas and Al Majmoua can demonstrate governance and operational soundness, which enabled them to attract new funding from international donors, reinforcing their sustainability beyond project closure. The capacity-building package for AEP has positioned the institution well to strengthen its governance and credit management, paving the way for improved participation in future financing schemes. All three MFIs developed capitalization plans as part of the project. However, the microfinance sector overall remains shallow, with a limited number of players and funds, uneven, and unable to fully meet demand for microcredit. While Al Majmoua and Vitas have shown strong performance and are on a solid path to continue their operations, Ibdaa's restructuring is ongoing and contingent on new investors stepping in. AEP's viability continues to rely on technical assistance to structure it into a viable financial intermediary. This uneven resilience poses risks to sector-wide sustainability.

V. LESSONS AND RECOMMENDATIONS

67. **A dual delivery mechanism can improve outreach in disaster-affected contexts.** The dual "wholesale" and "retail" delivery mechanism proved effective in reaching diverse enterprise segments in the blast-affected area. The wholesale channel, through MFIs, reached informal micro-entrepreneurs through door-to-door outreach, while the retail channel, managed by Kafalat, served more formal enterprises. This approach ensured broad coverage that a single channel could

not have achieved. The selection of delivery channels should be based on a mapping of target beneficiary segments at appraisal, ensuring each channel is matched to the population it is best suited to reach.

68. **Implementing partner due diligence and sustainability requires deliberate attention in fragile contexts**: In FCV settings, even carefully selected partners may fail to meet compliance requirements during implementation. In B5, one MFI was excluded from additional financing implementation due to noncompliance with fiduciary requirements. The team's early identification of the issue and its ability to redirect funds without disrupting beneficiaries' outcomes preserved both project integrity and outcomes. Future operations should: (i) conduct thorough institutional due diligence at selection; (ii) build contingency provisions for fund reallocation if a partner underperforms; (iii) establish clear protocols for when remediation should give way to exclusion; and (iv) invest deliberately in the institutional sustainability of strong partners beyond the project's life, particularly where capable institutions are scarce.

69. **Speed of disbursement must be balanced with fiduciary oversight**: Emergency grant programs face a tradeoff between rapid support and ensuring proper use of funds. In B5, the prevalence of informal firms increased the risk of fund diversion, requiring added verification measures, including beneficiary cross-checks and independent technical audits. At the same time, overly complex compliance requirements risk slowing implementation and discouraging participation. Proportional compliance frameworks are critical to balancing speed and oversight.

70. **Informal enterprises require simplified requirements and structured support**: Strict documentation requirements can create barriers for informal firms unfamiliar with formal financial systems. In B5, many beneficiaries initially struggled to provide invoices, rental contracts, or financial records. Simplified documentation templates should be developed and tested with a sample of target beneficiaries before implementation begins at scale, and early training and practical handholding can improve compliance while strengthening beneficiary capacity.

71. **Implementation capacity should be strengthened early**: In B5, the addition of an M&E officer mid-implementation following the MTR recommendation proved critical to accelerating disbursements and improving results tracking. Future operations should conduct a staffing capacity assessment at appraisal and front-load key fiduciary, M&E, and verification functions from day one.

72. **Communication and trust-building are critical in fragile environments:** Limited trust in institutions can affect beneficiary engagement and application quality. In B5, proactive outreach and clear communication on eligibility criteria, selection processes, and grievance mechanisms were essential to building confidence. Future operations should invest in communication strategies from the outset — including community liaisons, multilingual materials, and regular beneficiary feedback loops — rather than treating communication as an afterthought.

73. **Digital tools improve efficiency and transparency:** Manual screening and tracking increase administrative burden and the **risk** of error. In B5, beneficiary verification and duplication checks required extensive manual cross-referencing with partner organizations. Early adoption and use of digital application systems, automated de-duplication tools, and integrated tracking platforms can significantly reduce administrative workload, improve efficiency, and strengthen transparency in similar operations.

74. **Gender inclusion requires addressing structural barriers:** Setting participation targets for women-owned or led enterprises is important but not sufficient. In B5, gender targets were met in grants and lending, but training participation fell short due to mobility constraints and crisis-related demotivation. Gender-focused interventions in fragile contexts should incorporate targeted outreach, remote or community-based training delivery, and peer-group or one-on-one coaching models, alongside simplified participation requirements, to meaningfully improve inclusion.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS FRAMEWORK

PDO Indicators by Outcomes

Support the recovery of MSEs and sustain the operations of MFIs								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Share of Micro and Small beneficiary enterprises that are operational for 6 months after receiving the grants (Percentage)	0.00	Aug/2021			80.00	Sep/2025	93.80	Sep/2025
	Comments on achieving targets		The share of beneficiaries that have received grants and remained operational 12 months after receiving the grant.					
Of which are women owned or led enterprises (Percentage)	0.00				30.00		30.80	
	Comments on achieving targets		Percentage of female owned or led firms that are operational 12 months post blast. Woman-owned enterprise is defined as having at least one owner who is a woman, and woman-led enterprise as having at least one woman in a managerial or leadership position. The target survival rate of all beneficiary enterprises, including women owned or led enterprises, is 80%. The share of women owned or led beneficiary enterprises among all beneficiary enterprises is 30%.					
Number of Microfinance Institutions operational for at least 24 months or by project closing date (whichever comes later) after receiving support (Number)	0.00	Aug/2021			2.00	Sep/2025	2	Sep/2025

Intermediate Indicators by Components

Component 1 - Grants to MSEs								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year

Number of Micro and Small enterprises receiving grants (Number)	0.00	Aug/2021			3,500.00	Sep/2025	3,616.00	Sep/2025
	Comments on achieving targets		Number of qualified micro and small enterprises receiving grants					
Percentage of women owned or led micro and small beneficiary enterprises receiving grants (Percentage)	0.00				30.00		31.00	
Amounts of funds disbursed to Micro and Small Enterprises (Amount (USD))	0.00	Aug/2021			17,800,000.00	Sep/2025	17,795,213.00	Sep/2025
Number of jobs maintained within 6 months of receiving the grants (Number)	0.00	Aug/2021			7,600.00	Sep/2025	10,375.00	Sep/2025
	Comments on achieving targets		Number of people who retained their basic source of income for at least a year (owner of or working at) the beneficiary enterprises receiving grants					
Component 2 - Grants to MFIs								
Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Number of MFIs receiving financing for OPEX (Number)	0.00	Sep/2022			3.00	Sep/2024	3.00	Sep/2024
	Comments on achieving targets		Number of MFIs receiving financing to support their operational expenses and/or restructure their portfolios					
Amount disbursed to Microfinance Institutions for OPEX (Amount (USD))	0.00	Sep/2022			4,900,000.00	Sep/2024	4,900,000.00	Sep/2024
	Comments on achieving targets		Amount of grants disbursed to the eligible and beneficiary MFIs					
Employment Capacity of Microfinance Institutions maintained (Percentage)	0.00	Sep/2022			70.00	Sep/2024	71.00	Sep/2024
	Comments on achieving targets		Number of employees working at MFIs is maintained 6 months after receiving the grant					
Number of micro and small businesses benefitting from financial services (Number)	0.00	May/2024			1,350.00	Sep/2025	1,562.00	Sep/2025
of which are for women owned or led businesses (Percentage)	0.00				30.00		38.50	

Improved capacity for one MFI (Yes/No)	No	May/2024			Yes	Sep/2025	yes	Sep/2025
Time-bound capitalization plans developed for MFIs participating in B5 (Number)	0.00	May/2024			3.00	Sep/2025	3	Sep/2025
Number of jobs maintained at beneficiary businesses (Number)	0.00	May/2024			1,350.00	Sep/2025	1,985.00	Sep/2025
of which are for women (Percentage)	0.00				30.00		30.80	

Component 3 - Project Management and Gender Support

Indicator Name	Baseline		Closing Period (Original)		Closing Period (Current)		Actual Achieved at Completion	
	Result	Month/Year	Result	Month/Year	Result	Month/Year	Result	Month/Year
Share of Micro and Small women owned or led enterprises receiving business support training (Percentage)	0.00	Dec/2023			50.00	Jun/2025	24.18	Jun/2025
	Comments on achieving targets		Share of Micro and Small beneficiary female - owned or led enterprises completing the training courses provided					
Beneficiary Engagement: Share of women owned or led beneficiary firms who reported being satisfied with technical support offered (Percentage)	0.00	Dec/2023			75.00	Jun/2025	92.14	Jun/2025
	Comments on achieving targets		Share of Micro and Small beneficiary enterprises that report satisfaction on the technical support offered in terms of usability and relevance					

B. KEY OUTPUTS

Support the recovery of MSEs and sustain the operations of MFIs	
PDO Indicators	1. Share of Micro and Small beneficiary enterprises that are operational for 6 months after receiving the grants 2. Number of Microfinance Institutions operational for at least 24 months or by project closing date (whichever comes later) after receiving support
Key Outputs (linked to the achievement of the PDO Outcome)	- Grants to MSEs - Grants to MFIs - Grants to MFI for on-lending which result in loans to MSEs - Grant to MFIs to cover part of operating expenses

Component 3 - Project Management and Gender Support	
Intermediate Results Indicators	15. Share of Micro and Small women owned or led enterprises receiving busines support training 16. Beneficiary Engagement: Share of women owned or led beneficiary firms wh reported being satisfied with technical support offered
Key Outputs (linked to the achievement of the Component)	1. Capacity building courses for WOLs: Training modules included Crisis Management and Financial Training (CMT), E-Commerce and Digital Marketing (ECOM), and Legal Awareness) 2. Audits, accounting and project management
Component 2 - Grants to MFIs	
Intermediate Results Indicators	6. Number of MFIs receiving financing for OPEX 9. Number of micro and small businesses benefitting from financial services 7. Amount disbursed to Microfinance Institutions for OPEX 8. Employment Capacity of Microfinance Institutions maintained 11. Improved capacity for one MFI 12. Time-bound capitalization plans developed for MFIs participating in B5 13. Number of jobs maintained at beneficiary businesses
Key Outputs (linked to the achievement of the Component)	1. Grants to MFIs to sustain their operations ($4.9 million disbursed to 3 MFIs) 2. Grants to MFIs for onlending to MSEs ($2.65 mln disbursed to 2 MFIs who in turn disbursed to 1,562 micro loans) 3. Support for AEP through TA: Institutional risk assessment of AEP, Audit and compliance charter, Internal Audit Guide & Procedures (2025–2028), Underwriting Process Manual, Governance & Management Assessment Report (2025–2028), Governance Manual (2025–2028), Funding Strategy Report, Financial Analysis & Pricing Model, Core Job Descriptions & KPIs, Credit Product Revision Report, Loan Evaluation Scorecard, Risk Mapping Tool
Component 1 - Grants to MSEs	

Intermediate Results Indicators	2. Number of Micro and Small enterprises receiving grants 4. Amounts of funds disbursed to Micro and Small Enterprises 5. Number of jobs maintained within 6 months of receiving the grants
Key Outputs (linked to the achievement of the Component)	1. Recovery Grants to MSEs - retail (450 grants by Kafalat) 2. Recovery Grants to MSEs – wholesale (3,166 grants by MFIs)

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Zeina El Khoury	Team Leader
Rima Abdul-Amir Koteiche	Financial Management Specialist
Jocelyne Jabbour	Procurement Specialist
Jessey A. Niyongabo	Environmental Specialist
Jelena Lukic	Social Specialist
Noushig Chahe Kaloustian	Social Specialist
Mouna Couzi	Window Manager
Nour Aoun	Team Member
May Ibrahim	Team Member
Amal Gerges Chaoul	Team Member
Zeina El Khalil	Team Member
Maiada Mahmoud Abdel Fattah Kassem	Team Member
Rock Jabbour	Team Member
Angela Elzir	Team Member
Nadine Gabriel Chehade	Team Member
Georges Tony Abou Rjaily	Team Member
Kaoru Chikushi	Team Member
Andrius Skarnulis	Team Member

B. STAFF TIME & COST

Stage of Project Cycle	Staff Time & Cost	
	No. of Staff Weeks	US$ (including travel and consultant costs)
Preparation		
FY21	24.082	114,152.56
Total	24.08	114,152.56
Supervision/ICR		
FY22	20.875	119,965.55
FY23	16.283	86,565.48
FY24	22.659	159,614.52
FY25	11.565	99,157.97
FY26	15.000	99,507.85
Total	86.38	564,811.37

ANNEX 3. PROJECT COST BY COMPONENT

Component	Amount at Approval (US$M)	Actual at Project Closing (US$M)
Component 1 - Grants to MSEs	18.5	18.50
Component 2 - Grants to MFIs	7.7	7.64
Component 3 - Project Management and Gender Support	1.8	1.85

ANNEX 4. EFFICIENCY ANALYSIS

1. The ex-post economic analysis follows the same conceptual methodology applied at appraisal. In both cases, economic benefits are derived from the monetized wage stream generated by jobs created or maintained as a result of project interventions. The analysis estimates the ERR and NPV of the Project based on observed employment outcomes at completion. The estimates are intentionally conservative and include only directly observable wage benefits. The analysis does not monetize multiplier effects, avoided firm closures beyond measured survival rates, financial sector stabilization effects, or income generated by the broader MFI client portfolio.

2. Total actual project cost at closing amounted to US$27.99 million, including US$18.50 million under Component 1 (Grants to MSEs), US$7.64 million under Component 2 (Grants to MFIs including OPEX support, on-lending, and capacity building), and US$1.85 million under Component 3 (Project Management and Gender Support). This full amount is treated as the investment cost in the economic analysis.

3. At completion, the project preserved 10,375 jobs in MSEs supported through grants and an additional 1,985 jobs through MFI on-lending activities. Participating MFIs maintained approximately 70 percent of their employment capacity, corresponding to 310 staff positions preserved. In total, 12,670 jobs were included in the economic calculation.

4. Given the significant macroeconomic changes experienced during implementation, the ex-post analysis applies updated but conservative USD-equivalent wage proxies. Monthly wages are assumed at US$468 for MSE jobs (equivalent to 1.5 times the statutory minimum wage) and US$550 for MFI staff positions, reflecting prevailing fresh-dollar earnings during the implementation period. Based on these assumptions, the total annual economic benefit generated by supported employment amounts to approximately US$71.5 million.

5. Assuming a five-year benefit horizon and applying discount rates of 5 percent and 10 percent, the analysis yields an NPV of approximately US$281.5 million at 5 percent and US$243.0 million at 10 percent. The estimated ERR is approximately 247 percent. These results substantially exceed the pessimistic scenario estimated at appraisal (ERR of 101 percent) and remain within the broad range projected under the optimistic scenario, confirming that the economic rationale of the intervention remained robust at completion.

6. The table below summarizes the comparison between appraisal estimates and completion results:

Table 2. Economic Rate of Return (ERR) and Net Present Value (NPV): Appraisal vs. Completion

Scenario	ERR	NPV at 5% (US$ million)	NPV at 10% (US$ million)	Key Assumptions
Appraisal – Pessimistic	101%	≥ 91	Not specified	1 job per firm; 50% survival; minimum wage
Appraisal – Optimistic	487%	472	193	4.3 jobs per firm; higher job generation assumption
Completion (Ex-post)	**247%**	**281.5**	**243**	Observed 12,360 MSE jobs + 310 MFI jobs; wages of US$468/month (MSE) and US$550/month (MFI staff); 5-year horizon

Source: World Bank Staff

7. The analysis deliberately excludes income generated by the approximately 40,000 active borrowers served by participating MFIs, broader financial inclusion and consumption smoothing effects, multiplier effects in local

economies, and avoided systemic collapse of the microfinance sector. As such, the estimated economic returns are conservative and likely understate total benefits generated by the Project.

8. Although the implementation period was extended to accommodate additional financing and external shocks, all funds were fully disbursed with minimal variance, and the project maintained its fiduciary compliance throughout implementation. The strong economic returns relative to project cost confirm that the intervention delivered substantial value for money. Overall, the Project's efficiency is rated High.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

The borrower shared their own report and confirmed that their report findings were reflected in the final ICR.

ANNEX 6. SUPPORTING DOCUMENTS (IF ANY)

Project Documents

- Project Appraisal Document
- Project Paper for Additional Financing
- Restructuring Papers
- Financing Agreement
- Subsidiary Financing Agreement
- Amendments to the Financing Agreement
- ISRs
- Mission Aide-memoires
- Kafalat Project Completion Report

Other Supporting Documents

- Country Partnership Framework Report No. 94768-LB, June 15, 2016
- Initial Rapid Damage and Needs Assessment of November 2020
- IFC Case Study in Lebanon
- Lebanon Economic Monitor, May 2021
- World Bank Enterprise Survey
- World Bank Interim Damage and Loss Assessment of November 14, 2024
- Performance Learning Review Report No. 146913-LB, April 22, 2022
- Rapid Gender Analysis of the August 2020 Beirut Port Explosion: An Intersectional Examination