

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB3943

Project Name	Second Emergency Social Protection Implementation Support Project
Region	MIDDLE EAST AND NORTH AFRICA
Sector	Other social services (90%); Health (10%)
Project ID	P111849
Borrower(s)	GOVERNMENT OF LEBANON
Implementing Agency	Ministries of Health, Social Affairs, Education; and National Social Security Fund
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	July 8, 2008
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Estimated Date of Board Approval	September 16, 2008

1. Key development issues and rationale for Bank involvement

1. The July 2006 hostilities found Lebanon challenged to cope with their impact due to prior chronic problems facing the economy and the social sectors. Tragic human and economic impacts have reversed the encouraging economic trend seen in the first half of 2006. Lebanon's social insurance and safety net systems were unable to play an effective protection role. The health and education sectors continue to face systemic issues and expenditures are not commensurate with outcomes.

2. For the first time ever, the GOL presented a social reform program (Social Action Plan) as an integral part of its fiscal and economic reform program at the Paris III donor conference (January 2007). The reform program was formalized in "Commitment Documents" to the Prime Minister signed in January 2008 by the Ministries of Social Affairs, Health, Education, and the National Social Security Board. The program is comprehensive, highlighting the need to reform the social security system (civil and military, as well as the EOSI for private sector workers), health insurance system, health financing and expenditure, social safety nets, and education.

3. Lebanon's social protection system consists of a *fragmented social security system, multiple health insurance schemes, and limited social safety net* programs:

- **Low coverage and high fiscal costs of the social security system.** The schemes for the civil service and military (run by the Ministry of Finance) cover just 6 percent of the labor force, and cost 2.7 percent of GDP per year (of which 2.2 percent accounts for military pensions). The current implicit pension debt represents between 50-60 percent of GDP. On the other hand, the End-of-Service-Indemnity (EOSI) program run by the National Social Security Fund (NSSF) for private sector workers covers 30 percent of the labor force and has annual expenditures of 0.8 percent of GDP. It is still running a surplus and has reserves of about 12.6 percent of GDP. Unfunded liabilities, however, could range between 7 and 15 percent of GDP.
- **The health insurance system in Lebanon is fragmented and operates in the absence of a comprehensive framework for social protection.** Seven public institutions offer, implicitly or explicitly, health insurance programs including: the NSSF, the Ministry of Public Health (MOPH), the Fund for Civil Servants, the Fund for the Military, the Fund for Teachers, and

two funds for security forces. Despite the many institutions, 38% of the Lebanese population does not benefit from any type of insurance. There is little coordination between the policies of the various publicly financed insurance providers and in the case of the MOPH and the NSSF, the mandates regarding population coverage and the use of public subsidies have not been clearly defined. In general, the design of the public health insurance programs is ad-hoc, and this compromises their financial sustainability while generating problems in terms of technical and allocation efficiency and a potentially regressive redistribution of public subsidies.

- **Formal social safety nets/social assistance programs are weak, fragmented and inadequate to play an effective role in time of economic need.** The few programs that exist (such as social funds, producer subsidies for wheat/sugar/tobacco, housing subsidies and support for micro-finance) are not targeted and therefore their poverty impact is weak. Their effectiveness is still to be determined and their costs are already high (roughly 2 percent of GDP). This leaves the Ministry of Social Affairs (MOSA) as the main player in the field with an annual budget of only US\$60 million, of which 70 percent is distributed to NGOs and welfare associations.

4. **The quality of education and completion rates, particularly for primary education, are inconsistent with the level of investment.** At US\$6,000 GNI (gross national income) per capita (2007), Lebanon has a lower primary education completion rate than Tunisia, Jordan, Iran, Algeria, West Bank, and Egypt, all of which have lower GNI per capita. Furthermore, primary completion rates have not shown improvement during the period 1995/6 to 2003/4. In the 2003 international tests designed to measure student achievement in math and science (TIMSS), Lebanon was outperformed in science by Morocco, Egypt, Iran, and Jordan. Though in mathematics Lebanon outperformed other participating MENA countries, it still ranked below the international average and when adjusted for level of income, it performed significantly below expectations. The education sector is also characterized with the following: (i) low internal efficiency; (ii) an oversupply and misallocation of teaching and administrative staff; (iii) Ministry of Education and Higher Education (MEHE) operates as three separate sub-sectors and the institutional/legal framework does not support effective management of the education system; (iv) financing of the sector is fragmented, inefficient, and leads to inequities; and (v) the vocational and technical education sub-sector is costly and with weak linkages to the labor market.

Rationale for Bank Involvement

5. Even prior to the July 2006 hostilities, the Bank was working with the GOL to prepare a reform program for the social sectors. This reform program became the basis for which Lebanon sought substantial donor support to its economy following the devastation from the hostilities during Paris III. To assist in implementation of the social sector reform program, the Bank approved a US\$1 million implementation support grant in September 2007 (Emergency Social Protection Implementation Support Project, ESPISP I) from the Trust Fund for Lebanon (TFL).

6. The Second Emergency Social Protection Implementation Support Project (ESPISP II) responds to the Government's request for additional emergency funds from the TFL to assist the NSSF, MOSA, MOPH, and MEHE to implement the reform agenda for the social sectors. ESPISP II will be complimentary to the ongoing ESPISP I.

7. Furthermore, the Bank brings extensive experience in implementing sector reform in difficult settings, which helps lay sound foundations for sustainable reform over the longer term. Bank involvement in the social sector is also expected to send a strong signal to other donors to support the

effort and to leverage additional resources for technical assistance and facilitate donor coordination, through the Bank's unique convening power.

2. Proposed objective(s)

8. The objective of the ESPISP II is to accelerate and improve the quality of the implementation of the package of social sector reforms presented at Paris III, in the areas of social insurance, safety nets, health expenditures, and education, building upon the work already being undertaken under ESPISP I. This will be achieved through the provision of implementation support and capacity building for the NSSF, MOSA, MOPH, and MEHE. Over the medium term, the set of reforms supported by this Project will be expanded in order to ensure the transition to a social protection system that provides adequate income protection and security to all population groups, while ensuring financial sustainability and equity, minimizing economic distortions, and providing quality education opportunities for all.

3. Preliminary description

Component 1: Modernization of the Social Insurance System (NSSF)

9. The objective of this component is to consolidate and expand the reforms that started under ESPISP I, in the context of the multi-year Master Plan of the NSSF. These reforms have two core objectives: (i) to ensure that the NSSF converges to financial equilibrium by the year 2010; and (ii) to improve administration/governance and the quality of services. The new activities under ESPISP II will be organized around similar sub-components: (i) improving financial sustainability; and (ii) improving administration and the quality of services. The first subcomponent will develop systems and policies that will further control the expenditures of the health insurance branch, consolidate the financial solvency of the NSSF, and improve systems to monitor the finances of the NSSF. The second subcomponent will initiate the implementation of reforms that will enable the NSSF to optimize business and administrative processes, adapt its institutional organization, and develop and implement a strategy to respond to new needs in terms of human resources.

Component 2: Rationalizing Public Sector Health Expenditures (MOPH)

10. The objective of this component, as with the NSSF component, is to deepen and expand the reforms initiated under ESPISP I. The main objectives of these reforms are to: (i) improve the efficiency of MOPH expenditures; and (ii) enhance the quality of coverage the MOPH is currently extending to uninsured beneficiaries. ESPISP II activities will continue to consolidate the utilization review and performance-based contracting work, subject to the required information technology and human resources investments, and will help initiate new reform work in the area of provider payment in coordination with the NSSF. The provider payment work will focus on designing a new, more efficient hospital prospective payment system based on diagnosis-related groupings (DRGs).

Component 3: National Poverty Targeting Program for Social Safety Nets

11. The objective of this component is to assist the GOL to implement the national roll-out of the National Poverty Targeting Program for Social Safety Nets (NPTP). By the end of project implementation, a credible, accurate and reliable NPTP Data Base (NDB) on Poor and Vulnerable Population, enabling an objective assessment of household welfare and ranking, should be established, and the GOL will be able to use it to target its social safety net programs aimed at improving living standards of the population. This component will comprise the following activities: (i) the establishment of the NPTP Data Base on Poor and Vulnerable Population; (ii) preparation and implementation of public information campaign; (iii) capacity building for monitoring and evidence-based policy making; and (iv)

technical assistance for the NPTP national roll-out. The component will finance training of staff, technical assistance, information system development, purchase of information and communication equipment and furniture, and program monitoring activities.

Component 4: Education Sector Performance and Quality Enhancement

12. The objective of this component is to capture outputs and initiate implementation of activities arising from the strategies, institutional capabilities, and operational tools developed under the Bank-financed Education Development Project (EDP, Ln. 7010). This will be achieved through: (i) the formulation of a sector-wide approach (SWAp) framework including the development of a medium term expenditure framework (MTEF) and key performance indicators (KPIs); (ii) establishing the institutional mechanisms and practices for the implementation of performance-based practices for the general education stream, such as implementation of a policy/planning and information management function in MEHE, and the EMIS; and (iii) implementing a series of activities targeted at qualitative enhancement of general education learning outcomes such as introduction of school-based management, and support to Lebanon's participation in international assessments (TIMSS, PISA, PIRLS), including analysis of results. Outcomes arising from this project will include the furtherance of an efficiency and quality oriented approach to sector development, together with the associated accountability mechanisms upon which to design and implement the next phase of education sector reform in Lebanon.

1. Safeguard policies that might apply

Not Applicable

2. Tentative financing

Source:	(\$m.)
Borrower	0
Special Financing	6
Total	6

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