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# LEBANON REFORM, RECOVERY AND RECONSTRUCTION FRAMEWORK (3RF)

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# Foreword

The World Bank Group (WBG), United Nations (UN), and European Union (EU) have developed this Reform, Recovery and Reconstruction Framework (3RF) in cooperation with civil society, Lebanon's government, and the international community. It provides a roadmap to operationalize the findings of the Rapid Damage and Needs Assessment (RDNA) and other assessments in response to the devastating explosion at the Port of Beirut. Following the UN Flash Appeal and the immediate humanitarian response, it is now urgent to move forward to ensure that people's needs are addressed through a combination of socio-economic recovery and reform.

When the explosion occurred, Lebanon already faced severe and entrenched challenges: a deep economic crisis, increasing poverty and worsening food security, and a financial and social crisis, all exacerbated by the COVID-19 pandemic. Now social and economic conditions have deteriorated even further, and critical public services have collapsed, intensifying the urgent and critical need for action.

Beyond loss of life and many injuries, as well as widespread physical damage, the explosion has deepened a crisis of trust that stems from the country's persistent governance failures and inability to undertake essential reforms. Lebanon must develop a new governance model, turning the crisis into an opportunity to restore confidence in state institutions and build back better. This will require that the government takes responsibility for delivering on the recovery and reconstruction, while adopting a different approach by working collaboratively with civil society and the international community.

The response to the explosion needs to harness the energy of all stakeholders in Lebanon. Community-based local initiatives and nongovernmental organizations have been at the forefront of the emergency response. Local organizations have also tapped the solidarity expressed by the country's youth, who continue to join in many volunteer actions. Indeed, Lebanon has a vibrant, diverse civil society, representing a wide range of voices; many are calling for better service delivery, key reforms, political accountability, and transparency. Civil society can help put the needs of people first and ensure that their voices are heard, that they participate in policy and decision making, and that they have equal opportunity.

The private sector must also play an important role, but it needs urgent support to recover from the multiple shocks as well as a conducive environment going forward. Above all, trust needs to be rebuilt. This will require Lebanon to implement a comprehensive set of macroeconomic and governance reforms, as put forward by the international community at the CEDRE (Conférence Economique pour le Développement, par les Réformes et avec les Entreprises) conference in 2018 and reconfirmed in the roadmap presented by French President Macron.

The 3RF presents a set of sequenced, specific, and targeted reforms that support recovery and reconstruction in key sectors during the short term. Our organizations believe that reform needs to begin immediately, in parallel with urgent people-centered recovery. International support for the reconstruction priorities outlined in the 3RF will depend on the government's ability to demonstrate credible progress on reforms. It will need to deliver on foundational macroeconomic reform, including progress with the IMF (International Monetary Fund) on macroeconomic stabilization and on restructuring of debt and the financial sector. Efforts should include the forensic audit of the central bank, banking sector reform, capital control, exchange rate unification, and creation of a credible and sustainable path to fiscal sustainability. Progress on these reforms will be fundamental to enable meaningful mobilization of private sector financing as well as public sector loans (concessional or otherwise) for critical reconstruction projects.

As part of the policy actions and reforms that the 3RF sets out, we call on the government of Lebanon to act on the following urgent measures so that it can facilitate people-centered recovery and prepare the ground for reconstruction:

#### **Immediate policy actions to enable recovery:**

- › Within a reasonable timeframe, conduct a transparent investigation on the causes of the explosion, with support, cooperation, and expertise from Lebanon's international partners.
- › Help operationalize the 3RF governance structure, bringing together government, civil society, and international partners to enable inclusive dialogue and decision making.
- › Ensure that insurance claims settlement and solvency monitoring are addressed, while initiating the development of a policyholder protection scheme.
- › Prepare the 2021 budget and incorporate a strong program for social protection and inclusion; establish a unified registry of social assistance programs and put in place grievance redress, verification, and monitoring and evaluation systems.
- › Develop a strategy and guidelines on conservation and rehabilitation of historic buildings; develop an action plan for repair, rehabilitation, and reconstruction of housing and buildings linked to the wider urban recovery, sensitive to heritage and the environment and support housing, land, and property rights.
- › Adopt a vision statement that lays out the principles for port sector reform and a reconstruction strategy, including for customs.
- › Establish clear institutional arrangements to manage hazardous materials and waste from construction and demolition.

#### **Critical reforms to enable scaling up of reconstruction:**

- › Strengthen the independence and effectiveness of the judiciary; implement the anti-corruption strategy and fully staff and fund the National Human Rights Commission as well as the National Anti-Corruption Institution, while strengthening oversight roles and capacity of the Central Inspection and Court of Accounts.
- › Adopt the new Public Procurement Law and implement regulations and secondary legislation, including the mandatory usage of revised standard bidding documents; formalize the legal and regulatory framework for public investment management.
- › Enact and implement the insolvency and insolvency practitioners' Law and Insurance Law. Enact the draft competition law, including reforms to exclusive agencies, and adopt an insurance sector restructuring and development strategy.
- › Develop a plan to ensure financial sustainability of the National Social Security Fund (NSSF) and extend contributory benefits, following an external audit; reform NSSF governance.
- › Finalize, approve, and implement the Social Protection Strategy, adopting a comprehensive, right-based approach; develop a COVID-19 vaccine deployment strategy and operational plan.
- › Finalize and approve the new heritage law to protect the historic urban fabric, facilitate private sector involvement in heritage rehabilitation and adaptive reuse, and support the productive use of these assets for cultural and creative industries.
- › Enact a new Port Sector Law, addressing the port authority's operations as well as customs and defining the respective roles of the central government, the port authorities, and commercial operators, as well as their relationships in terms of duties, rights, and responsibilities.
- › Implement Law 462 without amendments to establish and staff the Electricity Regulatory Authority (ERA); ensure transparency in public procurement in the electricity sector.

The 3RF provides a response plan to meet the critical needs of the people. The time to act is now. Bringing about transformative change requires strong commitment and tireless efforts on the part of Lebanese authorities and decision makers to stand by their people.

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Ambassador  
Head of the Delegation of the  
European Union to Lebanon

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Deputy Special Coordinator for Lebanon  
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**Saroj Kumar Jha**  
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## تمهيد

وضعت مجموعة البنك الدولي والأمم المتحدة والاتحاد الأوروبي بالتعاون مع المجتمع المدني والحكومة اللبنانية والمجتمع الدولي هذا الإطار للإصلاح والتعافي وإعادة الإعمار. ويعرض الإطار خطة عمل لتفعيل نتائج التقييم السريع للأضرار والاحتياجات وغيره من التقييمات، وذلك استجابة للانفجار المدمر الذي وقع في مرفأ بيروت. في أعقاب النداء العاجل من الأمم المتحدة والاستجابة الإنسانية الفورية، أصبح من الملح الآن المضي قدماً لضمان تلبية احتياجات المواطنين من خلال سياسة اجتماعية واقتصادية للتعافي والإصلاح.

فحين وقع الانفجار، كان لبنان يواجه بالفعل تحديات حادة مترسخة تتمثل في أزمة اقتصادية عميقة، وفقر متزايد، وتدهور حالة الأمن الغذائي، وأزمة مالية واجتماعية، وكلها تفاقم بسبب جائحة فيروس كورونا. أما الآن، فقد تفاقم التدهور في الأوضاع الاجتماعية والاقتصادية، وانهارت الخدمات العامة الأساسية، مما زاد من الحاجة الملحة إلى التحرك.

وإلى جانب الخسائر في الأرواح والعدد الهائل في الإصابات والأضرار المادية الواسعة النطاق، أدى الانفجار إلى تعميق أزمة الثقة الناجمة عن استمرار القصور في أنظمة الحكومة وعدم القدرة على إجراء الإصلاحات الأساسية في البلاد. يجب على لبنان وضع نموذج جديد لأنظمة الحكومة، وتحويل الأزمة إلى فرصة لاستعادة الثقة في مؤسسات الدولة وإعادة البناء بشكل أفضل. وسيعني ذلك في المقام الأول أن على الحكومة تحمل المسؤولية في ما يخص تحقيق التعافي وإعادة الإعمار، من خلال اعتماد نهج مختلف مبني على التعاون والعمل مع المجتمع المدني والمجتمع الدولي.

إن الاستجابة للانفجار يحتاج إلى تسخير طاقة جميع المعنيين في لبنان. وكانت المبادرات المحلية والمنظمات غير الحكومية المجتمعية في طليعة جهود الاستجابة لحالات الطوارئ. كما أن المنظمات المحلية استثمرت في التضامن الذي أظهره شباب لبنان، الذين يواصلون المشاركة في العديد من الأعمال التطوعية. وفي الواقع، يتمتع لبنان بمجتمع مدني متنوع نابض بالحياة، ويمثل مجموعة واسعة من الآراء التي يطالب العديد منها بتحسين الخدمات، وتنفيذ إصلاحات رئيسية، وتحقيق المساءلة السياسية والشفافية. ويمكن للمجتمع المدني أن يساعد على وضع احتياجات المواطنين في الصدارة وضمان سماع آرائهم، والمشاركة في صنع السياسات والقرارات، وضمان تكافؤ الفرص فيما بينهم.

ويجب على القطاع الخاص أيضاً أن يؤدي دوراً رئيسياً، ولكنه يحتاج إلى دعم عاجل للتعافي من الصدمات المتعددة وتهيئة بيئة مؤاتية له. وقبل كل شيء، يجب إعادة بناء الثقة في لبنان. وسيطلب ذلك من لبنان تنفيذ مجموعة شاملة من الإصلاحات في الاقتصاد الكلي وأنظمة الحكومة، على النحو الذي طرحه المجتمع الدولي في المؤتمر الاقتصادي للتنمية من خلال الإصلاحات ومع الشركات «سيدرا» عام ٢٠١٨، والتي أعيد التأكيد عليها في خطة العمل التي قدمها الرئيس الفرنسي ماكرون.

ويعرض هذا الإطار مجموعة من الإصلاحات المحددة والموجهة والمتسلسلة زمنياً لدعم التعافي وإعادة الإعمار في القطاعات الرئيسية خلال المدى القصير. وتعتبر منظماتنا أن الإصلاح يجب أن يبدأ فوراً، بالتوازي مع التعافي العاجل الذي يركز على المواطن بشكل أساسي. وسيعتمد الدعم الدولي لأولويات إعادة الإعمار المحددة في هذا الإطار على قدرة الحكومة على تحقيق تقدم يتسم بالمصداقية في الإصلاحات. وستحتاج الحكومة أيضاً إلى تنفيذ إصلاحات جوهرية على صعيد الاقتصاد الكلي، بما في ذلك تحقيق تقدم مع صندوق النقد الدولي على طريق الاستقرار في الاقتصاد الكلي، وإعادة هيكلة الديون والقطاع المالي، وأعمال التدقيق المحاسبي الجنائي للبنك المركزي، وإصلاح القطاع المصرفي، وفرض ضوابط على حركة رأس المال، وتوحيد أسعار الصرف، وخلق مسار موثوق ومستدام لاستدامة المالية العامة. فتحقيق التقدم على مسار هذه الإصلاحات هو عامل أساسي لتعبئة موارد تمويلية هامة من القطاع الخاص أو الحصول على قروض للقطاع العام (بشروط ميسرة أو غير ذلك) لمشاريع إعادة الإعمار البالغة الأهمية.

وفي إطار الإجراءات والإصلاحات على صعيد السياسات والواردة في هذا الإطار، ندعو الحكومة اللبنانية إلى اتخاذ الإجراءات العاجلة التالية لتسهيل عملية التعافي التي تركز على الإنسان بشكل أساسي وتهيئة المسار لإعادة الإعمار:

### اتخاذ إجراءات فورية في مجال السياسات العامة بغرض تيسير التعافي وتهيئة الظروف الملائمة له:

- ◀ إجراء تحقيق شفاف ضمن إطار زمني معقول لتسليط الضوء على أسباب الانفجار، وذلك بدعم من شركاء لبنان الدوليين من حيث التعاون والخبرة.
- ◀ المساعدة على تفعيل هيكل حوكمة هذا الإطار الذي يجمع بين الحكومة والمجتمع المدني والشركاء الدوليين لإتاحة حوار شامل وصنع القرار.

- ◀ ضمان العمل على تسوية المطالبات التأمينية، ومراقبة الملاءة المالية، والمباشرة في تطوير برنامج حماية حاملي وثائق التأمين.
- ◀ إعداد موازنة 2021 مع إدراج برنامج قوي للحماية الاجتماعية والإدماج الاجتماعي؛ وإنشاء سجل موحد لبرامج المساعدة الاجتماعية، وتطبيق نظام لتسوية المظالم والتحقق منها وللمتابعة والتقييم.
- ◀ وضع استراتيجية ومبادئ توجيهية بشأن إصلاح المباني التاريخية والحفاظ عليها، وبلورة خطة عمل لإصلاح وترميم وإعمار المساكن والمباني المرتبطة بعمليات التعافي الحضري الأوسع نطاقاً مع اتباع نهج يراعي التراث والبيئة، ودعم حقوق الإسكان والأراضي والعقارات.
- ◀ اعتماد بيان رؤية يرسى مبادئ إصلاح قطاع الموانئ واستراتيجية إعادة الإعمار، بما في ذلك الجمارك.
- ◀ وضع ترتيبات مؤسسية واضحة لإدارة المواد الخطرة ونفايات البناء والهدم.

#### إصلاحات حيوية تتيح توسيع نطاق عمليات إعادة الإعمار:

- ◀ تعزيز استقلالية وفعالية الجهاز القضائي، وتنفيذ استراتيجية مكافحة الفساد، وإجراء تعيينات لكامل الشواغر في الهيئة الوطنية لحقوق الإنسان والهيئة الوطنية لمكافحة الفساد وإتاحة التمويل الكامل لهما، مع تعزيز قدرات التفيتش المركزي وديوان المحاسبة ودورهما الرقابي.
  - ◀ اعتماد قانون الشراء العام الجديد وتنفيذ اللائحة التنفيذية والتشريعات الثانوية، بما في ذلك الاستخدام الإلزامي لدفتر شروط المناقصات النموذجي المنقح، وإصدار الإطار القانوني والتنظيمي لإدارة الاستثمارات العامة.
  - ◀ سن وتنفيذ قانون الإفلاس وقانون التأمين. سن وإقرار قانون المنافسة بما في ذلك تطبيق إصلاحات في الوكالات الحصرية واعتماد استراتيجية تطوير وإعادة هيكلة قطاع التأمين.
  - ◀ وضع خطة لضمان الاستدامة المالية للصندوق الوطني للضمان الاجتماعي وزيادة مزايا الاشتراك بعد إجراء تحقيق خارجي؛ وإصلاح حوكمة الصندوق.
  - ◀ وضع الصيغة النهائية لاستراتيجية الحماية الاجتماعية واعتمادها وتنفيذها بتبني نهج شامل قائم على الحقوق؛ وضع استراتيجية وخطة عمل لتوزيع اللقاح ضد فيروس كورونا.
  - ◀ وضع اللامسات الأخيرة على قانون حماية التراث الجديد وإقراره حيث يتولى حماية النسيج العمراني التاريخي، وتسهيل مشاركة القطاع الخاص في إعادة التأهيل وإعادة الاستخدام التكيّفي للمباني التراثية، ودعم الاستخدام الإنتاجي لهذه الأصول للصناعات الثقافية والإبداعية.
  - ◀ سن وإقرار قانون جديد لقطاع المرافئ والموانئ يتناول عمليات هيئة المرافئ وكذلك الجمارك، ويحدد أدوار كل من الحكومة المركزية وسلطات المرافئ والمشغلين التجاريين، وكذلك العلاقات فيما بينهم من حيث الواجبات والحقوق والمسؤوليات.
  - ◀ تطبيق القانون 462 دون إدخال تعديلات وتعيين الموظفين في هيئة تنظيم الكهرباء (ERA)؛ وضمان الشفافية في المشتريات العامة في قطاع الكهرباء.
- يوفر إطار الإصلاح والتعافي وإعادة الإعمار خطة استجابة لتلبية حاجات المواطنين الطارئة. لقد آن الأوان للعمل فوراً. ويتطلب إحداث التغيير التحولي التزاماً قوياً وجهوداً لا تكل من جانب السلطات اللبنانية وصانعي القرار للوقوف إلى جانب شعبهم.

**ساروج كومار جها**  
المدير الإقليمي لدائرة المشرق  
البنك الدولي

**نجاة رشدي**  
نائبة المنسق الخاص للبنان  
المنسقة المقيمة للأمم المتحدة  
ومنسقة الشؤون الإنسانية

**السفير رالف طراف**  
رئيس وفد الاتحاد الأوروبي إلى لبنان

# Avant-propos

Le cadre de réforme, de relèvement et de reconstruction (3RF) est le fruit d'une collaboration entre le Groupe de la Banque mondiale, les Nations Unies et l'Union européenne, en coopération avec la société civile, le Gouvernement du Liban et la communauté internationale. C'est une feuille de route permettant de mettre en œuvre les conclusions de l'évaluation rapide des dommages et des besoins (RDNA) ainsi que d'autres évaluations, en réponse à l'explosion qui a dévasté le port de Beyrouth. Au lendemain de l'appel éclair des Nations Unies et des interventions humanitaires immédiates, il est à présent impératif de pousser les efforts plus loin en s'assurant de répondre aux besoins du peuple à la fois par des actions de relèvement socio-économique et des réformes.

L'explosion survient alors que le Liban connaît déjà des problèmes graves et persistants : une crise économique profonde, une pauvreté croissante et une insécurité alimentaire sans cesse grandissante ainsi qu'une crise financière et sociale, toutes exacerbées par la pandémie de COVID-19. Les conditions sociales et économiques sont plus détériorées que jamais et les services publics essentiels ont été détruits, d'où la nécessité impérieuse d'agir.

Au-delà des morts et des nombreuses blessures humaines ainsi que des dégâts matériels généralisés, l'explosion a aggravé la crise de confiance résultant des défaillances persistantes de l'État et de son incapacité à engager des réformes vitales. Le Liban doit appliquer un nouveau modèle de gouvernance, tirer avantage de la crise pour rétablir la confiance dans les institutions publiques et reconstruire en mieux. Cela nécessitera de la part du gouvernement de prendre ses responsabilités pour assurer le relèvement et la reconstruction, tout en adoptant une approche différente en collaborant avec la société civile et la communauté internationale.

La réponse à l'explosion nécessitera la mobilisation de l'ensemble des parties prenantes au Liban. Les collectivités locales par leurs initiatives et les organisations non gouvernementales ont été à l'avant-garde de la riposte d'urgence. Les organisations locales ont aussi tiré parti de la solidarité manifestée par les jeunes, qui continuent leurs interventions aux travers de nombreuses actions bénévoles. En effet, le Liban a une société civile dynamique et diverse, représentant un large éventail de voix, dont un grand nombre réclame de meilleurs services, des réformes fondamentales, la responsabilité politique et la transparence. La société civile peut contribuer à faire des besoins des populations une priorité et à s'assurer que leurs voix sont entendues, que ces populations participent à la formulation des politiques de même qu'au processus décisionnel et qu'elles bénéficient de chances égales.

Le secteur privé a aussi un rôle important à jouer, mais il doit impérativement être soutenu afin qu'il se relève des nombreux chocs subis ; il aura aussi besoin d'évoluer dans un climat plus propice. Mais par-dessus tout, la confiance doit être rétablie. Cela nécessitera que le Liban 'engage' un ensemble complet de réformes macroéconomique et de gouvernance, tel que défini par la communauté internationale lors de la conférence économique pour le développement du Liban par les réformes et avec les entreprises (CEDRE) en 2018, et réitéré dans la feuille de route présentée par le président français Emmanuel Macron.

Le 3RF présente un ensemble de réformes échelonnées, spécifiques et ciblées qui accompagnent à court terme le relèvement et la reconstruction dans des secteurs clés. Nos organisations sont persuadées que les réformes doivent être engagées sans délai, en même temps que des actions d'un relèvement axé sur la population. Le soutien que prêterait la communauté internationale à la mise en œuvre des priorités de la reconstruction énoncées dans le 3RF dépendra des avancées crédibles sur le plan des réformes que le gouvernement pourra mettre en avant. Le gouvernement aura aussi besoin de mener des réformes macroéconomiques fondamentales, en progressant notamment avec le FMI (Fond Monétaire International) sur les questions de stabilisation macroéconomique et de restructuration de la dette et du secteur financier. Les efforts devraient porter notamment sur l'audit juridicomptable de la banque centrale, la réforme du secteur bancaire, le contrôle des capitaux et l'unification du taux de change; il devra en outre définir une trajectoire crédible et durable vers la viabilité budgétaire. Des avancées sur ces réformes seront fondamentales afin de permettre la mobilisation des financements privés ou de prêts publics (concessionnels ou non) importants pour la mise en œuvre de grands projets de reconstruction.

Dans le cadre des mesures stratégiques et des réformes définies dans le 3RF, nous invitons le Gouvernement du Liban à prendre impérativement les mesures ci-après destinées à faciliter un relèvement axé sur la population et à établir les bases de la reconstruction.



### Mesures stratégiques immédiates pour permettre le relèvement :

- › dans un délai raisonnable, mener une enquête transparente afin de déterminer les causes de l'explosion, avec l'appui, la coopération et l'expertise des partenaires internationaux du Liban.
- › contribuer à opérationnaliser la structure de gouvernance du 3RF, regroupant le gouvernement, la société civile et les partenaires internationaux pour favoriser un dialogue et un processus décisionnel inclusif.
- › Veiller au règlement des sinistres et au contrôle de la solvabilité tout en initiant le développement d'un régime de protection des assurés.
- › préparer le budget 2021 en y intégrant un solide programme de protection sociale et d'inclusion, instaurer un registre unifié pour les programmes d'aide sociale et mettre en place des systèmes d'examen des plaintes, de vérification et de suivi-évaluation.
- › élaborer une stratégie et des lignes directrices sur la conservation et la remise en état des édifices historiques ; préparer un plan d'action pour la remise en état, la restauration et la reconstruction des habitats et édifices, relié au plan global de reconstruction urbaine en préservant le patrimoine et l'environnement et en respectant les droits au logement, à la terre et à la propriété.
- › adopter un énoncé de vision définissant les principes de la réforme du secteur portuaire et une stratégie de reconstruction, notamment des douanes.
- › définir des modalités institutionnelles claires pour la gestion des substances dangereuses et des débris de construction et de démolition.

### Réformes essentielles pour engager la reconstruction :

- › renforcer l'indépendance et l'efficacité du pouvoir judiciaire, appliquer la stratégie de lutte contre la corruption, donner à la Commission nationale des droits de l'homme et à l'organe national de lutte contre la corruption les ressources humaines et financières voulues, tout en renforçant la fonction de supervision et les capacités de l'Inspection centrale et de la Cour des comptes.
- › adopter le nouveau Code de passation des marchés publics et appliquer la réglementation et la législation secondaire, notamment le recours obligatoire à la version révisée du Dossier type d'appel d'offres. Formaliser le cadre juridique et réglementaire de gestion de l'investissement public.
- › promulguer et appliquer la loi régissant l'insolvabilité et la fonction de liquidateur ainsi que le code des assurances. Promulguer le projet de loi sur la concurrence, en réformant le régime d'exclusivité, et adopter une stratégie de restructuration et de développement du secteur des assurances.
- › élaborer un plan destiné à assurer la viabilité financière de la Caisse nationale de sécurité sociale (CNSS) et élargir les prestations contributives, après un audit externe; réformer la gouvernance de la CNSS.
- › finaliser, approuver et mettre en œuvre la stratégie de protection sociale en adoptant une démarche globale tenant compte des droits; préparer un plan opérationnel et une stratégie de distribution du vaccin contre la COVID-19.
- › finaliser et approuver la nouvelle loi relative au patrimoine afin de protéger le tissu historique urbain, faciliter la participation du secteur privé dans la restauration et la réutilisation adaptative du patrimoine, et soutenir l'utilisation productive de ces actifs dans les métiers culturels et de la création.
- › promulguer une nouvelle loi portuaire régissant les opérations de l'autorité portuaire de même que les douanes et définissant les rôles respectifs du gouvernement central, des autorités portuaires et des opérateurs commerciaux ainsi que leurs relations s'en ce qui concerne leurs obligations, droits et responsabilités.
- › appliquer la loi 462 sans modifications pour créer un organe de réglementation du secteur de l'électricité et le doter d'un personnel; assurer la transparence de la passation des marchés publics dans le secteur de l'électricité.

Le 3RF établit un plan de réponse pour répondre aux besoins critiques de la population. Il est maintenant temps d'agir. Apporter un changement transformateur nécessite un engagement fort et des efforts inlassables de la part des autorités et des décideurs libanais pour soutenir leur peuple.

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# Acronyms

<b>3RF</b>	Reform, Recovery and Reconstruction Framework
<b>BCTC</b>	Beirut Container Terminal Consortium
<b>BDL</b>	Banque du Liban
<b>BMLWE</b>	Beirut Mount Lebanon Water Establishment
<b>CCI</b>	Culture and Creative Industry
<b>CEDRE</b>	Conférence Economique pour le Développement, par les Réformes et avec les Entreprises
<b>CG</b>	Consultative Group
<b>COVID-19</b>	Corona Virus Disease
<b>CSOs</b>	Civil Society Organisations
<b>DFS</b>	Digital Finance Service
<b>EDL</b>	Electricité Du Liban
<b>ERA</b>	Electricity Regulatory Authority
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>IFIs</b>	International Financial Institutions
<b>IMF</b>	International Monetary Fund
<b>ISWM</b>	Integrated Solid Waste Management
<b>LGBTIQ</b>	Lesbian, Gay, Bisexual, Transgender/Transsexual, Intersex and Queer/ Questioning
<b>LFF</b>	Lebanon Financing Facility
<b>MFIs</b>	Micro-Finance Institutions
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>NGOs</b>	Non-Governmental Organizations
<b>NPTP</b>	National Poverty Targeting Program
<b>NSSF</b>	National Social Security Fund
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PFM</b>	Public Financial Management
<b>PHCCs</b>	Primary Health Care Centers
<b>PPP</b>	Public-Private Partnership
<b>RDNA</b>	Rapid Damage and Needs Assessment
<b>SC</b>	Steering Committee
<b>SDCs</b>	Social Development Centers
<b>SOEs</b>	State-Owned Enterprises
<b>SWG</b>	Sector Working Group
<b>UN</b>	United Nations
<b>WBG</b>	World Bank Group

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# Executive Summary

The framework for Reform, Recovery and Reconstruction (the 3RF) is part of a comprehensive response to the massive explosion on the Port of Beirut on August 4, 2020. It is a people-centered recovery and reconstruction framework focusing on a period of 18 months that will bridge the immediate humanitarian response and the medium-term recovery and reconstruction efforts to put Lebanon on a path of sustainable development.

The 3RF recognizes that regaining the trust of the Lebanese people in governmental institutions is imperative for successful recovery. The government needs to assume responsibility and take urgent action to promote recovery and reconstruction. Lebanon also needs to adopt a new governance model that breaks the capture of political elites over state institutions and ensures that these institutions serve people's needs and can respond to the crises the country faces.

To promote a different way of working, the 3RF is designed as a collaborative process that is based on the participation of the government, civil society, the private sector as well as development partners. It is also guided by the overarching principles of transparency, accountability, and inclusion.

The 3RF aims to help Lebanon achieve three central goals in response to the Beirut port explosion. First, a people-centered recovery that returns sustainable livelihoods to the affected population; improves social justice for all, including women, the poor, and other vulnerable groups; and ensures participatory decision making. Second, the reconstruction of critical assets, services, and infrastructure that provides equal access for all to quality basic services and enables sustainable economic recovery. Third, the implementation of reform to support reconstruction and to help restore people's trust in governmental institutions by improving governance.

The 3RF pursues two tracks in parallel:

- › **A people-centered recovery track (Track 1)**, focusing on essential *actions*, such as policy measures, investments, and institutional strengthening, to address urgent needs of the most vulnerable populations and small businesses affected by the explosion. This people-centered support will largely rely on receiving adequate international grant financing, and on clear progress on immediate policy action to facilitate recovery, such as the adoption of appropriate actions plans and institutional measures.
- › **A reform and reconstruction track (Track 2)**, focusing on critical *reforms* to address governance and recovery challenges in Lebanon as well as investments that focus on the *reconstruction* of critical assets, services, and infrastructure. Progress on governance and socioeconomic reforms are prerequisites for mobilizing international support for reconstruction beyond the recovery track, and for unlocking new sources of public and private finance.

The policy actions and reforms outlined in the 3RF are a subset of the wider CEDRE reform package and are fully aligned with the French roadmap from September 3, 2020. They offer critical confidence-building signals as a pre-requisite for enabling reconstruction and rebuilding trust, and they complement urgent macroeconomic stabilization measures. Moreover, as a foundation for the 3RF reform and reconstruction track, progress remains indispensable on an IMF program that would mobilize the urgently needed external financing.

The 3RF is structured around four strategic pillars: (1) improving governance and accountability; (2) jobs and opportunities; (3) social protection, inclusion, and culture; and (4) improving services and infrastructure. Each pillar identifies a set of strategic objectives and priority areas across both the recovery track and the reform and reconstruction track.

**Pillar 1: Improving governance and accountability.** The objective is to promote the transparent, accountable and inclusive governance of Lebanon's economic and social resources, across three strategic priorities: (i) public financial management (PFM) and public procurement; (ii) anti-corruption, integrity, and transparency; and (iii) justice and human rights. Key actions include establishing enhanced fiduciary arrangements for recovery

financing and conducting rapid corruption risk assessments in key reconstruction sectors to prevent leakage and misuse of funds while implementing the National Anti-Corruption Strategy. Beyond immediate recovery, governance reforms are needed to enable the government to better manage public and external funds and strengthen institutions that help optimize PFM and public procurement. With rights in jeopardy and calls for increased accountability, the onus is on Lebanon's justice institutions to deliver services in a more independent, effective, accountable, and accessible manner.

**Pillar 2: Jobs and opportunities.** The objective is to restore economic opportunities and livelihoods in the immediate term and to revamp business activity in the short term, across three strategic priorities: (i) restoring business activities and preserving jobs, (ii) strengthening the insurance sector and digital financial services, and (iii) expediting urgent business environment reforms. Key actions in the recovery phase include launching short-term employment programs and a business recovery program targeting micro, small, and medium enterprises (with special attention to women and youth), as well as supporting the insurance sector to address the impact of the explosion and protect the most vulnerable retail clients. To build back better, the government will have to prioritize reforms that facilitate and reduce the cost of doing business while fostering competition. It will also need to adopt a strategy to place the insurance sector on a better structural footing and promote the uptake of digital financial services by putting in place the basic regulatory enablers.

**Pillar 3: Social protection, inclusion and culture.** The objective is to prevent the deterioration of people's well-being, dignity, and safety across three priority areas: (i) strengthening social protection, (ii) fostering social inclusion and cohesion, and (iii) protecting and recovering culture and national heritage as well as related livelihoods. Key recovery actions include scaling up social assistance systems and programs with a focus on economically vulnerable individuals; supporting the capacity of and equitable access to protection and social welfare services for marginalized groups; and implementation of immediate conservation and safeguarding to avoid loss of cultural assets. Key actions for reconstruction include establishing the foundations of a social assistance system by providing cash transfers at scale to extremely poor households, and by introducing social grants to address life cycle vulnerabilities; building the capacity of institutions and civil society to restore community-state relations, reduce community tensions, support victims' rights and reparations, and protect marginalized groups; and rehabilitating and repairing cultural heritage assets.

**Pillar 4: Improving services and infrastructure.** The objective is to reform the governance of the port, rebuild the port and critical housing, and restore key public and urban services in a sustainable and resilient manner across four sectors: housing; the port; urban services (electricity, municipal services, and the environment); and public services (health, education, and water). Key recovery actions include adopting strategies and action plans for housing and green urban recovery; ensuring cargo processing at the ports for continuity of supply chains and food security; clearing rubble and debris inside and outside the port; repairing partially destroyed housing and urban infrastructure as well as restoring services, with a focus on the vulnerable. Additional priority actions are needed to scale up recovery and reconstruction in the medium to long term. These include conducting detailed damage assessments for public service infrastructure; formulating policy frameworks and adopting or ratifying laws and strategies to create an enabling environment for reconstruction and leverage private investment (e.g., in the port, housing, or environment sector); reconstruction of housing, historic buildings, and infrastructure to restore services for the poor and vulnerable; and upgrading of affected and vulnerable neighborhoods.

Successful implementation of the 3RF will rely on a new partnership and inclusive institutional arrangements that bring together the government, international partners, civil society, and the private sector, underpinned by strong inter-ministerial coordination. A Consultative Group with the mentioned actors will serve as a platform for overarching strategic guidance, high-level policy dialogue, and coordination. It will enable coherence and aid effectiveness across stakeholders and financing instruments as well as facilitate the linkages between the political process and humanitarian and development activities to support an integrated approach to 3RF activities. Existing pillar or Sector Working Groups would be leveraged to promote coordination across programs and sectors. A dedicated Technical Team and Secretariat will support technical coordination and arrangements for monitoring and oversight. An independent oversight body led by civil society will ensure strong monitoring, transparency, and mutual accountability.

The priority needs of the people-centered recovery track amount to \$584 million, of which \$426 million are needed for the first year. The costs for the reform and reconstruction track are estimated at \$2 billion (Table 1). The widespread damage and large reconstruction needs will require mobilizing a mix of public and private resources through public-private partnerships. However, the government's collapsed revenues and its inability to borrow significantly reduce its capacity to finance recovery and reconstruction in the short term. Moreover,



the financial and banking crisis, accompanied by high levels of political instability and social unrest, limits the potential for mobilizing private sector finance – at least in the short term, and without guarantees to de-risk private investments.

**Table 1: 3RF Priority Costs per Pillar**

	Track 1: People-Centered Recovery (\$)	Track 2: Reforms and Reconstruction (\$)
Pillar 1: Improving Governance and Accountability	4,750,000	4,325,000
Pillar 2: Jobs and Economic Opportunities	97,750,000	196,825,000
Pillar 3: Social Protection, Inclusion and Culture	174,800,000	1,018,330,000
Pillar 4: Improving Services and Infrastructure	306,870,000	781,888,612
<b>TOTAL</b>	<b>584,170,000</b>	<b>2,001,368,612</b>

In this environment, the 3RF envisages a two-phase financing strategy for recovery and reconstruction, building on ongoing humanitarian assistance and the in-kind support mobilized by the Lebanese people. In the short term, international grant financing will be required to kick-start recovery and support urgent needs while advancing in parallel on necessary reforms. Once progress has been made on critical reforms and macroeconomic stabilization, concessional loans and private finance can support reconstruction and help set Lebanon on a path towards stability, growth, and sustainable development.

To support the recovery track and prepare for reconstruction, a Financing Facility will be set up to pool and align grant financing for the 3RF, under the strategic guidance of the 3RF governance arrangements. This will strengthen coherence and coordination. The fund will channel support directly to Lebanese people and businesses that have been impacted by the explosion using a variety of flexible, nongovernmental implementation modalities combined with strong fiduciary monitoring and oversight.

# الملخص التنفيذي

إن إطار الإصلاح والتعافي وإعادة الإعمار هو جزء من استجابة شاملة للانفجار الهائل الذي وقع في مرفأ بيروت يوم ٤ أغسطس/ آب ٢٠٢٠. وهو إطار يركز على المواطن بشكل أساسي ويتمحور حول ١٨ شهراً ليربط بين الاستجابة الإنسانية الفورية وجهود التعافي وإعادة الإعمار على المدى المتوسط لوضع لبنان على مسار التنمية المستدامة.

ويدرك الإطار أن إعادة اكتساب ثقة الشعب اللبناني في المؤسسات الحكومية أمر حتمي لنجاح عملية التعافي. وتحقيقاً لتلك الغاية، يتعين على الحكومة أن تتحمل المسؤولية وأن تتخذ إجراءات عاجلة لتعزيز التعافي وإعادة الإعمار. كما يحتاج لبنان إلى اعتماد نموذج جديد للحكومة يكسر سيطرة النخب السياسية على مؤسسات الدولة ويضمن أن تخدم هذه المؤسسات احتياجات المواطنين، وأنه بوسعها الاستجابة للآزمات التي تواجهها البلاد.

ومن أجل تعزيز أسلوب عمل مختلف، تم تصميم الإطار كعملية تشاركية تقوم على التعاون الوثيق بين الحكومة والمجتمع المدني والقطاع الخاص والشركاء في التنمية. كما أنه يسترشد بالمبادئ الشاملة للشفافية والمساءلة والإدماج.

ويهدف هذا الإطار إلى مساعدة لبنان على تحقيق ثلاثة أهداف محورية في إطار التعاطي مع تداعيات انفجار مرفأ بيروت، وهي كالتالي: أولاً، تحقيق تعافٍ محوره المواطن يعيد سبل العيش المستدامة للسكان المتضررين؛ ويعزز العدالة الاجتماعية للجميع، بمن فيهم النساء والفقراء وغيرهم من الفئات الأكثر احتياجاً؛ ويضمن المشاركة في صنع القرار. ثانياً، إعادة بناء الأصول والخدمات والبنى التحتية الحيوية التي تتيح للجميع إمكانية متساوية للحصول على الخدمات الأساسية الجيدة وتهيئة الظروف الملائمة للتعافي الاقتصادي المستدام. ثالثاً، تنفيذ الإصلاح لدعم إعادة الإعمار والمساعدة على استعادة ثقة المواطن في المؤسسات الحكومية من خلال تحسين أنظمة الحكومة.

ويتبع الإطار مسارين اثنين بالتوازي:

❖ **مسار التعافي الذي يركز على الإنسان أولاً («المسار ١»)**، وهو يركّز على الإجراءات الأساسية، مثل التدابير في مجال السياسات، والاستثمارات، والتدعيم المؤسسي، وذلك لتلبية الاحتياجات الملحة للسكان وللشركات الصغيرة الأكثر ضعفاً كمتضررين من الانفجار. وسيعتمد هذا الدعم المتمحور حول المواطن اعتماداً كبيراً على تلقي تمويل كافٍ من المنح الدولية، وعلى تحقيق تقدم واضح بشأن اتخاذ إجراءات فورية في مجال السياسات العامة بغرض تيسير التعافي، مثل اعتماد ما هو ملائم من خطط العمل والتدابير المؤسسية.

❖ **مسار الإصلاح وإعادة الإعمار («المسار ٢»)**، الذي يركّز على الإصلاحات الحيوية لمواجهة التحديات الماثلة أمام الإدارة العامة والتعافي في لبنان، فضلاً عن الاستثمارات التي تركز على إعادة بناء الأصول الحيوية والخدمات والبنية التحتية. إن الإصلاحات الاجتماعية والاقتصادية والتقدم في مجال الإدارة العامة هي متطلبات مسبقة لتعبئة الدعم الدولي لإعادة الإعمار في ما يتجاوز مسار التعافي، وإطلاق مصادر جديدة للتمويل العام والخاص.

وتمثل الإجراءات على صعيد السياسات العامة والإصلاحات الواردة في هذا الإطار مجموعة فرعية من حزمة إصلاحات «سيدر» الواسعة، وتتواءم تماماً مع خطة العمل الفرنسية التي صدرت يوم ٣ سبتمبر/أيلول ٢٠٢٠. فهي تقدم دلائل حاسمة لبناء الثقة كشرط مسبق لتهيئة الظروف الملائمة لإعادة الإعمار وإعادة بناء الثقة، وتُكمل التدابير العاجلة لتحقيق الاستقرار في الاقتصاد الكلي. فضلاً عن ذلك، فإن التقدم في تنفيذ برنامج صندوق النقد الدولي، العامل المحوري في إطار الإصلاح والتعافي وإعادة الإعمار، الذي من شأنه أن يعبئ موارد تمويلية خارجية تشتد إليها الحاجة، يبقى أمراً لا غنى عنه كأساس لمسار الإصلاح وإعادة الإعمار الوارد ضمن هذا الإطار.

ويقوم الإطار على أربع ركائز استراتيجية، هي: (١) تحسين أنظمة الحكومة والمساءلة، (٢) فرص العمل والفرص الاقتصادية، (٣) الحماية الاجتماعية والإدماج الاجتماعي والثقافة، (٤) تحسين الخدمات والبنية التحتية. وتحدد كل ركيزة مجموعة من الأهداف الاستراتيجية ومجالات الأولوية في مساري التعافي والإصلاح وإعادة الإعمار على حد سواء:

**الركيزة ١: تحسين أنظمة الحكومة ورفع مستوى المساءلة.** يتمثل هذا الهدف في تعزيز الشفافية والمساءلة والشمول في الإدارة العامة لموارد لبنان الاقتصادية والاجتماعية، عبر ثلاث أولويات استراتيجية هي كالتالي: إدارة المالية العامة والمشتريات الحكومية؛ (٢) مكافحة الفساد وإعلاء النزاهة والشفافية؛ (٣) العدالة وحقوق الإنسان. وتشمل الإجراءات الرئيسية تحت هذا الهدف وضع ترتيبات مالية وتعاقبية مُعززة لتمويل عملية التعافي وإجراء تقييمات سريعة لمخاطر الفساد في قطاعات إعادة الإعمار الرئيسية، وذلك لمنع تسرب الأموال وإساءة استخدامها مع تنفيذ الاستراتيجية الوطنية لمكافحة الفساد. وإلى جانب التعافي الفوري، ثمة حاجة إلى إصلاحات في الإدارة العامة لتمكين الحكومة من تحسين إدارة الأموال العامة والخارجية وتدعيم المؤسسات

التي تساعد على تحقيق المستوى الأمثل من إدارة المالية العامة والمشتريات. وفي ظل تعرض الحقوق للخطر، والدعوات إلى زيادة المساءلة، يقع على عاتق المؤسسات القضائية في لبنان المسؤولية عن زيادة إمكانية الحصول على الخدمات القضائية على نحو أكثر استقلالية وفعالية ومساءلة.

**الركيزة ٢: فرص العمل والفرص الاقتصادية.** الهدف من هذه الركيزة هو استعادة الفرص الاقتصادية وموارد الرزق على المدى القريب وإحياء النشاط التجاري على المدى القصير، وذلك عبر ثلاث أولويات استراتيجية، هي كالتالي: (١) استئناف الأنشطة التجارية والحفاظ على الوظائف، (٢) تدعيم قطاع التأمين والخدمات المالية الرقمية، (٣) تسريع وتيرة الإصلاحات العاجلة لبيئة الأعمال. وتشمل الإجراءات الرئيسية في مرحلة التعافي إطلاق برامج توظيف قصيرة الأجل وبرنامج لتعافي الشركات، يستهدف الشركات الصغيرة والصغيرة والمتوسطة (مع إيلاء اهتمام خاص للنساء والشباب)، ودعم قطاع التأمين لمعالجة تأثير الانفجار وحماية الزبائن من من الأفراد الأكثر احتياجاً. ومن أجل إعادة البناء بشكل أفضل، يجب على الحكومة أن تعطي الأولوية للإصلاحات التي تسهل ممارسة أنشطة الأعمال وتخفف تكلفتها مع تعزيز المنافسة. كما يتعين عليها اعتماد استراتيجية لتحسين الأساس الهيكلي لقطاع التأمين وتعزيز الاستفادة من الخدمات المالية الرقمية بتطبيق عوامل الدعم التنظيمي الأساسية.

**الركيزة ٣: الحماية الاجتماعية والإدماج الاجتماعي والثقافة.** الهدف من هذه الركيزة هو منع تدهور أوضاع الناس المعيشية والحفاظ على كرامتهم وسلامتهم في ثلاثة مجالات ذات أولوية، هي: (١) تعزيز الحماية الاجتماعية؛ (٢) تعزيز الإدماج والتماسك الاجتماعي؛ (٣) حماية واستعادة التراث الثقافي والوطني، وكذلك سبل العيش ذات الصلة. وتشمل إجراءات التعافي الرئيسية زيادة نظم وبرامج المساعدة الاجتماعية مع التركيز على الأفراد الضعفاء اقتصادياً؛ وتعزيز قدرات خدمات الحماية والرعاية الاجتماعية وإمكانية حصول الفئات المهمشة عليها؛ والحفاظ الفوري على الأصول الثقافية وصونها للحيلولة دون فقدانها. وتشمل الإجراءات الرئيسية لإعادة الإعمار إرساء أسس نظام للمساعدة الاجتماعية عن طريق إتاحة التحويلات النقدية على نطاق واسع للأسر التي تعاني من الفقر المدقع، وتقديم منح اجتماعية لمعالجة أوجه الضعف في دورة الحياة؛ وبناء قدرات المؤسسات والمجتمع المدني من أجل استئناف العلاقات بين المجتمع المحلي والدولة، والحد من التوترات المجتمعية، ودعم حقوق الضحايا وتعويضهم، وحماية الفئات المهمشة؛ وإصلاح أصول التراث الثقافي وإعادة تأهيلها.

**الركيزة ٤: تحسين الخدمات والبنية التحتية.** الهدف من هذه الركيزة هو إصلاح إدارة المرفأ وإعادة تشييد مرافقه والمباني الحيوية، واستئناف الخدمات العامة والحضرية الرئيسية على نحو مستدام ومن في قطاعات أربعة هي: الإسكان؛ والمرافق؛ والخدمات الحضرية (الكهرباء، والخدمات البلدية، والبيئة)؛ والخدمات العامة (الصحة والتعليم والمياه). وتشمل إجراءات التعافي الرئيسية اعتماد استراتيجيات وخطط عمل الإسكان والتعافي الحضري المراعي للبيئة؛ وضمان مناوله الشحنات في الموانئ من أجل استمرارية سلاسل الإمداد والأمن الغذائي، وإزالة الأنقاض والحطام داخل المرفأ وخارجه؛ وإصلاح المساكن ومرافق البنية التحتية التي تعرضت لأضرار جسيمة، فضلاً عن استئناف الخدمات، مع التركيز على الفئات الضعيفة. وثمة حاجة إلى اتخاذ إجراءات إضافية ذات أولوية لتوسيع نطاق التعافي وإعادة الإعمار في الأجلين المتوسط والطويل. ويشمل ذلك إجراء تقييمات مفصلة للأضرار التي لحقت بمرافق البنية التحتية العامة؛ وصياغة أطر للسياسات العامة واعتماد أو التصديق على القوانين والاستراتيجيات التي تهيئ بيئة مؤاتية لإعادة الإعمار والاستفادة من الاستثمارات الخاصة (مثلاً في المرفأ أو الإسكان أو قطاع البيئة)؛ وإعادة بناء المساكن والمباني التاريخية ومنشآت البنية التحتية من أجل استئناف الخدمات للفقراء والمحرومين؛ وتطوير الأحياء المتضررة التي تعاني أوجه ضعف.

وسيتمتع النجاح في تنفيذ هذا الإطار على شراكة جديدة وترتيبات مؤسسية شاملة تجمع بين الحكومة - بما في ذلك التنسيق الوثيق بين الوزارات - والشركاء الدوليين والمجتمع المدني والقطاع الخاص. وسيكون فريق استشاري مع الأطراف المذكورة بمثابة منبر للتوجيه الاستراتيجي الشامل والحوار الرفيع المستوى والتنسيق في مجال السياسات العامة. وسيتيح هذا الاتساق وفعالية المعونة بين أصحاب المصلحة وأدوات التمويل، وسيسهل الروابط بين العملية السياسية والأنشطة الإنسانية والإنمائية لدعم نهج متكامل لأنشطة هذا الإطار. وستتم الاستفادة من الركيزة القائمة أو مجموعات العمل القطاعية لتعزيز التنسيق فيما بين مختلف البرامج والقطاعات. سيتولى فريق فني متفرغ دعم التنسيق الفني والترتيبات الفنية للرصد والإشراف. وسيكفل وجود هيئة رقابية مستقلة يقودها المجتمع المدني الرصد القوي والشفافية والمساءلة المتبادلة.

وتبلغ قيمة الاحتياجات ذات الأولوية لمسار التعافي الذي يركز على المواطن في هذا الإطار ٥٨٤ مليون دولار أميركي، منها ٤٢٦ مليون دولار أميركي للسنة الأولى. وتُقدّر تكلفة مسار الإصلاح وإعادة الإعمار في هذا الإطار بملياري دولار أميركي (الجدول ١). وتتطلب التعويضات الواسعة النطاق واحتياجات إعادة الإعمار الضخمة حشد مزيج من الموارد العامة والخاصة من خلال الشراكات بين القطاعين العام والخاص. ومع ذلك، فإن انهيار الإيرادات الحكومية والعجز عن الاقتراض يحدان بشكل كبير قدرة الحكومة على تمويل أنشطة التعافي وإعادة الإعمار على المدى القصير. فضلاً عن ذلك، فإن الأزمة المالية والمصرفية التي تصاحبها مستويات عالية من الاضطرابات السياسية والاجتماعية تحد من إمكانية تعبئة التمويل من القطاع الخاص، على الأقل في الأمد القصير، ودون ضمانات «بإزالة المخاطر» من الاستثمارات الخاصة.

**الجدول ١: تكلفة المجالات ذات الأولوية في إطار الإصلاح والتعافي وإعادة الإعمار، لكل ركيزة**

المسار الأول: التعافي المتمحور حول المواطنين دولار أميركي	المسار الثاني: الإصلاحات وإعادة الإعمار دولار أميركي	
٤٧٥٠٠٠٠	٤٣٢٥٠٠٠	الركيزة ١: تحسين أنظمة الحوكمة والمساءلة
٩٧٧٥٠٠٠٠	١٩٦٨٢٥٠٠٠	الركيزة ٢: فرص العمل والفرص الاقتصادية
١٧٤٨٠٠٠٠٠	١٠١٨٣٣٠٠٠٠	الركيزة ٣: الحماية الاجتماعية والإدماج الاجتماعي والثقافة
٣٠٦٨٧٠٠٠٠	٧٨١٨٨٨٦١٢	الركيزة ٤: تحسين الخدمات والبنية التحتية
<b>٥٨٤١٧٠٠٠٠</b>	<b>٢٠٠١٣٦٨٦١٢</b>	<b>الإجمالي</b>

في هذه البيئة، يتوخى الإطار استراتيجية تمويل من مرحلتين للتعافي وإعادة البناء بالاعتماد على المساعدات الإنسانية الجارية والدعم العيني الذي يقوم بتعبئته الشعب اللبناني. وفي الأجل القصير، ستكون هناك حاجة إلى التمويل الدولي من خلال منح لبدء عملية التعافي ودعم الاحتياجات العاجلة مع المضي قدماً في الإصلاحات الضرورية بالتوازي. ودالماً يتحقق تقدم في الإصلاحات الحيوية واستقرار الاقتصاد الكلي، يمكن لآليات القروض الميسرة والتمويل الخاص أن تدعم إعادة الإعمار وتساعد على وضع لبنان على مسار الاستقرار والنمو والتنمية المستدامة.

ودعماً لمسار التعافي والتحصين لإعادة الإعمار، سوف يتم إنشاء صندوق تمويل لتجميع ومواءمة الموارد التمويلية من المنح لتعزيز هذا الإطار، وذلك تحت التوجيه الاستراتيجي لترتيبات حوكمة الإطار. ومن شأن ذلك أن يعزز اتساق الجهود وتنسيقها. وسيوجه الصندوق الدعم مباشرة إلى المواطنين والشركات الذين تضرروا من الانفجار، وذلك من خلال مجموعة متنوعة من وسائل التنفيذ المرنة غير الحكومية المقترنة بالرصد والرقابة للترتيبات المالية والتعاقدية.



# Résumé

Le cadre de réforme, de relèvement et de reconstruction (3RF) fait partie de l'ensemble d'interventions faisant suite à l'explosion massive qui a ravagé le port de Beyrouth le 4 août 2020. Axé sur la population, ce cadre de relèvement et de reconstruction d'une durée de 18 mois servira de passerelle entre la réponse humanitaire immédiate déployée au Liban et les efforts de relèvement et de reconstruction à moyen terme engagés pour mettre le pays sur la voie du développement durable.

Le 3RF reconnaît que le succès des efforts de relance passe impérativement par le rétablissement de la confiance du peuple libanais dans les institutions publiques. Le gouvernement doit prendre à la fois ses responsabilités et des mesures urgentes pour favoriser le relèvement et la reconstruction. Le Liban a aussi besoin d'adopter un nouveau modèle de gouvernance qui brise la mainmise de l'élite politique sur les institutions, s'assurant que ces dernières répondent aux besoins des populations et peuvent faire face aux crises que connaît le pays.

Pour encourager des modalités de travail nouvelles, le cadre est conçu comme une plateforme de collaboration fondée sur la participation de l'État, de la société civile, du secteur privé et des partenaires de développement. Il est aussi guidé par les principes généraux de transparence, de responsabilité et d'inclusion.

Le 3RF vise à aider le Liban à réaliser trois objectifs principaux en réponse à l'explosion du port de Beyrouth : premièrement, un relèvement axé sur la population, permettant à ces dernières de retrouver des moyens d'existence durables ; améliorant la justice sociale pour tous, notamment les femmes, les pauvres et d'autres groupes vulnérables ; et garantissant un processus décisionnel participatif. Deuxièmement, la *reconstruction des actifs, services et infrastructures essentiels*, donnant accès à tous sur un pied d'égalité à des services de base de qualité et facilitant une reprise économique durable. Troisièmement, la mise en œuvre de réformes pour accompagner l'effort de reconstruction et contribuer à rétablir la confiance du peuple dans les institutions publiques grâce à une meilleure gouvernance.

Le 3RF suit simultanément deux axes :

- **L'axe du relèvement axé sur la population (« Axe 1 »)**, privilégiant les *interventions* essentielles, comme des mesures stratégiques, des investissements et le renforcement institutionnel, pour répondre aux besoins urgents des populations les plus vulnérables et des petites entreprises mises à mal par l'explosion. Ce soutien visant prioritairement la population se réalisera en grande partie à la condition de recevoir des financements internationaux suffisants et de voir des progrès manifestes sur les actions stratégiques immédiates nécessaires pour faciliter le relèvement notamment l'adoption de plans d'action et de mesures institutionnelles appropriés.
- **L'axe de la réforme et de la reconstruction (« Axe 2 »)**, mettant l'accent sur des *réformes* fondamentales devant permettre de régler les problèmes liés à la gouvernance et au relèvement du Liban ainsi que sur des investissements visant principalement la reconstruction des actifs, services et infrastructures essentiels. Les avancées dans les réformes socioéconomiques et de la gouvernance constituent les principaux préalables à la mobilisation de l'aide internationale en vue de la reconstruction au-delà de l'axe du relèvement, et au déblocage de nouvelles sources de financement public et privé.

Les mesures stratégiques et les réformes décrites dans le 3RF sont tirées du train de réformes général défini lors de la conférence CEDRE, en même temps qu'elles s'inscrivent dans le droit fil de la feuille de route de la France du 3 septembre 2020. Elles envoient un signal important pour le renforcement de la confiance, préalable devant faciliter la reconstruction et une confiance retrouvée, et complètent les mesures urgentes de stabilisation macroéconomique. De surcroît, à la base de l'axe de la réforme et de la reconstruction, il demeure indispensable de progresser sur un programme du FMI devant permettre de mobiliser les financements extérieurs dont le pays a impérativement besoin. quatre piliers stratégiques, à savoir 1) améliorer la gouvernance et la responsabilité ; 2) les emplois et les opportunités ; 3) la protection sociale, l'inclusion et la culture ; et 4) améliorer les services et l'infrastructure. Chaque pilier définit un ensemble d'objectifs stratégiques et de domaines prioritaires en ce qui concerne aussi bien l'axe du relèvement que celui de la réforme et de la reconstruction.

**Pilier 1 : Améliorer la gouvernance et la responsabilité.** L'objectif est de promouvoir la gouvernance transparente, responsable et inclusive des ressources économiques et sociales du Liban, au moyen de trois priorités stratégiques : i) la gestion des finances publiques (GFP) et la passation des marchés publics ; ii) la lutte contre la corruption, l'intégrité et la transparence ; iii) la justice et les droits de l'homme. Au nombre des principales mesures, on peut citer la mise en place de mécanismes fiduciaires renforcés en vue du financement de l'effort de relèvement et la réalisation d'évaluations rapides des risques de corruption dans les grands secteurs de la reconstruction. Le but étant d'empêcher les dépenses non autorisées et le détournement des fonds tout en appliquant la stratégie nationale de lutte contre la corruption. Au-delà de l'effort de relèvement immédiat, des réformes de la gouvernance sont indispensables pour permettre au gouvernement de mieux gérer les fonds publics et extérieurs et renforcer les institutions qui contribuent à optimiser la GFP et la passation des marchés publics. Au regard des droits menacés et des appels à une plus grande éthique de responsabilité, les services des institutions judiciaires libanaises se doivent d'être plus indépendants, efficaces, responsables et accessibles.

**Pilier 2 : Les emplois et les opportunités.** L'objectif est de restaurer les opportunités économiques et les moyens d'existence dans l'immédiat, et de relancer l'activité économique à court terme au moyen des trois priorités stratégiques suivantes : i) restaurer les activités des entreprises et préserver les emplois, ii) renforcer le secteur des assurances et les services financiers numériques et, iii) réformer rapidement le cadre des affaires. Les principales mesures de la phase de relèvement englobent le lancement de programmes de promotion de l'emploi à court terme ainsi qu'un programme de relèvement des entreprises visant les micro-, petites et moyennes entreprises (une attention particulière étant portée aux femmes et aux jeunes), et le soutien au secteur des assurances afin qu'il puisse répondre aux conséquences de l'explosion et protéger les vendeurs au détail les plus vulnérables. Pour reconstruire en mieux, le gouvernement devra donner la priorité aux réformes qui facilitent les affaires et en réduisent le coût tout en encourageant la concurrence. Il devra aussi adopter une stratégie visant à mieux structurer le secteur des assurances et à promouvoir l'utilisation des services financiers numériques en mettant en place les instruments réglementaires de base.

**Pilier 3 : La protection sociale, l'inclusion et la culture.** L'objectif est d'empêcher la détérioration du bien-être, de la dignité et de la sécurité des populations au moyen de trois interventions prioritaires : i) renforcer la protection sociale ; ii) encourager l'inclusion et la cohésion sociales ; iii) protéger et restaurer la culture et le patrimoine national ainsi que les moyens de subsistance apparentés. Les principales mesures de relèvement visent notamment à élargir le champ des systèmes et programmes d'aide sociale en insistant sur les personnes vulnérables au plan économique ; à développer les capacités des services de protection et de prévoyance sociale au profit des groupes marginalisés et assurer à ces derniers un accès équitable à ces services ; et à appliquer des mesures immédiates de conservation et de sauvegarde pour éviter de perdre des biens culturels. Les principales mesures de reconstruction, quant à elles, visent à jeter les bases d'un système d'aide sociale en effectuant des transferts monétaires à grande échelle en faveur des ménages extrêmement pauvres, et en introduisant des financements sociaux destinés à faire face aux vulnérabilités liées au cycle de la vie ; à renforcer les capacités des institutions et de la société civile à rétablir les relations entre les populations et l'État, réduire les tensions communautaires, soutenir les droits des victimes et les réparations qui leur sont dues, et protéger les groupes marginalisés ; et à restaurer et réparer les actifs du patrimoine culturel.

**Pilier 4 : Améliorer les services et l'infrastructure.** L'objectif est de réformer la gouvernance du port, reconstruire le port et les logements essentiels, et restaurer les principaux services publics et urbains dans une démarche durable et résiliente dans quatre secteurs : le logement, le port, les services urbains (électricité, services municipaux et environnement) et les services publics (santé, éducation et eau). Les principales mesures de relèvement consistent à adopter des stratégies et plans d'action pour le logement et une reconstruction urbaine verte ; à assurer le traitement du fret au niveau des ports en vue de la continuité des chaînes d'approvisionnement et de la sécurité alimentaire ; à nettoyer les gravats et les débris à l'intérieur comme à l'extérieur du port ; à reconstruire les logements et l'infrastructure urbaine partiellement détruits et à restaurer les services, en privilégiant les personnes vulnérables. D'autres interventions prioritaires sont indispensables pour amplifier les efforts de relèvement et de reconstruction à moyen et long terme. Il s'agit notamment de réaliser des évaluations détaillées de l'infrastructure des services publics détruite ; de préparer des cadres stratégiques et adopter ou ratifier des lois et des stratégies afin de créer un environnement favorable à la reconstruction et mobiliser l'investissement privé (par exemple, dans le secteur portuaire, immobilier ou écologique) ; de reconstruire les logements, les édifices historiques et l'infrastructure afin de rétablir les services au profit des personnes pauvres et vulnérables ; et de moderniser les quartiers touchés et vulnérables.

Le succès de la mise en œuvre du 3RF passe par un nouveau partenariat et des mécanismes institutionnels inclusifs regroupant le gouvernement, les partenaires internationaux, la société civile et le secteur privé, soutendus par une coordination interministérielle forte. Un groupe consultatif constitué des acteurs visés plus haut servira de plateforme pour les grandes orientations stratégiques, le dialogue de haut niveau sur les politiques et la coordination. Cette plateforme favorisera la cohérence et l'efficacité de l'aide de tous les acteurs concernés et des mécanismes de financement et facilitera l'établissement de passerelles entre le processus politique et les actions humanitaires et de développement, pour une mise en œuvre intégrée des activités du 3RF. Les groupes de travail existants par pilier ou secteur seront mobilisés afin de promouvoir la coordination des programmes et des secteurs. Une équipe technique et un secrétariat spéciaux assureront les fonctions de coordination technique et organiseront le suivi et le contrôle. Un organe de supervision indépendant piloté par la société civile veillera au suivi, à la transparence et à la responsabilité mutuelle.

Les besoins prioritaires de l'axe du relèvement axé sur la population se chiffrent à 584 millions de dollars, dont 426 millions sont attendus la première année. Les coûts de l'axe de la réforme et de la reconstruction sont estimés à 2 milliards de dollars (Tableau 1). Il faudra mobiliser à la fois des ressources publiques et privées à travers des partenariats public-privé pour faire face à l'ampleur des dégâts et des besoins de reconstruction. Malheureusement, la chute des recettes publiques et l'incapacité de l'État à contracter des emprunts substantiels réduisent sa capacité à financer l'effort de relèvement et de reconstruction à court terme. De surcroît, la crise financière et bancaire qui se conjugue à un niveau élevé d'instabilité politique et de troubles sociaux limite les possibilités de mobilisation des financements privés - du moins, à court terme, et sans garanties pour réduire les risques pour les investisseurs privés.

**Tableau 1 : Coûts des interventions prioritaires par pilier du 3RF**

	Axe 1 : Relèvement axé sur la population en dollars	Axe 2 : Réformes et reconstruction en dollars
Pilier 1 : Améliorer la gouvernance et la responsabilité	4 750 000	4 325 000
Pilier 2 : Les emplois et les opportunités économiques	97 750 000	196 825 000
Pilier 3 : La protection sociale, l'inclusion et la culture	174 800 000	1 018 330 000
Pilier 4 : Améliorer les services et l'infrastructure	306 870 000	781 888 612
<b>TOTAL</b>	<b>584 170 000</b>	<b>2 001 368 612</b>

Dans ce contexte, le 3RF prévoit une stratégie de financement du relèvement et de la reconstruction en deux phases, construite à partir de l'aide humanitaire en cours et les soutiens non financiers apportés par le peuple libanais. À court terme, les financements internationaux seront indispensables pour démarrer les actions de relèvement et répondre aux besoins urgents tout en mettant parallèlement en œuvre les réformes voulues. Une fois les progrès sur les réformes essentielles et la stabilisation macroéconomique constatés, des prêts concessionnels et des financements privés pourront accompagner la reconstruction et aider à mettre le Liban sur le chemin de la stabilité, de la croissance et du développement durable.

Pour soutenir l'axe du relèvement et préparer la reconstruction, un mécanisme de financement sera mis en place afin de grouper les financements et les aligner sur le cadre 3RF, sous l'éclairage stratégique des structures de gouvernance du 3RF. Ainsi, les efforts seront plus cohérents et mieux coordonnés. Les aides issues de ce fonds seront remises directement aux populations et entreprises libanaises touchées par l'explosion, au moyen d'un ensemble de dispositifs flexibles et non étatiques, reposant sur des mécanismes de suivi et de contrôle fiduciaires solides.



A high-angle, wide shot of a sprawling city, likely Taipei, Taiwan, viewed from a construction site. In the immediate foreground, a large, dark metal crane arm extends horizontally across the top of the frame. A thick black cable hangs vertically from the end of the arm, featuring a circular weight or pulley. The city below is a dense, colorful mosaic of buildings, with a mix of modern high-rises and older, lower-rise structures. In the far distance, a range of mountains is visible under a bright blue sky with scattered white clouds. A semi-transparent red triangle is overlaid on the bottom left corner of the image, containing the word 'Introduction' in white text.

# Introduction



On August 4, 2020, the Port of Beirut was the site of a massive explosion that killed around 200 people, wounded more than 6,000, and displaced more than 300,000 residents in surrounding areas.

In the aftermath, the World Bank Group, in cooperation with the European Union and the United Nations and other partners, launched a RDNA to inform a reform, recovery, and reconstruction framework (3RF) to address short- and medium-term needs. The damage and losses are significant. Damages are estimated at \$3.8-4.6 billion, with housing and culture sectors most severely affected. Losses are estimated at \$2.9-3.5 billion, with housing being worst hit, followed by transport and port, and culture. Needs are estimated as \$1.8 billion to \$2.2 billion, with needs highest in the transport and port sector, followed by culture and housing (Box 1). At least 5,000 formal business facilities have been damaged and need urgent financial assistance.

### Box 1: Assessing the Damages and Needs of the Beirut Explosion

The World Bank, in cooperation with the UN and EU, undertook a Rapid Damage and Needs Assessment (RDNA)<sup>1</sup> that estimates the public sector reconstruction and recovery needs for one year at \$2.0 billion. It estimated \$678.3 million is needed in the immediate term and \$1.3 billion in the short term. More specifically, the RDNA estimated \$2.3 billion in damages and \$241.8 million in immediate and short-term needs for recovery and reconstruction in the housing sector. Culture and health have estimated damages of \$1.2 billion and \$115 million, respectively, and immediate and short-term estimated recovery needs of \$281 million and \$70.0 million, respectively. Among the productive sectors, damages to tourism, and commerce and industry, are \$205 million and \$125 million, respectively; these exhibit the highest immediate and short-term recovery and reconstruction needs, totaling \$188.9 million and \$183.5 million, respectively. Transport and port tops infrastructure sectors, with estimated damages of \$345 million and immediate and short-term needs amounting to \$470.6 million. The estimated damages of the governance sector are \$80 million, with immediate and short-term needs for the recovery and reconstruction estimated at \$197.8 million.

The overall objective of the 3RF is to help address the urgent needs of the affected population and ensure that results are delivered through an efficient, timely, and well-coordinated recovery and reconstruction effort, with the involvement of all stakeholders and support from the international community. Stakeholder engagement in the 3RF's design has been essential, both to respond effectively to the impact of this shock on all levels of society and to create space for meaningful participation in the planning, implementation, and oversight of reform, recovery, and reconstruction efforts.

The 3RF structure is based on international good practices. It includes (a) the definition of strategic pillars and objectives for reform, recovery, and reconstruction; (b) the identification of policy reforms and investment priorities; (c) institutional and implementation arrangements; (d) a financing strategy; and (e) a framework for effective and efficient monitoring and accountability.

The 3RF is also designed to contribute to (a) consensus-building among the government of Lebanon and Lebanese non-state actors on the required enabling policy environment and on priorities for recovery and reconstruction; (b) an agreed reconstruction and recovery framework between Lebanese society and development partners; (c) a programmatic and integrated approach across all sectors; (d) harmonized financing that aligns with the framework; and (e) a gradual transition from humanitarian response to recovery and reconstruction.

<sup>1</sup> <http://documents1.worldbank.org/curated/en/650091598854062180/Beirut-Rapid-Damage-and-Needs-Assessment.pdf>.

An aerial photograph showing a scene of significant destruction. In the foreground, there is a large pile of rubble, including twisted metal and debris. In the middle ground, a large industrial structure, possibly a silo or tower, stands partially collapsed. Smoke is rising from several points in the damaged area. In the background, a body of water is visible with a large ship and a long pier or breakwater. The sky is clear and blue.

## Section 1: Context and Key Challenges



The Port of Beirut explosion has exacerbated the impact of Lebanon's pre-existing crises. Lebanon's economic crisis has been in the making for several years. It stems from long-standing structural fiscal and external account imbalances and an overvalued currency, all sustained through sovereign debt issuance and financed by expatriate deposits. The long duration of the imbalances contributed to oversized bank balance sheets that had extensive exposure to government and central bank debt. The sudden stop in capital inflows during 2019 precipitated informal and ad hoc capital controls, depreciation of the exchange rate and the creation of multiple exchange rates, and a default on national debt obligations on March 7, 2020, prompting the country's first-ever sovereign default. On March 18, 2020, the government imposed a lockdown to counter the spread of COVID-19; this included the closure of borders (airport, sea, and land) and of public and private institutions, exacerbating an already severe economic recession. Compounding these crises, the explosion on August 4, 2020, destroyed not only the country's largest port but severely damaged the dense residential and commercial areas within a 2-mile radius. Combined, the economic harm of these crises has destroyed physical and financial capital, slashed the purchasing power of wages and pensions, and deepened the country's already significant poverty and inequality.

The economy is in double digit contraction. With little domestic production in what is a highly dollarized economy, the sudden stop in capital flows led to a shortage of U.S. dollars that came to stifle trade and disrupt supply chains in virtually every sector. While the economy had already contracted by 1.9 and 6.7 percent of GDP in 2018 and 2019, the year 2020 will be the third consecutive annual contraction, projected at around 20 percent of GDP, amid deteriorating economic indicators.<sup>2</sup> Moreover, multiple exchange rates emerged, with the Lebanese lira trading at a discount of as much as 80 percent on the black market amid heavy fluctuations

The explosion further exacerbated socioeconomic hardship, undermined trust in governmental institutions, and increased existing pressures for emigration. Even before the explosion, the fallout of the economic crisis and the pandemic had led to a significant increase in poverty and were shrinking the middle class. Recent projections estimate that poverty rates have surged from 28 percent in 2019 to 55.3 percent in 2020, bringing the total number of poor Lebanese to about 2.7 million.<sup>3</sup> Such socioeconomic deprivation has impacted the relationship between people and the state. While trust in governmental institutions has been declining for several years,<sup>4</sup> the inadequate management of the impact of the explosion, combined with the economic crisis, has undermined trust even further. In a recent survey conducted by the World Bank among victims of the blast, the overwhelming majority of respondents report having "no trust at all" in political parties, the Council for Development and Reconstruction, or municipalities.<sup>5</sup> These developments increase pressures for emigration, especially among the middle class who represent much of the country's human capital.

Weak governance is both a root cause and major impediment to effective management of today's crises. Lebanon's system of confessional governance has led to entrenched corruption and elite capture of state institutions, which undermine the government's capacity to respond to the crises the country faces. As outlined in the World Bank Group's Systematic Country Diagnosis in 2016, Lebanon's political leaders leverage the country's system of sectarian governance as a "veil" to advance their own interests at the expense of society at large. Deteriorating public governance,<sup>6</sup> compounded by limited fiscal space and the impact of the Syrian crisis, has severely worsened the delivery of public services and the quality of infrastructure in virtually all sectors. Pervasive political gridlock has so far prevented the swift formulation of policies and reform agendas to ameliorate the fallout of the compounded crises.

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2 Harake, Wissam; Jamali, Ibrahim; Abou Hamde, Naji. 2020. Lebanon Economic Monitor: The Deliberate Depression (English). Washington, D.C.: World Bank Group.

3 Income headcount poverty rates based on upper poverty line of \$14 income per day and lower poverty line of \$8.5 per day. For the lower poverty line, the corresponding increase is from 8.2 percent to 23.2 percent, bringing the total number of poor Lebanese to 1.1 million for the lower poverty line and 2.7 million for the upper one. Source: Fakihi, Ali, Makdissi, Paul, Marrouch, Walid, Tabri, Rami V., Yazbeck, Myra, "Confidence in Public Institutions and the Run up to the October 2019 Uprising in Lebanon," Working Paper, 2020.

4 Khalid Abu-Ismaïl and Vladimir Hlasny, "Wealth Distribution and Poverty Impact of COVID-19 in Lebanon," UN ESCWA, Policy Brief, Beirut, 2020.

5 Ranking on a 5 point scale, where 1 = "no trust at all" and 5 = "complete trust." Average score was 1.2 for political parties, 1.5 for CDR, and 1.7 for municipalities. Survey not strictly representative due to its design. Source: <http://documents1.worldbank.org/curated/en/899121600677984471/pdf/Beirut-Residents-Perspectives-on-August-4-Blast-Findings-from-a-Needs-and-Perception-Survey.pdf>

6 The World Governance Indicators have dropped in almost all aspects of governance quality since 2005, including the control of corruption (from -0.53 to -1.11 in 2018) and government effectiveness (-0.19 to -0.64).

Lebanon's fragility and entrenched governance challenges impose risks for the country's stability. Chronic political divergence among elites exacerbates the endemic political instability of the executive and prevents swift policy responses. Declining household incomes reinforce both economic grievances as well as dependence on clientelist networks, as sectarian service providers take over the provisioning of essential services. At the same time, the prevailing decentralization framework limits local actors from providing public goods and services, further increasing the risk of sectarian capture of investments into any kind of public infrastructure. The rise in poverty and high levels of unemployment affect the general security environment through increases in organized and petty crime, while an ongoing securitization of social life incites various other forms of violence, including infringements on freedom of the press and the repression of protests. Perilous, irregular migratory movements from Lebanon by sea, primarily by Syrian refugees who are unable to meet their survival needs in Lebanon, reflect rapidly rising socioeconomic stress and distrust in the country's future.

Financial assistance will be insufficient to exit these crises without an ambitious agenda of structural reforms. Large amounts of foreign financing will be needed to restore confidence in the financial system, support social stability, and meet public and private needs for recovery and investment. However, given the multitude of risks involved, such assistance must be managed carefully to avoid perpetuating the underlying structural deficiencies that gave rise to the crises in the first place. Access to foreign assistance will require strong accountability mechanisms to ensure the transparent, efficient, and equitable use of resources. Such mechanisms can support the swift implementation of an agenda of structural reforms with clear priorities, commitments, and public oversight. Without such a reform agenda, Lebanon cannot overcome the confidence gap and the risks to its social stability. The alternative would be nothing short of a humanitarian catastrophe for Lebanon's people, including some 1.5 million refugees estimated in the country.<sup>7</sup>

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7 This estimate represents the number of refugees, registered or not with the United Nations High Commissioner for Refugees (UNHCR) as of 31 August 2020. It is important to note that UNHCR registration of Syrian refugees in Lebanon has been suspended since May 2015 through a decision by the Government of Lebanon. This number also includes some 200,000 Palestine refugees and refugees of other nationalities. Source: <https://www.unhcr.org/lb/wp-content/uploads/sites/16/2020/09/UNHCR-Lebanon-Operational-Fact-Sheet-Sep-2020.pdf>



## Section 2: 3RF Scope and Strategic Objectives



## Purpose, Goals and Scope

The 3RF response to the Beirut port disaster focuses on people-centered recovery, and on preparing the ground for reconstruction in the medium term. It builds on the identified needs and recommendations in the RDNA and assessments by other stakeholders, such as government and humanitarian actors, to create a coherent approach across both ongoing and planned humanitarian and development programs. The 3RF thus provides a roadmap to act on the findings from the RDNA and other assessments and sets the stage for a comprehensive, short-term program of reform, recovery, and reconstruction.

The 3RF aims to assist Lebanon in achieving three central goals in response to the Beirut port explosion:

- › *People-centered recovery* that returns sustainable livelihoods to the affected population; improves social justice for all, including women, the poor, and other vulnerable groups; and ensures participatory decision making.
- › *Reconstruction of critical assets, services, and infrastructure* that provides equal access for all to quality basic services and enables sustainable economic recovery.
- › *Reform* that helps restore people's trust, improve governance, and harness conditions for reconstruction based on an inclusive approach.

The 3RF covers an 18-month period and is part of a comprehensive response by the international community, bridging from emergency relief and humanitarian action toward medium-term reconstruction. It is also part of a wider dialogue between the international community and the government on macroeconomic stabilization, including discussions at the 2018 CEDRE conference.

The 3RF distinguishes two parallel tracks: a people-centered recovery track, and a reform and reconstruction track. However, the tracks are not sequential and should be pursued in parallel. This is because reforms will need to be carried out in parallel with immediate people-centered support to prepare for reconstruction (Box 2). The people-centered recovery track links with ongoing humanitarian action, notably early recovery activities that are part of the UN Flash Appeal. This helps ensure humanitarian-development coherence.

### Box 2: The 3RF Roadmap

#### ***People-centered recovery***

The 3RF recovery track focuses on essential actions – policy measures, programs, investments, and institutional strengthening – to address the urgent needs of vulnerable individuals and groups, including women and poor households, and of small businesses affected by the explosion. This people-centered support will largely rely on receiving adequate international grant financing, and on clear progress on immediate policy action to facilitate recovery, such as the adoption of appropriate action plans and institutional measures.

#### ***Reform and reconstruction***

Critical reforms to address governance and recovery challenges will need to be carried out in parallel with the people-centered recovery. These are key prerequisites for mobilizing international support for reconstruction beyond the recovery track, and for unlocking new sources of public and private finance. The reforms discussed here align with other related plans, including CEDRE. Investments and programming that focus on reconstruction will be delivered once there has been sufficient progress on reforms, thereby unlocking new sources of public and private finance.

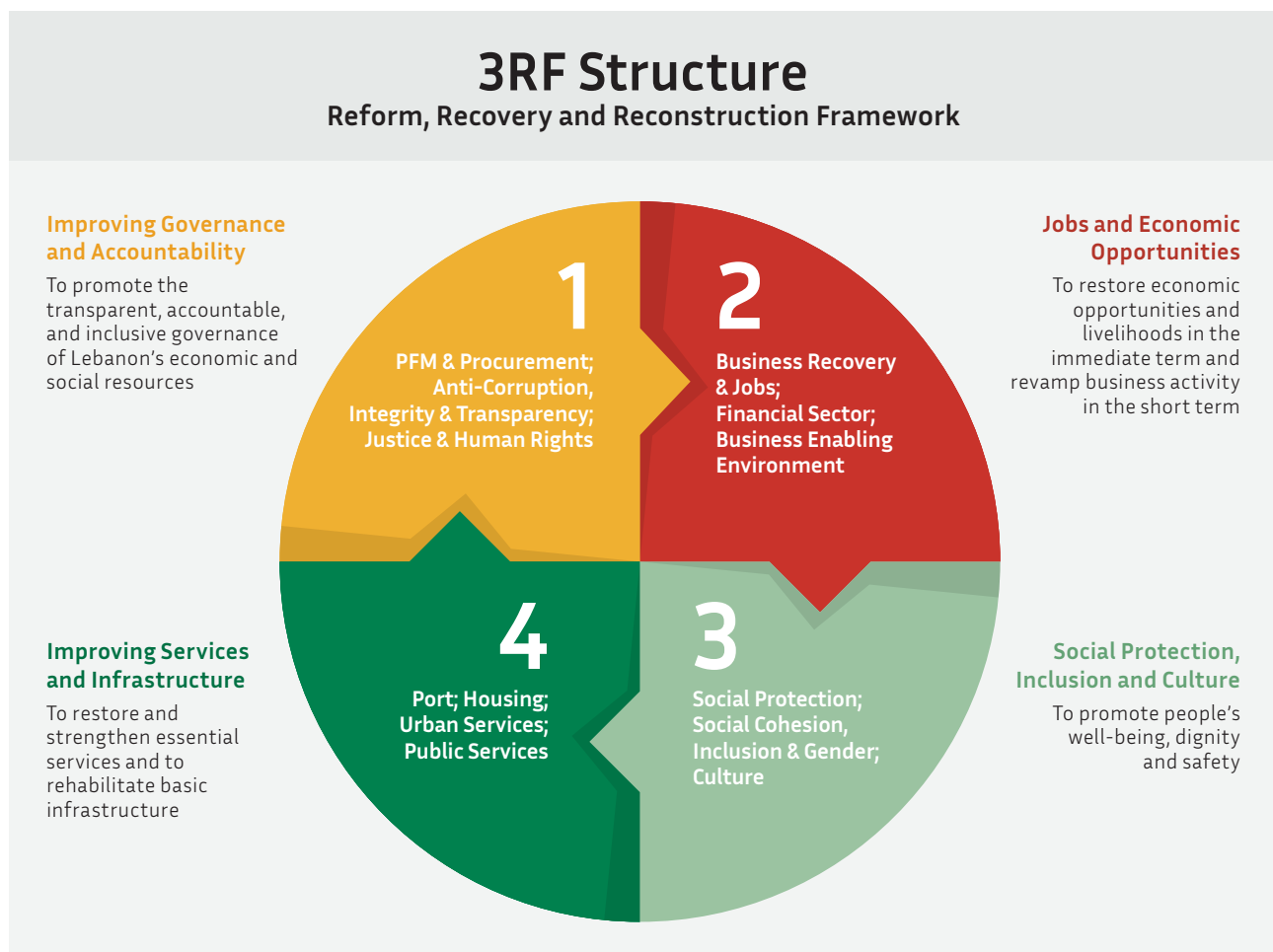
The 3RF process, including the preparation of the pillar and sector plans, has engaged all stakeholders and will continue to do so. Broad-based stakeholder consultations are essential to respond effectively to the impact of the explosion at all levels of society and in all sectors of the economy, and to effectively reflect the needs, interests, and priorities of the affected communities and sectors.



## The 3RF Structure

The 3RF is structured around four strategic pillars, each of which identifies a limited set of priorities across both the recovery track and the reform and reconstruction track. These priorities are based on detailed sectoral assessments in 17 sectors that were affected by the Beirut port explosion (Figure 1). Each sector is anchored in one of the pillars; cross-sector aspects are considered and prioritized in relevant sectors and pillars, with a view to ensuring coherence in the overall response.

Figure 1: The 3RF Structure



The 3RF sectoral priorities and interventions are prioritized based on their contributions to the relevant strategic objective of the pillar and four prioritization criteria: i) *people-centered*, addressing needs of and giving voice to vulnerable individuals and groups, including women and poor households; ii) *coherence and integration*, building on ongoing initiatives by humanitarian actors, civil society, and people's own efforts, and demonstrating coordination and linkages with existing processes; iii) *quick wins*, actions ready for implementation and expected to have tangible results before December 31, 2021; and iv) *people's trust and engagement*, support helping shape a new social contract between citizens and the state and promoting civil society engagement.

For each sectoral priority, the pillar plans cover three main components: reforms and policy priorities; investments and programs; and sector institutional arrangements and governance. Wherever relevant, linkages across pillars and sectors are indicated. The pillar plans focus on priority sector reforms, but also cover wider reforms that are essential – and often an important prerequisite – to achieving recovery and pillar objectives. The pillars further include priority sector institutional arrangements and governance, as reinforcement and development of national capacity is essential for a successful recovery.

The pillars include prioritized interventions that can realistically be achieved in the next 18 months, i.e., in 2021 and the first half of 2022, as well as actions that can be initiated by 2022 but may need more time to be achieved. The latter includes major investments and reforms.

## Guiding Principles

The 3RF process is based on a set of core guiding principles. These principles guide the development of the recovery strategy, sector/pillar recovery planning, prioritization, implementation, program management, monitoring of results, and risk management. Based on universal principles as well as international good practices and lessons learned from similar country contexts, the 3RF proposes the following principles, which should be applied consistently throughout Beirut's recovery and reconstruction process:

- › **Integrated and participatory approach** – Promote integrated and harmonized strategies, plans, and programs for recovery and reconstruction, explicitly linked to reforms and owned by all stakeholders. The approach must be flexible and adaptive to address national and local development priorities. It needs to engage all stakeholders and empower communities, including local actors and businesses, and create space for their meaningful participation in the recovery process.
- › **Inclusion and leaving no one behind** – Ensure pro-poor recovery that prioritizes the needs and human rights of vulnerable individuals and groups, including the socioeconomically disadvantaged, and that guarantees accessible and affordable services, programs, and resources for all without discrimination.
- › **Gender equality and women's empowerment** – Promote women's meaningful and active participation in planning and decision making to ensure an inclusive recovery. Cover the needs, interests, and priorities of both women and men to ensure gender-sensitive programming and service delivery; support gender-sensitive policies and address gender gaps.
- › **Conflict sensitivity and "do no harm"** – Understand the national and local operating environment, including causes of tension and division that could generate conflict; act to mitigate these issues with a view to enhancing social cohesion.
- › **Transparency and accountability, including anti-corruption** – Promote the integration and mainstreaming of these concerns in recovery planning, programming, and implementation by strengthening the role of oversight, human rights, and rule-of-law institutions. Promote social accountability and the role of civil society; strengthen business integrity; and harness the benefits of technology and innovation in enhancing transparency and openness.
- › **Sustainable livelihoods** – Promote an inclusive, sustainable economic and business recovery; contribute to the economic revitalization of affected communities and the development of an efficient private sector.
- › **Build back better, greener, and smarter** – Build on existing initiatives; employ elements of right sizing, right siting, structural improvements to infrastructure, climate change adaptation, climate smart practices, and greening. Thinking out of the box, use non-traditional approaches to pilot, innovate, and experiment.
- › **Maximize subsidiarity** – Foster decentralized implementation with adequate checks and balances; use bottom-up approaches for recovery and reconstruction in line with the priorities of individuals, communities, and local institutions.
- › **Coherence and coordination** – Ensure effective coordination between different levels of government and the range of other stakeholders; develop and maintain a clear interface with existing humanitarian and coordination mechanisms.
- › **Two-way communication and grassroots outreach** – Promote clear, transparent two-way communication and grassroots outreach to ensure adequate public awareness and knowledge of the recovery program and to manage people's expectations effectively.

# Western Union WU

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## Section 3: Macroeconomic Stabilization as a Foundation for Recovery and Reconstruction



The Port of Beirut explosion had nationwide impact despite the explosion's narrow geographical concentration. The RDNA estimated (i) that the explosion will cause up to 0.4 and 0.6 percentage point declines in the growth of real GDP in 2020 and 2021, respectively, due to losses in physical capital; and (ii) that import constraints could further subtract up to 0.4 and 1.3 percentage points, respectively, from growth in 2020 and 2021. Moreover, to the extent that entry and exit from the port are constrained, external trade transaction costs will rise. This will push up the cost of imports, and hence domestic inflation, further impoverishing the Lebanese people, who were already facing very high inflation. On the other hand, the event may reduce the current account deficit, owing to a combination of an improved trade balance and higher remittances.

The economy requires significant external support to bring about stabilization and could benefit from strong support from the IMF and other IFIs. The post-explosion macroeconomic environment is subject to large-scale imbalances and deteriorating trends. Fiscal, monetary, financial, and exchange rate policies are continuing to fuel high inflation and currency depreciation, which will prolong and deepen the recession and further undermine confidence. The table in Annex A provides details of the macroeconomic aggregates. Urgent action is needed to arrest the sources of the deficits, the depreciation of the lira, and the loss of external reserves. While details of a macroeconomic stabilization package need to be worked out, four areas of macroeconomic policy need attention: monetary stabilization, public debt restructuring, financial sector restructuring, and fiscal deficit reduction.

## Element 1: Monetary Stabilization

The depletion of reserves and the distortions and inefficiencies in the foreign exchange market require stopgap measures as well as a new monetary policy framework. Ongoing exchange rate policies and efforts to ration foreign exchange have created market distortions, including a multiple exchange rate system, and have exacerbated the currency's disorderly devaluation. Moreover, the current approach can stifle trade finance and corporate finance in the highly dollarized economy. Resolving these issues requires: (1) introducing a capital controls law that ensures equal depositor treatment; (2) unifying exchange markets, to increase pricing efficiency and incentivize participation; and (3) establishing a transparent exchange rate policy and a monetary policy framework (encompassing monetization limits) that are consistent with today's macroeconomic fundamentals. Aligning these reforms to fundamentals demands accurate knowledge of available foreign currency reserves, which can be achieved through an independent audit of Banque du Liban (BDL), the central bank.

## Element 2: Public Debt Restructuring

Restructuring public sector debt in a timely manner is critical to the economy's medium- to long-term recovery. Reducing debt to a sustainable level is necessary to gain back prospects for market access and to address the economy's financing limitations. This requires negotiating with creditors (domestic and external) over a medium-term debt plan, based on a solid macroeconomic framework, to restore public debt sustainability. It entails (1) establishing a temporary debt restructuring body; (2) drafting a macroeconomic and debt sustainability framework; (3) agreeing on external and domestic debt restructuring plans and on losses with creditors, subject to equitable burden sharing.

## Element 3: Financial Sector Restructuring

Lebanon's banking and insurance sectors need to address their worsening balance sheets and portfolios to play an active role in economic recovery. Restoring the functioning of the banking sector is critical, and the

fundamental restructuring of the banking system (BDL and banks) is imperative to resolve the financial crisis and pave the way to recovery. Improving the frameworks for insolvency and out-of-court workouts could help resolve the widespread corporate distress and non-performing loans in the banking sector while facilitating the economy's long-term recovery. Authorities need to (1) update bank resolution framework; (2) implement bank restructuring plan, with full recognition of losses and equitable burden sharing; (3) develop an out-of-court workout framework; and (4) restructure BDL's balance sheet, given the intertwined balance sheets of the government, commercial banks, and the central bank.

## Element 4: Fiscal Deficit Reduction

A credible and sustainable path to fiscal sustainability needs to introduce efficiencies in public spending and revenue collection, as well as create fiscal space for an adequate social protection scheme. Lebanon's challenge has been its inefficient and inequitable composition of overall spending, and the lack of sustained, incremental efforts to obtain a primary surplus. Adhering to a sizable fiscal adjustment based on the macroeconomic and debt sustainability framework negotiated with debt holders will be vital to achieve macroeconomic targets and create space for sufficient social protection in the country. Reforms should include: (1) preparing the 2021 budget on time as part of a sustainable fiscal framework, with clear visibility into 2022; (2) comprehensive tax reform, taking into account economic incentives as well as fiscal objectives; (3) reducing transfers to the national utility, Electricité du Liban; (4) addressing SOEs' (State Owned-Enterprises) revenue/dividend transfer frameworks and cash management hurdles; (5) public pension system reform; (6) subsidy reform; and (7) a review of the civil service by an independent international institution.

## Linkages to the 3RF Pillars

In parallel with macroeconomic stabilization and foundational measures to develop the financial sector, governance and accountability reforms need to confront the primary sources of corruption and mismanagement in the public sector. This can begin to restore the credibility of the Lebanese state, as well as encourage private investment in all sectors of the economy. Given the drain that public utilities have placed on the budget, reforms need to limit the quasi-fiscal deficits of state-owned enterprises, strengthen management, and encourage private investment. Lebanon will also need to set foundations for a level playing field and a lower regulatory burden.

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## Section 4: The 3RF Pillars

### Pillar 1 – Improving Governance and Accountability

#### Rationale and Strategic Objective

Lebanon suffers from a deep governance deficit, which manifests itself in many ways. The tragic and destructive explosion at the Beirut port are only the most recent example. The country's confessional governance system creates this deficit by masking systemic elite capture and enabling widespread corruption.<sup>8</sup> The lack of effective governance promotes a system characterized by weak public financial management and public procurement, outdated and ineffective institutional arrangements for control and audit, the lack of an independent judiciary capable of upholding the rule of law or effectively implementing key laws, and ineffective (or non-existent) delivery of public services. These governance deficits prompted nationwide public protests beginning in October 2019. Among other concerns, protesters demanded an overhaul of the political system; stronger transparency and accountability in the management of public funds and affairs; and accountability for past corruption, with effective efforts to recover the ill-gotten proceeds of that corruption. Lebanon's civil society and its international partners have raised concerns that pervasive corruption as well as gaps in transparency and integrity will undermine the reform, recovery, and reconstruction efforts that are needed in the aftermath of the Beirut explosion – as well as efforts to respond effectively to the country's financial and socioeconomic crises.

The strategic objective of the Governance Pillar is to promote the transparent, accountable, and inclusive governance of Lebanon's economic and social resources during reform, recovery, and reconstruction. The reforms described here are the most critically needed to restore trust in the state and to establish a transparent, accountable, and inclusive framework for Beirut's reconstruction and, more broadly, the country's recovery from

<sup>8</sup> Le Borgne, Eric, and Jacob, Thomas (2016), Promoting Poverty Reduction and Shared Prosperity: A Systematic Country Diagnostic, World Bank Group, Report No. 103201, January 2016.



its financial and socioeconomic crises. They also respond to nationwide calls by the Lebanese people to actively engage them in developing and monitoring the reconstruction and recovery process and to hold political and government officials accountable for their decisions and actions. As such, they will contribute to the long-term process of renewing and strengthening the social contract.

To achieve this objective, the pillar identifies three strategic priority areas: public financial management and public procurement; anti-corruption, integrity, and transparency; and justice and human rights. For each of these areas, the next section describes key priority reforms or policy changes, investments, programs, and other actions for institutional and organizational strengthening.

## Overview of Sector Context

In the upcoming reconstruction and recovery, the government of Lebanon should make the crucial, strategic choice to strengthen its PFM and public procurement systems. PFM and public procurement are governed by the 1963 Public Accounting Law and other decrees. The law is outdated, incoherent, and poorly aligned with key principles of sound PFM and modern public procurement. The loopholes and inconsistencies in the existing legal framework result in unproductive spending as well as significant and widespread fiscal leakages, undermining value-for-money in the country's procurement. For a prolonged period between 2005 and 2016, the budget process was in disarray, with fiscal transparency deteriorating; and this was a main contributor to today's crisis. During the period, spending and revenue collection used an improvised approach, characterized by lack of adequate oversight and accountability, particularly over extra-budgetary entities that receive significant government funding. These practices helped entrench a culture of non-transparency and political capture of fiscal policy, creating room for inefficiencies in the use of public resources as well as for corruption. In parallel, public oversight institutions are almost idle today; both internal control and audit functions are nearly absent in the public sector, increasing the risk of misuse and mismanagement of public funds, notably during the budget execution process. The country also lacks an independent mechanism for handling procurement complaints and a public procurement regulatory body; both of these are required for transparent and accountable spending of public funds.

An effective reform, recovery, and reconstruction program requires a concerted effort to combat Lebanon's pervasive corruption, greatly expand the transparent operation of the public administration, and build back the public's trust in the country's government and public institutions. Prior to the Beirut explosion, Lebanon was witnessing the emergence of a nationwide consensus that systemic and widespread corruption has drained the state's treasury, crippled the effectiveness of its institutions, and blocked meaningful reforms. Successive governments have not officially articulated or pursued a comprehensive reform plan dedicated to anti-corruption, integrity, and transparency. As a result, corruption has become deeply intertwined with the foundations of the political establishment and central to its survival. More recently, governments have taken steps that provide solid bases for concrete and measurable action on anti-corruption, integrity, and transparency. These include adoption of the Access to Information Law (2017), the Whistle-Blower Protection Law (2018), and the National Anti-Corruption Institution Law (2020), as well as Cabinet endorsement of Lebanon's first-ever National Anti-Corruption Strategy 2020-2025. Despite this progress, major breakthroughs remain elusive. These require effectively implemented changes along with stronger support and more consistent engagement by political actors and government institutions along with civil society, the private sector, and the international community.

Recently there are also calls to promote integrity in political life through a focus on parliamentary development and electoral reform in the run-up to the 2022 general elections. These calls highlight the urgency of tackling the negative impact of confessionalism on Lebanon's political life and of reforming to enhance proportional and fair representation, including for women, youth and persons with disabilities, all while strengthening the Parliament's capacity to exercise its oversight function and engage more effectively with the public. In addition, improving trust in the government will require more evidence-based policies, transparent decision making, and stronger intra-government coordination.

Building on the sense of urgency shared by many Lebanese, swift and decisive reform, coupled with recovery, will be necessary to promote and protect human rights, particularly for the most vulnerable, and to lay the

groundwork for a more independent, effective, accountable, and accessible justice system. The August 4 explosions underscored the many vulnerabilities that exist in Lebanon and have further exacerbated them. Large segments of the population are increasingly unable to realize their basic rights to food, health, water and sanitation, education, decent work, and housing. The country's legal and administrative framework in many instances discriminates and further marginalizes the vulnerable. Numerous groups routinely face biases, exclusion, or mistreatment on the basis of one or more aspects of their identity, such as gender, nationality, ethnicity, age, class, disability, sexual orientation, or religion.<sup>9</sup> Gender inequalities in Lebanon are pervasive and structural. Vulnerable individuals and groups have an unmet demand for legal aid services, as the country lacks a publicly funded legal aid system. This is especially true in areas affected by the explosions, where the risk of rights violations is high among vulnerable individuals and groups, including women, children, youth, LGBTIQ, people with disabilities, the elderly, refugees, and migrant workers.

Lebanon's judiciary continues to face challenges to its integrity and independence. Judicial oversight is limited, with considerable risk of political interference. The justice system's efficiency continues to be affected by the prevalence of a paper-based management system, the length of proceedings, a high rate of pending cases, a large number of appeals, and an insufficient number of judges allocated to courts. The judiciary remains subject to executive authority in key areas such as appointment, promotion, and transfer of judges. It also lacks financial independence and has significant financial and human resource constraints. While physical damage to justice and security institutions appears to be limited, the judicial system was already partly affected by rundown infrastructure and inefficient procedures. In addition, mechanisms for oversight of human rights, both institutional and societal, need to be strengthened to ensure better monitoring, transparency, and accountability.

## People-Centered Recovery

Recovery efforts will require immediate action on a number of governance activities across the three strategic priorities. Enhanced fiduciary arrangements for recovery financing, with a focus on transparency, accountability, and civil society inclusion, should be part of the institutional arrangements for implementing the 3RF. Prioritizing actions that support effective implementation of the National Anti-Corruption Strategy will improve transparency and facilitate the detection of fraud and abuse during reconstruction. Rapid corruption risk assessments, conducted in an inclusive manner and using specialized methodologies, can reduce opportunities for leakage and political co-opting of reconstruction resources, thus strengthening public trust in recovery efforts.

### PFM and Public Procurement

#### Institutional Strengthening

- › Put in place enhanced fiduciary arrangements and oversight mechanisms for assistance funds to improve the transparency and accountability of the immediate recovery program. Ensure the inclusion of civil society and NGOs in the consultation and monitoring process. Publish a procurement plan, procurement notices, and future contract awards through an existing portal or new platform to improve transparency.

### Anti-Corruption, Integrity and Transparency

#### Reforms/Policy Actions

- › Fully implement the Access to Information Law and related Action Plan as part of the effective and coordinated implementation of the National Anti-Corruption Strategy.

#### Investments/Programs

- › Design, integrate, and begin implementing corruption risk management programs that include an identification and assessment of key corruption risks, along with proposed risk management actions that will help prevent corruption during project implementation.

9 UNDP Lebanon, Leave no one behind: For an inclusive and just recovery process in post-blast Beirut, August 2020.

### **Institutional Strengthening**

- › Guarantee an effective enabling environment for independent nongovernmental organizations by facilitating civil society's access to information, officials, and Parliament; identify legal and regulatory obstacles that hinder civil society activities. Civil society should be empowered and invited to collaborate on monitoring and auditing of recovery and reconstruction activities.

### **Justice and Human Rights**

#### **Investments/Programs**

- › Support the National Human Rights Commission with adequate resources to carry out its mandate to independently monitor the post-blast interventions of stakeholders, safeguard the rights of blast survivors, and identify systemic or widespread issues leading to human rights violations.
- › Establish a program to provide comprehensive legal aid services to vulnerable individuals and groups, including women and children, in reconstruction areas. Assistance should include legal awareness and information sessions, legal advice and representation, as well as alternative dispute resolution services.

## **Reform and Reconstruction**

Governance reforms are needed to ensure that longer-term reconstruction is implemented in an inclusive and accountable way. To enable the government to better manage public and external funds, resources need to be channeled toward improving how existing institutions function and toward new institutional set-ups (including at the inter-ministerial level) that help optimize PFM and public procurement. Additional anti-corruption efforts are a prerequisite for attracting investment and international support to reconstruction and are indispensable to delivering results that help bridge the gap in trust between the Lebanese people and the state. With rights in jeopardy and calls for increased accountability, the onus is on Lebanon's justice institutions to deliver services in a more independent, effective, accountable, and accessible manner, particularly to those made more vulnerable by the explosion.

### **PFM and Public Procurement**

#### **Reforms/Policy Actions**

- › Adopt the new Public Procurement Law based on an inclusive revision process. In a second step, implement regulations and secondary legislation, including the mandatory use of revised Standard Bidding Documents; help ensure that these are ratified quickly.
- › Formalize the Public Investment Management legal and regulatory framework, including guidelines and methodology, to improve efficiency in the use of reform and reconstruction funding.
- › Ratify the revised draft Court of Accounts Law to strengthen Lebanon's existing oversight function and develop standards and manuals for performance and forensic audits.

#### **Institutional Strengthening**

- › Establish and operationalize a procurement regulatory body and a complaint handling unit to implement the new Procurement Law; undertake an inclusive process to develop and adopt a national public procurement strategy, including through professionalization of the workforce and advances in e-procurement.
- › Establish a PFM Steering Committee that includes the Ministry of Finance, BDL, line ministries, and key oversight entities to improve transparency, accountability, and civil society participation in the public finance consultation process.

### **Anti-Corruption, Integrity and Transparency**

#### **Reforms/Policy Actions**

- › Facilitate an inclusive process for comprehensive electoral reform to enhance women's representation and participation; increase transparency and efficiency, including through creation of an independent electoral management body.

- › Select National Anti-Corruption Institution's commissioners and staff; develop their capacities and fully fund the Institution to accelerate implementation of the National Anti-Corruption Strategy.
- › Implement the Whistleblower Protection Law through adoption of decrees and standard operating procedures; conduct public awareness campaigns.

### **Institutional Strengthening**

- › Strengthen the independence and capacity of the Central Inspection and Court of Accounts by reviewing their legislative authorities and fully staffing these accountability institutions.

## **Justice and Human Rights**

### **Reforms/Policy Actions**

- › Adopt the draft legislation that would strengthen the judiciary's independence, through a transparent process inclusive of civil society.
- › Amend relevant provisions of the Penal Code, the Code of Criminal Procedure, and the Law on Judicial Organization to empower the judiciary to carry out its mission and shield it from political interference and undue influence.

### **Institutional Strengthening**

- › Strengthen bodies overseeing the justice system through objective and merit-based processes for selecting and evaluating judges, as well as enhanced management and oversight tools; provide them with sufficient resources to implement their mandate to safeguard the independence and effectiveness of the judiciary.

## **Summary of Priority Costs**

The immediate recovery costs for Pillar 1 are estimated at \$4.7 million, with the short-term reform and reconstruction costs estimated at \$4.3 million (Table 2). The costs for reform priorities (primarily technical assistance) are generally minimal, although implementation costs, which could include development and deployment of IT platforms, will be higher over the short term. Investments such as the provision of legal aid services and corruption risk assessments will be more costly.

**Table 2: Priority Costs for Pillar 1**

	Track 1: People-Centered Recovery (\$)	Track 2: Reforms and Reconstruction (\$)
PFM and public procurement	250,000	1,550,000
Anti-corruption, integrity and transparency	2,350,000	2,050,000
Justice and human rights	2,150,000	725,000
<b>PILLAR 1 TOTAL</b>	<b>4,750,000</b>	<b>4,325,000</b>



## Section 4: The 3RF Pillars

### Pillar 2 – Jobs and Economic Opportunities

#### Rationale and Strategic Objective

The explosion has caused physical damage to many businesses and financial institutions within a 5-km radius; it has also damaged many of the private supplies at the port site. Microfinance institutions have reported that over 5,200 borrowers located in the blast area have experienced material damage to their homes and/or businesses, with some having lost their primary breadwinner. All this has further strained the financial sector. In the case of the productive sectors, losses exceed damages, due to the disruption of business activity and associated losses of revenue. The RDNA finds that at least 5,000 formal business facilities have been damaged and need urgent financial assistance across all sectors: tourism, commerce and industry, the creative industries, utilities, health, and education. The blast is expected to push many firms into insolvency. According to a survey undertaken by Strategy& on the impact of the explosion on businesses, 12% of surveyed firms indicated that they will be shutting down and not returning to work.<sup>10</sup>

The strategic objective of this pillar is to restore economic opportunities and livelihoods in the immediate term and to revamp business activity in the short term. This will help revive and restore trust in Lebanon's economy. In the medium to longer term, businesses will need sustainable financing; otherwise lack of liquidity will lead to insolvency and job destruction. To achieve this objective, the note puts forward a set of priorities across two parallel tracks: the recovery track, to address immediate socioeconomic needs, and the reforms and reconstruction track, to prepare for longer-term reconstruction and economic revival.

<sup>10</sup> <https://www.strategyand.pwc.com/m1/en/beirut-explosion/beirut-explosion-impact-assessment.pdf>.



Three strategic priorities have been identified: 1) restoring business activities and preserving jobs, 2) strengthening the insurance sector and digital financial services, and 3) expediting urgent business environment reforms. All these interventions are sector-agnostic, given (a) their relevance to all private establishments that have been impacted by the explosion, regardless of the sector; and (b) the horizontal nature of reforms or policies that have been identified. They will target the self-employed and micro, small, and medium enterprises (MSMEs), while adopting a people-centered approach: the focus will be on local workers and residents, with special attention to women and youth; the most vulnerable segment of businesses, including informal enterprises; and insurance policyholders who are unable to settle their claims. All proposed reforms are inclusive, as they will benefit all businesses regardless of their sector, size, or professional affiliation.

## Overview of Sector Context

The Beirut explosion, coming amid a multi-layered crisis, has pushed thousands of active people into unemployment, further affecting household incomes. The economy's ability to generate job opportunities is remarkably low, reflecting a deep lack of confidence, a negative flow of investment, and the continuing banking and financial sector crisis. The closure of businesses and reduced revenues have a direct impact on employment and livelihoods. Within this obstructive environment, the reconstruction of Beirut's affected zones presents an opportunity to create jobs for local residents, as well as to generate temporary income.

Before the explosion, businesses were facing severe challenges from the lack of liquidity, a shortage of U.S. dollars, informal capital controls, parallel exchange rates, an inability to import inputs and final goods, and disruptions due to the COVID-19 lockdown. The commerce sector, one of the main contributors to private sector activity, was already witnessing 25% firm closure by January 2020. The tourism sector has been severely hit, particularly in the Beirut area, due to protests and subsequent turmoil. Similarly, industrial firms have faced challenges with the multiple exchange rates, complicating the import of raw material for manufacturing while driving prices up. The destruction and losses caused by the explosion topped off the strain on productive sectors operating in Beirut and the surrounding region, with higher impacts also due to disruption in value chain activities.

The explosion has highlighted long-standing issues in the small, underdeveloped insurance sector. Total insurance premiums are just 2.3 percent of GDP. The sector is fragmented, with 50 insurers making it overly competitive; it has low profitability and solvency as well as an outdated legal and regulatory framework. The financial conditions of the small insurance sector and a significant protection gap will limit the role it plays in resilience and recovery. The sector is also reliant on foreign reinsurers. Poor claims experience, last year's wildfires, more recent civil disruption, COVID-19, and deteriorating asset values associated with the economic crisis have all eroded its viability. While estimates vary widely, damages that the insurance sector may be liable for are likely to range between 10 and 20 percent of the total economic cost. Insurers and reinsurers are awaiting clarity on the cause of the explosion to determine whether coverage is excluded. Even if reinsurers bear a substantial part of the cost, domestic insurers will be still be liable for upwards of \$900 million, which exceeds their capacity and could put their solvency at risk.

In addition, the explosion underscored the urgency of having efficient digital channels that can deliver rapid financial assistance to affected communities. Currently, regulatory and market barriers prevent Digital Financial Services (DFS) from taking off in Lebanon: according to the Global Findex 2017 data, only 33.1% of the country's adults made or received digital payments in 2017. While there is significant interest from market players (banks, telecom operators, fintechs, money transfer operations) to offer services, implementation regulations are missing in Law 81 on Electronic Transactions and Personal Data, which provides the country's legal framework for DFS. There is no licensing framework for non-bank payment service providers, nor are there proportional customer due diligence regulations in place. Expediting reforms to enable broader use of DFS will be critical moving forward.

Improving the challenging business environment, alongside physical reconstruction and restoration of service delivery, will be key for recovery of the private sector. For years, Lebanon's business environment has not been conducive to investment and growth and has undermined the private sector's competitiveness; the situation is worse now. Key enabling policy and legislation that would support private initiative and investments are missing,



outdated, or underutilized. To date, and unlike many of its peer countries, Lebanon lacks a competition law and antitrust enforcement framework, which are prerequisites for establishing market efficiency. Firms also face multiple challenges throughout the business life cycle, from entry to exit. Resolving insolvency is a major hurdle: according to the Ease of Doing Business 2020, it takes 3 years on average for a secured creditor to recover only 30.8% from an insolvent firm, versus 1.7 years and 70.2% in OECD countries.<sup>11</sup> The explosion will now push many firms into insolvency, making it even more urgent to modernize the insolvency framework. Also, trade processes conducted by Lebanon's border inspection agencies are complex and time-consuming: before the explosion, it took, on average, 144 hours to comply with export requirements (at a cost of \$480) and 348 hours for imports (\$790). Due to the damage to the port and customs administrative building, the process of getting things out of the port, or accessing other ports, is now even more time-consuming and costly. The absence of a secured lending framework that enables firms to borrow using movable assets is also problematic, as it hinders firms' access to credit that will be needed for reconstruction and beyond.

## People-Centered Recovery

To address these challenges, it will be necessary to support business activities and preserve jobs by (i) promoting livelihoods and short-term employment, (ii) helping Beirut's businesses build back better, and (iii) supporting affected value chains. Where relevant, interventions will target the most vulnerable, including women-led enterprises, youth, migrant workers, and other vulnerable groups affected by the crisis; they will also help businesses build back better by addressing environmental sustainability. It is critical to help the insurance sector address the impact of the explosion and protect the most vulnerable retail clients. This includes ensuring effective use of available insurance claim proceeds and other funding in a coordinated manner that maximizes resources and leverage, ensuring an adequate supply of actuarial resources for solvency assessment and monitoring, supervisory mentoring, and development of near-term regulatory instruments. Reforming the insolvency framework is also critical to facilitate the exit of insolvent, or nearly insolvent, businesses. While comprehensive business environment reforms are complex and take time to be implemented, critical measures that contribute to broader efforts can be accomplished or launched in the immediate and short term.

### Restore business activities and preserve jobs

#### Investments/Programs

- › Launch short-term employment programs for provision of (i) cash support through cash-for-work, to support labor-intensive reconstruction activities, and (ii) intensive and quick trainings, to develop skills in relevant areas and professions. Special attention should be given to vulnerable groups, including women, youth, migrant workers, who have been hit hard during the crisis and are the most likely to face unemployment.
- › Provide businesses affected by the explosion with (a) grants to cover immediate reconstruction needs and (b) technical assistance to help them build back better, through the integration of environmental sustainability and technology transfer, the promotion of a better working environment, intangible needs including legal aid, and business development support services.
- › Provide liquidity to microfinance institutions to (i) channel funds to affected microenterprises; (ii) provide liquidity to MFIs (Micro-Finance Institutions) to disburse new loans to existing or new clients, and to reschedule the existing portfolio on a case-by-case basis.
- › Support key value chains at firm and industry levels. This will include undertaking value chain assessments, which will identify the technical interventions required to strengthen affected sectors (e.g., construction value chains to meet reconstruction needs, cultural and tourism value chains to reposition the area as an attractive destination for visitors and tourists).

<sup>11</sup> According to the Ease of Doing Business 2020 rankings, Lebanon ranks 143<sup>rd</sup> out of 190 economies and 15<sup>th</sup> among the 20 MENA countries on the ease of doing business index. Since 2013, only one reform has been implemented: adoption of the judicial mediation law in October 2018. On average, each MENA country has implemented 13 reforms since 2013.

## Strengthen the insurance sector and digital financial services

### Institutional Strengthening

- › Strengthen the insurance sector through technical assistance in (i) claims settlement; (ii) solvency monitoring; and (iii) the development and financing of a potential “Advancing Policyholder Protection” scheme to provide direct assistance to policyholders in the event of a failed insurer, with the aim of protecting the most vulnerable retail clients.

## Expedite urgent business environment reforms

### Reforms/Policy Actions

- › Enact the long overdue insolvency and insolvency practitioners’ law. Once it is approved, the government will need to draft and approve the executive regulations for both laws.

### Institutional Strengthening

- › Develop training curricula for insolvency practitioners and for judges, start building the capacity of judges on the new insolvency regime, and raise awareness with main stakeholders.

# Reform and Reconstruction

To build back better, Lebanon will have to upgrade its business environment and prioritize reforms that facilitate and reduce the cost of doing business while fostering competition. Beyond urgent support to the insurance sector in responding to the immediate consequences of the explosion, a development strategy for the sector is needed to identify and build stakeholder agreement on reforms. If placed on a better structural footing, the sector could play a more effective role to advance the resilience of the economy and country going forward. Moreover, the crisis provides an opportunity to promote the uptake of DFS, including by those who lack access to financial services, and thus channel more financial and social cash assistance through digital means over the longer term. This will require lifting of barriers to DFS and putting in place the basic regulatory enablers, including conducive executive regulation for e-money issuance, tiered customer due diligence, agent banking, and e-signature. And a National Employment Policy can also play an important role to address employment and labor market challenges in the short, medium, and long term.

## Restore business activities and preserve jobs

### Reforms/Policy Actions

- › Develop a National Employment Policy for recovery to address employment and labor market challenges. It will include policy actions that address the repercussions of the multiple crises, in addition to addressing long-standing structural employment challenges.

### Investments/Programs

- › Provide businesses affected by the explosion with concessional loans to support rehabilitation and restoring business activities. The financial support will cover both hard and soft costs (works, equipment, and working capital).

## Strengthen the insurance sector and digital financial services

### Reforms/Policy Actions

- › Formulate an insurance development and restructuring strategy. This will include sector development with targeted solutions to protect MSMEs in the medium term. Work should commence immediately, with stakeholder engagement.
- › Enact a new insurance law.
- › Adopt basic regulatory enablers for DFS, including e-signature implementation.

## Expedite urgent business environment reforms

### Reforms/Policy Actions

- › Develop and approve a comprehensive business environment action plan.
- › Enact the draft competition law, including reforms to exclusive agencies; draft and approve executive regulations.
- › Approve a customs strategy as a first step to streamlining, automating, and reducing costs of trading across borders. The government will also need to inventory all administrative fee schedules, develop effective systems for risk management and post-clearance audits, and develop a national e-single window, to be implemented in the medium term.
- › Enact the long overdue secured transactions draft law. Once it is approved, the government will need to draft and approve its executive regulations.

### Institutional Strengthening

- › Establish and implement a solid governance/management structure for business environment reform. It should include an inter-ministerial reform committee headed by the Prime Minister, and corresponding technical working groups, with strong private sector participation.<sup>12</sup>
- › Establish a well-functioning competition commission.
- › Following approval of the secured transactions law, establish and implement an effective electronic movable assets registry; begin raising awareness and developing the capacity of public and private stakeholders.

## Summary of Priority Costs

The immediate recovery costs for Pillar 2 are estimated to be around \$97 million, while the short-term reform and reconstruction costs are estimated at close to \$197 million (Table 3). Investment priorities for restoring business activities and preserving jobs, estimated to cost \$192 million, play a major role of the total pillar cost for Track 2. Recovery priorities for restoring business activities, estimated to cost \$96 million, are also a big part of the total pillar cost for Track 1. Priority costs for strengthening the insurance sector and digital financial services and expediting urgent business environment reforms costs are much less costly.

**Table 3: Priority Costs for Pillar 2**

	Track 1: People -Centered Recovery (\$)	Track 2: Reforms and Reconstruction (\$)
Restore business activities and preserve jobs	96,000,000	193,000,000
Strengthen the insurance sector and digital financial services	1,200,000	350,000
Expedite urgent business environment reforms	550,000	3,475,000
<b>PILLAR 2 TOTAL</b>	<b>97,750,000</b>	<b>196,825,000</b>

<sup>12</sup> An inter-ministerial committee for Improving the Business Environment in Lebanon was established on July 27, 2019, by the Prime Minister. However, due to the resignation of the cabinet, the committee was never operationalized.

## Section 4: The 3RF Pillars

### Pillar 3 – Social Protection, Social Inclusion, and Culture

#### Rationale and Strategic Objective

The social pillar focuses on critical actions to prevent the deterioration of people's well-being, dignity, and safety, across three sectors: social protection; social cohesion, inclusion, and gender; and culture. There are strong inter-linkages between these sectors: for example, the provision of social welfare services is an element of social protection, which is also a core factor in promoting social inclusion. The Beirut explosion exacerbated a wide range of pre-existing vulnerabilities and needs among the poor and vulnerable and the middle classes. Lebanon's remaining social fabric is now in danger of collapse amid rising poverty, hyperinflation, loss of jobs and livelihoods, rising food insecurity, high exclusion, neglect of cultural heritage, communal tensions, and an inadequate national social protection system. Three urgent priorities have emerged:

- › Alleviating the port explosion's impact on the well-being and income security of affected households, while helping develop a comprehensive and inclusive social protection system.
- › Ensuring adequate safeguards for vulnerable and marginalized groups to foster social cohesion and leave no one behind, for those directly affected by the explosion and beyond.
- › Protecting and recovering the rich urban fabric, culture, and national heritage and related livelihoods in the affected areas, while helping spur development of the creative economy.

A cross-cutting priority is to support proactive, credible stakeholder engagement with a robust feedback mechanism, as this will be key to successful recovery.

## Overview of Sector Context

Social protection for individuals in explosion-affected areas is challenged by a system with high fragmentation, weak governance, and no overarching policy or legal framework. Low investment in social protection and limited coverage have severely limited the state's capacity to address vulnerabilities and respond to crises, thus increasing reliance on nongovernmental actors and informal social protection. Though some social assistance and social insurance programs are in place, they are very limited in coverage and benefits, with key programs absent. The state also has limited institutions and capacity to provide social care services, and there is a lack of functioning labor market programs. Coverage of social assistance programs for refugees, including Palestinians, is limited compared to the dire needs. Moving ahead, it will be crucial to address the challenges of fragmentation, lack of coordination between social protection actors, limited responsiveness to shocks, and the low coverage and adequacy of schemes. The definition of social protection in Lebanon includes five components: social assistance (social safety nets), social insurance, financial access to social services (particularly health and education), economic inclusion and labor activation, and social welfare services.

Vulnerabilities related to social inclusion were already high prior to the explosion, particularly among children, women, persons with disabilities, older persons, refugees, migrants, and LGBTIQ+ individuals. Stateless persons, most of the country's refugees, and an increasing number of migrants lack legal documents, including residency permits and security of tenure. Women and gender minorities suffer from higher rates of poverty and mental health issues than male counterparts.<sup>13</sup> The vulnerabilities of people with disabilities and older persons are on the rise. In relation to social cohesion, the country has witnessed a popular uprising since October 2019, and the explosion has intensified frustrations and anger around corruption and mismanagement of resources. Growing intra- and inter-community tensions remain a persistent challenge. Competition for jobs and resources for survival has long been a primary driver of tensions between the Lebanese and the Syrian refugees across the country,<sup>14</sup> and it has been fueled by perceptions of unequal distribution of aid. Deep-rooted divisions among the Lebanese are resurfacing,<sup>15</sup> with hate speech and divisionary discourse increasingly common. The explosion has also exacerbated the injustices perpetrated against the most vulnerable groups, especially migrants.<sup>16</sup> Severe structural gender inequalities persist: Lebanon is 145 out of 153 countries in the World Economic Forum's Gender Equality Index.<sup>17</sup> The need for mental health and psychosocial assistance is on the rise, especially for vulnerable groups. LGBTIQ+ groups confront widespread homophobia and transphobia when seeking employment, housing, and accessing public spaces.<sup>18</sup> Across all 3RF-related operations and interventions, it is essential that planning, implementation, and monitoring are responsive and inclusive to considerations of gender, disability, age, and citizenship, migration, or refugee status.

Beirut's culture and heritage were hit hard by the explosion, which damaged the urban core, disrupting housing, services, and culture across densely populated areas of a city that is a major cultural hub in its region and globally. Culture and Creative Industry (CCI) businesses contributed almost 5 percent to Lebanon's GDP in 2015 and were concentrated in neighborhoods that the explosion affected. The culture sector operates without legal protections for heritage beyond archaeological sites; the proposed Law for the Built Heritage is pending approval. As a result, unplanned and inadequately regulated urbanization often encroaches on heritage areas and marginalizes CCI businesses. The Ministry of Culture's work is limited in scope and resources. Since the blast, emergency measures have included the mobilization of professional associations, civil society, and the private sector, as well as a moratorium on the sale of and works to historic buildings. Supporting professional, community, and inter-

13 <https://arabstates.unwomen.org/en/digital-library/publications/2020/08/the-beirut-blast-what-humanitarian-response-needs-to-know-on-gender>.

14 31.7% of respondents cited negative relations between Lebanese and Syrian refugees as of July 2020 and 43.4% in August 2020 (post-blast).

15 While 30.4% of Lebanese cited negative relations as of July 2020, 40% reported negative relations post-blast.

16 <https://migration.iom.int/reports/lebanon%E2%80%94migrant-worker-vulnerability-baseline-assessment-report-may-july-2020>.

17 The Inter-agency SGBV Task Force Assessment found that 54% of respondents observed an increase in harassment, violence, or abuse against other women and girls in their household or their communities. Source: <https://arabstates.unwomen.org/en/digital-library/publications/2020/10/report-women-on-the-verge-of-an-economic-breakdown-in-lebanon>.

18 Rapid Intersectional Gender Assessment of the Beirut Blast (October 2020). UN Women, UN ESCWA, ABAAD, CARE, UNFPA.



stakeholder platforms for city-citizen collaboration is fundamental for recovery and planning. Key challenges include the weak enabling environment for the creative ecosystem and the need to improve livability in the urban area. It will be essential to provide opportunities and networks for improving skills, talent, and innovation, including for youth, through broad support to MSMEs, all with the aim of attracting additional creative capital.

## People-Centered Recovery

In the recovery, the strategic aim for the social protection sector is to rapidly design and implement equitable measures that protect and promote the well-being of households affected by the explosion. In the social cohesion, inclusion, and gender sector, the strategic aim in the recovery period is to address the serious marginalization experienced by vulnerable groups. The focus includes support to the delivery of services, measures, and reforms to enable equal access and exercise of rights and to prevent further exposure. Efforts will also promote leadership and participation in implementing the 3RF by civil society organizations representing marginalized groups; this will support a socially cohesive environment and help restore community-state relations. The aim of the culture sector in the recovery period relates to protection, urgent stabilization, and recovery of the rich urban fabric, culture, and heritage and related livelihoods in the affected areas.

### Social Protection

#### Reforms/Policy Actions

- › Identify fiscal space in the annual budgets for social protection, particularly for increasing expenditure allocations for social assistance programs; and plan to ensure the short-term financial viability of existing social security institutions.
- › Provide a new strategic direction for the reform of price subsidies (including electricity, fuel, pharmaceutical products, and subsidized housing loans); analyze the impact of removing subsidies on prices and well-being; design an effective transition for reform that promotes progressive fiscal resource use while implementing mitigation measures to protect the poor, the vulnerable, and the middle class.

#### Investments/Programs

- › Scale up social assistance interventions and their systems to alleviate the impact of the explosion in affected areas through cash transfer programs, with a focus on economically vulnerable individuals (particularly older persons, persons with disabilities, women, and children); accelerate the expansion of the National Poverty Targeting Program (NPTP).
- › Extend an injury/death compensation scheme for those affected by the blast and not covered by insurance.

#### Institutional Strengthening

- › Establish a multi-stakeholder platform to promote coordination, cohesion, and collaboration across various actors in the social protection sector.
- › Support government to prioritize investments to develop social assistance systems, including grievance and redress systems, and verification; put in place anti-corruption measures to ensure that the governance of any social protection program is transparent, participatory, evidence-based, and sustainable; invest in data systems, registries, and development of a unified registry for all social protection programs.

### Social Cohesion, Inclusion, and Gender

#### Investments/Programs

- › Support the immediate provision of, and access to, protection and social welfare services for vulnerable groups affected by the blast. This includes case management, protection, prevention, response, and psychosocial support; sexual and gender-based violence prevention and response services; child and older person care services; and access to safe spaces. Interventions will address barriers that affect marginalized groups' equal access to assistance, such as strengthening outreach.

### **Institutional Strengthening**

- › Establish partnerships and capacity building with local civil society organizations that serve the needs of underrepresented and marginalized groups, by providing flexible grant funding.

## **Culture**

### **Reforms/Policy Actions**

- › Develop a strategy and detailed assessment on urgent measures for conservation and rehabilitation of historic buildings and conservation guidelines.

### **Investments/Programs**

- › Implement shoring up, sheltering and urgent protection measures to prevent collapse of heritage buildings, as well as immediate conservation and safeguarding to avoid loss of tangible and intangible assets; involve all stakeholders, including civil society organizations.
- › Carry out emergency management measures, inventories of tangible and intangible heritage assets, and immediate conservation measures to avoid loss.
- › Assist artists, cultural producers, and community-led initiatives to restart cultural activities and production in public and cultural spaces that serve affected communities (through grants and priority rehabilitation and refurbishment of galleries, workshops, theaters, and other spaces); help cultural activities and CCI businesses resume operation, in temporary venues as needed, particularly to protect their high share of skilled youth employment.

### **Institutional Strengthening**

- › Deliver capacity building and technical assistance to enforce adequate legal measures to prevent demolition and to enable municipal staff to inspect and enforce guidelines; establish a municipality One-Stop-Shop with sub-windows (e.g., building permits, incentives).
- › Put in place mechanisms and develop local initiatives to promote and support community engagement for coordination, advocacy, and communication.

## **Reform and Reconstruction**

The aim of the social protection sector in the reconstruction and reform period is to rapidly scale up reforms toward a national social protection system. Beyond the recovery period, the aim of the social cohesion, inclusion, and gender sector is to continue addressing the serious marginalization experienced by identified groups across Lebanon. Efforts will promote equal access and exercise of rights; address grievances and tensions resulting from lack of trust; and solidify the leadership and participation of civil society representing marginalized groups. The aim in the culture sector during the reform and reconstruction period is to protect the rich urban fabric, culture, and livelihoods across the country as well as strengthen the environment for Lebanon's creative economy.

## **Social Protection**

### **Reforms/Policy Actions**

- › Finalize and approve the National Social Protection Strategy, adopting a rights-based, comprehensive, and inclusive approach – including linkages to the social assistance system that is in place for refugees; address the need for universal access through a combination of contributory and non-contributory mechanisms, encompassing the five social protection components listed above.
- › Finalize reforms of public sector pensions to reduce inequities across social insurance schemes and enhance long-term sustainability.
- › Expand the adequacy and comprehensiveness of social insurance benefits of the National Social Security Fund (end-of-service reform and introduction of unemployment insurance); reform NSSF governance.

### **Investments/Programs**

- › Establish the foundations of a social assistance system by (i) providing cash transfers at scale to extremely poor households through the ongoing scale-up of the National Poverty Targeting Program and forthcoming Emergency Social Safety Net; (ii) introducing social grants to address life-cycle vulnerabilities (old age, disability, and child-related vulnerability, with progressive implementation); (iii) linking social assistance to other services, as well as to social assistance for refugees, which needs to be expanded to meet increased needs; and (iv) expanding financial access to health and education.
- › Review and expand spending on social welfare services; rationalize and reallocate in line with the assessed, unmet needs of individuals and households for preventive and specialized care as well as case management.

### **Institutional Strengthening**

- › Recommence institutional coordination at the policy level; within the purview of the Government Inter-ministerial Committee on Social Policy, oversee completion and implementation of the national social protection strategy and financing plan, as well as policy and program monitoring.

## **Social Cohesion, Inclusion, and Gender**

### **Reforms/Policy Actions**

- › Pass legislative and policy reforms to reduce the structural barriers that prevent marginalized groups from equally accessing services, assistance, and human rights. Pursue urgent reforms to enable a political and social environment that is socially inclusive, cohesive, and gender equitable, such as passage of the anti-sexual harassment law; repeal Article 534 of the penal code to tackle homophobic and gender-based discrimination; reform the Kafala system and implement the standard unified contract by the Ministry of Labor.
- › Adopt an inclusive fee waiver for obtaining and renewing temporary legal residency permits for refugees, to enable their access to services and civil documentation.
- › Develop reforms initiatives that institutionalize the right to know, right to justice, and right to reparations: these must be developed to help deal with consequences of the explosion.

### **Investments/Programs**

- › Promote the sustainability of service provision by reinforcing the role of the Ministry of Social Affairs and its Social Development Centers (SDCs) in providing social welfare and protection services; invest in capacity-building for local government and civil society organizations and systematize linkages between SDCs and CSOs (Civil Society Organizations) for more efficient delivery of services.

### **Institutional Strengthening**

- › Build the capacity of institutions and civil society to restore community-state relations, reduce community tensions, support victims' rights and reparations, and protect vulnerable groups; support existing dialogue platforms that work to foster social stability and cohesion at the national and local levels.

## **Culture**

### **Reforms/Policy Actions**

- › Approve the new heritage law, which remains pending approval – targeting building owners, tenants, and investors; strengthen the enabling environment to engage with the owners of heritage buildings; structure a regulatory framework that outlines adequate technical assistance; provide incentives and subsidies for rehabilitation. Ensure that the heritage law's measures are reflected in urban regulations and master plans.
- › Carry out a baseline study on the parameters of the creative economy and its legal and regulatory framework to support broad reform that recognizes CCI as an emerging sector, eases regulatory burdens, promotes competition, and supports public and private sector investment. Ensure adequate institutional set-up to promote implementation of decisions and laws.

### **Investment/Programs**

- › Rehabilitate and repair assets to restore functions as soon as possible, ensuring provision of a minimum wage to cultural creators and technicians, who are often freelancers without any formal job status.

## Summary of Priority Costs

The immediate recovery costs for Pillar 3 are estimated to be around \$175 million, while the short-term reform and reconstruction costs are estimated to be over \$1 billion (Table 4). Social protection reform and reconstruction costs, \$871 million, account for a major share of total pillar costs for Track 2 due to the inclusion of the financing for the strengthening and development of the social safety nets programs of national scope, as limiting them to Beirut would raise equity concerns. People-centered recovery costs for the social cohesion, inclusion and gender sector, aimed at leaving no one behind, are estimated at \$27 million. Priority costs for reform and reconstruction of the culture sector are estimated at \$114 million.

**Table 4: Priority Costs for Pillar 3**

	Track 1: People-Centered Recovery (\$)	Track 2: Reforms and Reconstruction (\$)
Social Protection	70,700,000	871,030,000
Social Cohesion, Inclusion and Gender	27,100,000	3,300,000
Culture	77,000,000	144,000,000
<b>PILLAR 3 TOTAL</b>	<b>174,800,000</b>	<b>1,018,330,000</b>

## Section 4: The 3RF Pillars

### Pillar 4 – Improving Services and Infrastructure

#### Rationale and Strategic Objective

The August explosion has affected Beirut's infrastructure, sending many households into precarious housing situations and exacerbating conditions for those who were already in inadequate or insecure shelter. The main gateway for trade, the Port of Beirut, has been hit significantly, with damages affecting the grain silo and the general cargo terminal, putting the country's food security at risk. Urban services (including energy, municipal services, and the environment) and essential public services (health, education, and water) were also affected in the area around the port, reducing access to care and education, especially for the most vulnerable.

The explosion has highlighted chronic challenges in the infrastructure sector, including the overall institutional collapse of Port of Beirut as well as significant weaknesses in the urban services sector. It worsens the strain on public services that had already been exacerbated by the protracted Syrian refugee crisis, the economic and political crises, as well as the COVID-19 pandemic.

The strategic objective is to reform the port's governance, rebuild the port and critical housing, and restore key public and urban services in a sustainable and resilient way. The disaster is a wake-up call for profound change, and an opportunity to build back better with a two-pronged approach focusing on people-centered recovery as well as reforms and reconstruction. If Lebanon can ensure good, efficient, and transparent governance in planning and implementing the early recovery, reform and reconstruction phases, it can change the trajectory of its development by creating economic growth, securing public revenues, and enhancing public safety.

This pillar is structured around four strategic priorities: (i) housing; (ii) the port; (iii) urban services (electricity, municipal services, and the environment); and (iv) public services (health, education, and water).



## Overview of Sector Context

The Beirut explosion damaged nearly half of the city's building stock, sending many households into precarious housing situations while exacerbating conditions for those already living in inadequate or insecure shelter. Renter households make up about 55 percent of this population, occupying units in both single- and multi-family buildings. Due to the damage, it is expected that rents will rise and housing conditions will deteriorate, exacerbating overcrowding in low-income neighborhoods. Much of the demand for housing derives from investment speculation, enabled by weak regulation and low property taxes. With little new supply, housing costs were already prohibitive for many households in the country, especially in Beirut, where population growth is highest. Interventions in housing by the government have mostly been limited to the demand side through subsidized mortgages, which have seen a sharp decline in the past decade. Government support to households is limited without a national housing policy or strong implementing agencies; there is weak enforcement of building regulations at the local level and a lack of affordable housing options.

The Port of Beirut is the country's main gateway for imports and exports and was center stage of the explosion in August 2020. With a free zone, a silo, a container terminal, and a general cargo terminal, the port is a hub for maritime trade in the Mediterranean Sea. It is a national public property managed by a temporary administrative committee, the "Temporary Committee for Management and Investment of the Port of Beirut," since 1990. The absence of a real port authority and mismanagement by the committee have caused state revenues from the port to decline, with serious governance and accountability issues. Since December 2004, container terminal operations are subcontracted by the authorities to the private Beirut Container Terminal Consortium (BCTC). BCTC signed a 10-year management contract in 2005, which was extended for five years and is now renewed on a three-month rolling basis, although a public tender had been launched prior to the explosion in March 2020 and then put on hold due to the temporary status of the committee. The explosion has highlighted the overall institutional collapse of the port and has provoked calls for profound change, starting with the urgent implementation of long-standing structural reforms, ahead of physical reconstruction into a modern, efficient, and transparent port system.

The explosion had a significant impact on urban services – including energy, municipal services, and the environment – across Greater Beirut. Preliminary assessments for the electricity sector find damage mainly to the distribution low-voltage network and administrative assets of the national utility, Electricité du Liban (EDL), as well as, to a more limited extent, transmission assets (mainly the Achrafieh substation and National Control Center). The resulting power outage caused disruptions of essential municipal and social services infrastructure, such as health, education, and communication, and impacted many small and medium enterprises. In addition, the Beirut and Bourj Hammoud municipalities have suffered infrastructure damage, reduction in revenue, and higher operating expenditure, limiting their ability to provide municipal services. The explosion also caused damage to solid waste management facilities at Karantina and Bourj Hammoud as well as to the health care waste management system of three hospitals in Beirut. In addition, critical contamination at the explosion site and the generation of significant waste streams, for which management systems are not available, have impacted the area's natural ecosystems and require urgent attention.

Prior to the explosion, the urban services sector was already suffering significant constraints and weaknesses. The electricity sector, dominated by EDL, faced long-term challenges, weak oversight, and lack of transparency. It has also long been a major source of Lebanon's fiscal deficit and has been unable to meet growing electricity demand. Similarly, municipalities were experiencing severe constraints in their ability to provide services before the explosion. Challenges include municipalities' limited fiscal and technical capacities, a weak own-source revenue base and unreliable central fiscal transfers, and a lack of coordination with line ministries and service providers. At the same time, environmental governance has long been neglected and requires a long-term strategic agenda. Although Lebanon has promulgated many important environmental regulations, enforcement and monitoring remain very weak. Collectively, these challenges have resulted in poor urban services, which has hurt the government's legitimacy and weakened the social contract between citizens and local authorities.

The explosion has severely impacted the public services infrastructure in the surrounding area. Of 813 health facilities within the 6-km radius of the explosion, 292 have suffered damage, reducing access to care, especially for the vulnerable. With higher demand for health services and the population's vulnerability after the blast coming on top of the COVID-19 pandemic, the situation presents an unprecedented setback to the health system.

and the population's health. Shortages in PPE, medications, and medical supplies have increased. In addition, 84 of the 241 public and private schools in the 6-km radius of the explosion suffered damage, reducing access to education, especially for the most vulnerable children. Despite damage, the water supply and wastewater networks are still functional, which has allowed the water utility to maintain and restore emergency access. However, water quality may be adversely affected by toxic substances from the explosion.

Essential public services related to health, education, and water were already strained by the protracted Syrian refugee crisis, the compounded economic and political crisis, and the COVID-19 pandemic. Lebanon's health sector is highly inequitable, with around half of the country's citizens lacking formal coverage, and the Ministry of Public Health serving as insurer of last resort for hospital care. Similarly, learning quality in the education sector has declined over the last decade, and today more than half of students do not achieve basic proficiency in reading, math, and science. Almost 50 percent of the country's Syrian refugee children between 6 and 17 years are out of school. The education system has high inequities, with boys and girls from poor households being at high risk of dropping out or not attending at all. Many of these children are exposed to child labor, early marriage, and various forms of violence; and they have significantly lower learning outcomes than students from the wealthiest households. In the water sector, about half of the supply is unaccounted for, while only 8 percent of sewage is effectively treated. The main reasons for this situation include lack of human resources, low revenue collection, poor infrastructure for water and wastewater, as well as inadequate operation and maintenance.

## People-Centered Recovery

The services and infrastructure sectors require immediate actions in several priority areas to kick-start recovery. This will require conducting detailed assessments and developing a vision, strategies, and action plans for recovery; clearing rubble and debris, as well as facilitating and repairing partially destroyed housing and infrastructure; restoring services, with a focus on the vulnerable; ensuring cargo processing at the ports for continuity of supply chains and food security; and strengthening institutions by addressing immediate needs and setting up coordination mechanisms.

### Housing

#### Reforms/Policy Actions

- › Develop a detailed housing recovery strategy and action plan, linking housing to wider urban recovery while remaining sensitive to heritage and the environment.

#### Investments/Programs

- › Repair all minimally or partially damaged housing units of economically and socially vulnerable households; stabilize heritage housing.
- › Launch a rental subsidies program for the most vulnerable among the displaced.

#### Institutional Strengthening

- › Establish a city-wide, multi-stakeholder platform to develop a housing and urban recovery strategy; define organization and implementation measures.

### Port

#### Reforms/Policy Actions

- › Establish a vision and reform principles for the port sector, to inform the reconstruction strategy.

#### Investments/Programs

- › Conduct detailed assessments of contamination at the explosion site and address immediate needs, including site clearance, silo dismantling, rubble removal, dredging, removal of damaged vessels, and safe management of waste (including grains and hazardous waste).

- › Facilitate general cargo processing at the Beirut container terminal, the Port of Tripoli, and/or the Port of Saida; set up temporary storage and warehousing solutions to ensure the continuity of supply chains and reduce food security risks.
- › Address the immediate needs of clearance processes and storage to restore capacity, resume inspections, and minimize delays and disruptions to supply chains.

## Urban Services

### Electricity

#### Reforms/Policy Actions

- › Establish a vision that lays out sector reform needs and actions.

#### Investments/Programs

- › Complete measures on the distribution network to temporarily restore electricity service in the explosion area.

#### Institutional Strengthening

- › Prepare an action plan for restoring EDL's essential functions in line with the vision of the utility's future role as a transmission operator in Lebanon's electricity sector.

### Municipal services

#### Reforms/Policy Actions

- › Develop a framework that consolidates the process for obtaining repair, rehabilitation, and reconstruction permits and is coherent with the housing recovery action plan and strategy.

#### Investments/Programs

- › Rehabilitate damaged roads and mobility infrastructure,<sup>19</sup> storm water drainage, public spaces, buildings owned by municipalities, and social housing.

#### Institutional Strengthening

- › Establish a one-stop shop in the Beirut and Bourj Hammoud municipalities for the following key functions: to obtain repair, rehabilitation, and reconstruction permits for damaged municipal services, residential and commercial properties, and cultural heritage building, among other facilities; to coordinate and share responsibilities among service providers, line ministries, and municipalities; and to communicate and disclose information, budgets, and expenditure for citizens.<sup>20</sup>

### Environment

#### Reforms/Policy Actions

- › Develop a strategy and action plan for greening reconstruction and urban design for the city of Beirut.

#### Investments/Programs

- › Conduct detailed assessments of the waste streams outside the Port of Beirut, implementing priority waste management interventions (such as rubble), and rehabilitating damaged waste management infrastructure (e.g., sorting facility at Karantina, composting facility at Coral, health care waste facilities).

19 This refers to partially damaged infrastructure that needs immediate repairs and rehabilitation based on the RDNA.

20 Among others, a critical function of the one-stop-shop will be to provide all necessary information to citizens and other relevant stakeholders about reconstruction efforts, list of stakeholders involved in reconstruction activities, capacity building for municipal staff and inspectors, information for technical guidance for contractors, regulations and financing options for CCI, ownership/rental laws and eviction related regulations with an aim to protect the rights of the affected marginalized population, and other critical laws and regulations.

### **Institutional Strengthening**

- › Establish a collaborative platform for stakeholder engagement in greening the reconstruction agenda; strengthen environmental monitoring and enforcement of environmental, health and safety measures in Beirut, including the port.

## **Public Services**

### **Health**

#### **Reforms/Policy Actions**

- › Align the mechanism to identify the most vulnerable with those used by other sectors (e.g., social protection); expand it as needed to reach the vulnerable with subsidized essential health services.

#### **Investments/Programs**

- › Support implementation of a subsidized package of primary health care services through a network of 21 Primary Health Care Centers (PHCCs) in the explosion-affected area in line with the Ministry of Public Health's Immediate Response Model.

#### **Institutional Strengthening**

- › Establish a 3RF multi-stakeholder health coordination platform with balanced representation of civil society and other relevant stakeholders to ensure the transparency, effectiveness, and efficiency of the health response; reinforce the referral system, through stronger intra-ministerial cooperation and coordination; convene regular (e.g., biannual) multi-stakeholder health forums.

### **Education**

#### **Reforms/Policy Actions**

- › Implement the policy for remote/hybrid learning and localization of back-to-school plans to ensure that quality learning is delivered and that, when possible, schools are safe to reopen; integrate psychosocial well-being into formal and non-formal education programs.

#### **Investments/Programs**

- › Support safe schools' and other education facilities' reopening and operation to allow children and youth to resume learning in school (includes technical and vocational education and training as well as tertiary education); provide multiple learning pathways, including hybrid and/or remote learning using both high and low technology, with a focus on the most vulnerable children and youth during school closure.

#### **Institutional Strengthening**

- › Ensuring close consultation on education reform and the recovery and reconstruction agenda with key stakeholders, including relevant ministries, international partners, parliamentary committees, CSOs, the private sector, teachers' unions, and communities.

### **Water**

#### **Reforms/Policy Actions**

- › Ratify the updated National Water Sector Strategy.

#### **Institutional Strengthening**

- › Provide technical assistance to the water utility most impacted by the blast, the Beirut Mount Lebanon Water Establishment (BMLWE), especially on operations and maintenance costs of the main infrastructure.
- › Establish the Water Executive Committee to pilot transparent implementation of the updated water sector strategy and strengthen the role of municipalities within its framework.



## Reform and Reconstruction

Additional priority actions are needed in the immediate and short term to scale up recovery and reconstruction in the medium to long term. These include conducting detailed damage assessments; formulating policy frameworks and adopting or ratifying laws and strategies as needed; creating an enabling environment for leveraging private investment; staffing and strengthening institutions with a focus on transparency, accountability, and inclusiveness; reconstruction of housing, historic buildings, and infrastructure to restore shelter and services for the poor and vulnerable; and upgrading of affected and vulnerable neighborhoods.

### Housing

#### Reforms/Policy Actions

- › Adopt policy interventions to lower housing costs and incentivize investment in affordable housing solutions as part of reconstruction.
- › Develop a national housing policy with an emphasis on affordable housing markets and urban regeneration; make it part of an integrated approach for neighborhood upgrading.

#### Investments/Programs

- › Incentivize and assist with repairs and conservation of historic residential buildings by the end of 2021; support both owner-driven and community-led approaches for historic neighborhoods.
- › Reconstruct housing units for the most economically and socially vulnerable; provide strategic guidance, technical and financial support, and capacity building for tenants and homeowners.

#### Institutional Strengthening

- › Establish a monitoring system for the housing supply chain (construction materials and price levels) and the rental market, including market indicators such as vacancies and individual evictions (targeting the poor, refugees, and migrant workers).

### Port

#### Reforms/Policy Actions

- › Enact a new port sector law addressing the port authority's operations as well as customs. The law would define the respective roles of the government, the port authorities, and commercial operators, as well as their relationships in terms of duties, rights, and responsibilities. It would be based on the landlord port principles, opening up commercial operations and reconstruction to the private sector under a clear regulatory framework to safeguard the public interest and ensure full transparency in financial management and operations.
- › Develop a national strategy for economic corridors and ports/maritime clusters, revisiting the siting and sizing of the port; rebalance roles and investments in the Tripoli port and other logistics infrastructure such as dry ports and the rail network; use an economic corridor approach to better position Lebanon to play an important role as a regional hub for maritime transport.
- › Review the Port of Beirut master plan in light of guidelines and principles set in the national strategy to optimize the number, size, and location of facilities; address urban congestion around the port; enhance logistics efficiency and the handling of hazardous goods.

#### Investments/Programs

- › Reconstruct the enabling infrastructure at the port and identify potential public-private partnerships (PPPs) to leverage private investment and support the recovery and reconstruction program. This would include redefining the principles for the container terminal concession, regularizing existing contracts, and preparing reconstruction contracts in line with the new port sector law, procurement reform, and the law on PPPs.

#### Institutional Strengthening

- › Establish a new port authority and nominate a board in a transparent manner based on professional qualifications, with responsibilities and accountabilities clearly spelled out. Encourage women's involvement in leadership and management positions, including the board.

- › Recognize and define the mandate and role of port communities in management of the sector and monitoring of its performance. In addition to the port authority, local port communities would have an official role under the new port sector law, to establish from the outset a clear pattern of trust among all port stakeholders. Both in Beirut and Tripoli, organize these communities by identifying local champions who have the trust of their peers and the clout to bring together all port stakeholders.
- › Build capacity at the ministerial and port levels through peer secondment and trainings to ensure that both levels are fully aware of the laws, decrees, decisions, and institutional and regulatory frameworks; that they have the expertise required to carry out their duties; and that women are encouraged and trained for leadership positions.

## Urban Services

### Electricity

#### Reforms/Policy Actions

- › Recruit members of the Electricity Regulatory Authority and operationalize ERA.
- › Establish private sector concessions for the distribution network before expiration of the distribution service provider contracts.
- › Revise building codes and facilitate concessional financing to incentivize energy efficiency and renewable energy upgrades (initially for reconstruction of damaged or destroyed buildings in Greater Beirut, then expanded to other parts of the country).

#### Investments/Programs

- › Repair the Achrafieh electricity substation, clearing rubble and rebuilding EDL's administrative office, data center, and the National Control Center (along with its backup center).

#### Institutional Strengthening

- › Establish an interim public consultation mechanism to ensure public support for sector plans and the development and recovery of EDL pending the operationalization of ERA; include public consultation for regulatory rulemaking and approval of sector plans and investments.

### Municipal Services

#### Investments/Programs

- › Upgrade the industrial and commercial area in Bourj Hammoud, with urban regeneration and upgrading of affected and vulnerable neighborhoods.

#### Institutional Strengthening

- › Establish public consultation mechanisms for reconstruction plans to ensure that citizens' needs are integrated into these plans; include traditional channels, municipal website, and one-stop shop as well as social media.

### Environment

#### Reforms/Policy Actions

- › Develop the legal framework for storage and handling of chemicals and complete needed regulations/standards related to the Integrated Solid Waste Management (ISWM) Law, hazardous waste decree, and other existing legislation.
- › Adopt the national ISWM Strategy and develop a participatory solid waste management plan for Beirut.

#### Investments/Programs

- › Implement management plans for various waste streams (including hazardous material, electronic waste, and scrapped vehicles) and for restoring affected natural ecosystems (marine and green cover).

#### Institutional Strengthening

- › Conduct an inventory and audit of chemical stockpiles and hazardous materials in Beirut.

## Public Services

### Health

#### Reforms/Policy Actions

- › Develop a phased universal health coverage strategy to progressively expand beyond primary health care access for the most vulnerable in the blast-affected areas; ensure coverage of (i) additional services at secondary and tertiary levels of care and (ii) people in the rest of the country.
- › Update the COVID-19 response strategy to include revised mitigation measures, including reimbursement schemes for hospitals and development of COVID-19 vaccination deployment and operational plan.

#### Investments/Programs

- › Reconstruct heavily damaged facilities (with priority to those in the public sector) in line with green energy solutions and ensuring accessibility and inclusion for people living with disability; develop mechanisms for retaining health personnel and for procuring essential medicines and medical supplies; strengthen supply chain management.
- › Support implementation of a subsidized package of primary health care services through a network of PHCCs at the national level.
- › Support implementation of the ministry's "payer of last resort" scheme for hospital care for vulnerable groups in the affected communities.

### Education

#### Reforms/Policy Actions

- › Prepare a new 5-year Strategic Education Sector Plan using recent evidence and engage in broad public consultations. The plan should focus on immediate, medium, and long-term needs for better learning at all levels, including early childhood education, building on the school quality assurance framework.

#### Investments/Programs

- › Begin immediate rehabilitation and reconstruction, including refurbishing of damaged furniture and equipment, based on the final technical assessments of damage to education facilities.

### Water

#### Reforms/Policy Actions

- › Ratify the revised Water Code, which was approved in 2018, and its related decrees; restructure the water tariff.

#### Investments/Programs

- › Undertake in-depth damage assessments of water and wastewater assets; rehabilitate and strengthen damaged facilities, applying modern standards for operation and climate proofing considerations.

#### Institutional Strengthening

- › Upgrade the customer database at BMLWE and incentivize households to register their connections officially.
- › Rebuild customer-centric communication and dialogue between the BMLWE and civil society organizations.

## Summary of Priority Costs

The immediate recovery costs for Pillar 4 are estimated to be around \$307 million, while the short-term reform and reconstruction costs are estimated to be over \$781 million (Table 5).

**Table 5: Priority Costs for Pillar 4**

	Track 1: People-Centered Recovery (\$)	Track 2: Reforms and Reconstruction (\$)
Housing	209,650,000	32,409,250
Port	33,750,000	313,500,000
Urban Services	46,820,000	113,773,000
Public Services	16,650,000	322,206,362
<b>PILLAR 4 TOTAL</b>	<b>306,870,000</b>	<b>781,888,612</b>



A photograph showing a man in a tan t-shirt, camouflage pants, and a black cap walking from left to right across a field of orange-brown gravel. In the background is a massive, severely damaged concrete wall with exposed rebar and crumbling sections. The sky is overcast and grey. A large red triangle is overlaid on the bottom right corner of the image.

## Section 5: Institutional and Monitoring Arrangements



## 3RF Institutional Arrangements

Successfully implementing the 3RF and addressing the priority needs identified in the RDNA call for a new partnership framework, with strong coordination between the government, international partners, civil society and the private sector. The framework should reflect a commitment to mutual accountability and a joint vision on the best way to implement the 3RF. As part of implementation, a set of principles for a new approach and set of commitments should be developed and agreed on by all stakeholders. A key priority will be the inclusion of civil society and the private sector in high-level dialogue and decision-making fora. International support and financing will also depend on the government of Lebanon's ability to demonstrate credible progress on reforms as well as its strong commitment to accountability, transparency, and citizen engagement.

Institutional arrangements to support implementation of the 3RF will have an integrated and light-touch architecture. Arrangements need to be flexible and responsive to evolving needs and opportunities. The architecture will complement existing or recently established arrangements for government–development partner or multi-stakeholder coordination, notably the CEDRE arrangements. Monitoring and reporting mechanisms should be designed to inform decision making and communicate tangible results to citizens. The proposed architecture is likely to evolve over time, as the 3RF process becomes a multi-year, medium-term recovery and reconstruction agenda and as the government puts in place dedicated mechanisms for intra-ministerial coordination and support. Governance arrangements for the proposed Lebanon Financing Facility (LFF), which would serve as a pooled financing mechanism to support 3RF implementation in the short term, would be part of the wider 3RF institutional arrangements.

The proposed institutional arrangements are structured around (1) a Consultative Group, (2) a Steering Committee, and (3) a Technical Team and Secretariat, as outlined in Figure 2. These arrangements will build on existing coordination mechanisms, including Sector Working Groups. Implementation oversight would also be conducted by a civil society–led Independent Oversight Body.

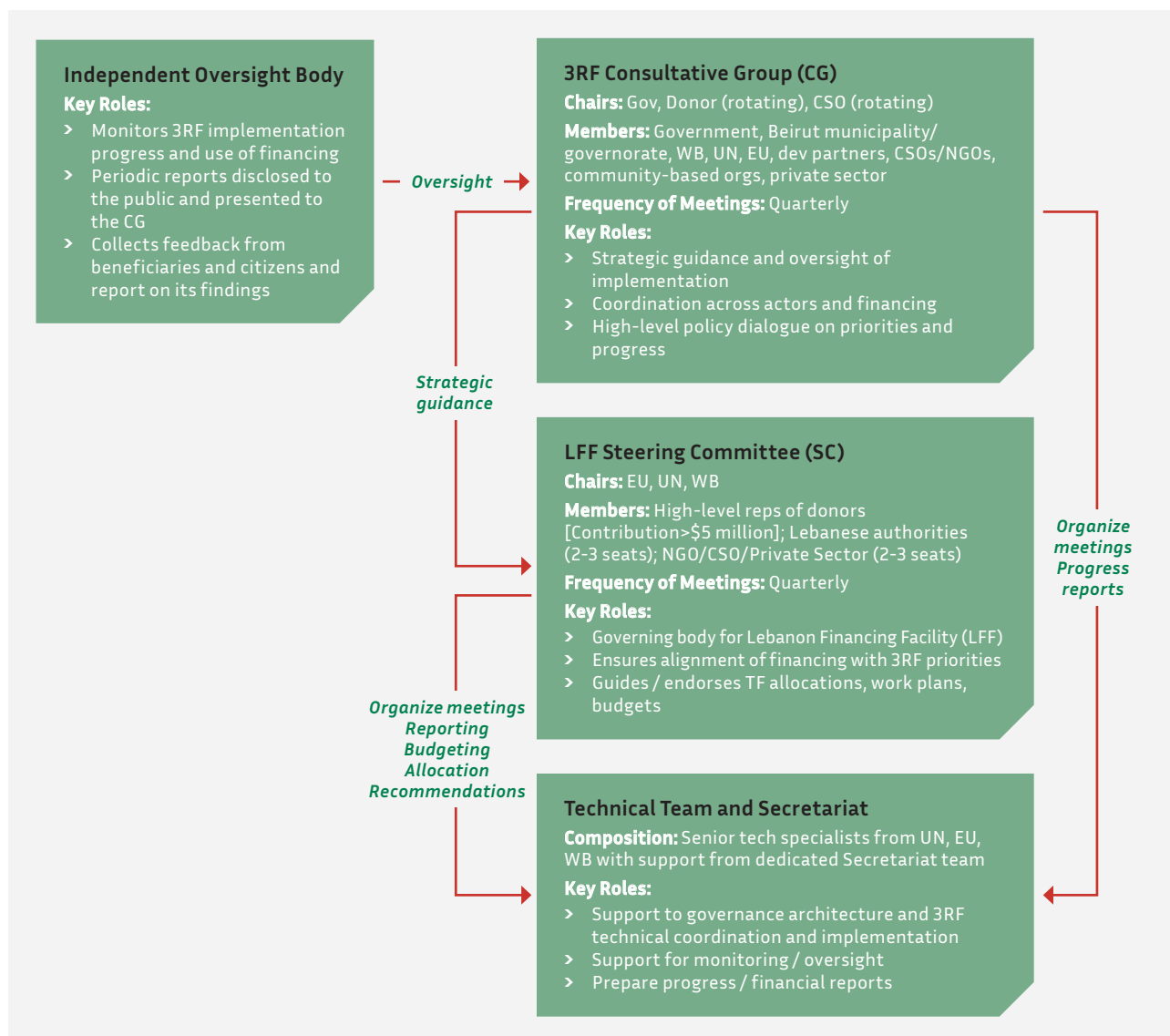
The Consultative Group (CG) would serve as a platform for overarching strategic guidance and direction on implementation and for high-level policy dialogue on 3RF priorities. Comprised of government, donors, CSOs, and the private sector, it would ensure balanced representation between international and Lebanese actors, enable coordination across actors and financial instruments, and facilitate linkages between the political process and humanitarian and development activities to support an integrated approach to implementation. The CG would also monitor progress and adherence to 3RF commitments and partnership principles, as well as identify funding gaps and critical priorities for resource mobilization. Government participation under the leadership of the (deputy) Prime Minister needs to be underpinned by a mechanism of strong inter-ministerial coordination.

As a subset of the Consultative Group, the Steering Committee (SC) would be the shared governing body for the proposed LFF, to ensure that financing aligns with 3RF priorities. The SC would provide a multi-stakeholder forum comprised of contributing donors, the government, and CSO/NGO and private sector representatives and would focus on the proposed facility's implementation. It would guide and endorse allocations, annual work plans, and budgets (while taking into account other sources of financing). The SC would also review key documents, including project proposals and annual financial and progress reports, to ensure that activities align with 3RF priorities. It would advise on priority areas and selection criteria to guide the financing facility's allocation decisions.

Support from the Technical Team and Secretariat will be essential at all levels of the 3RF governance framework. This entity would be responsible for supporting technical coordination of the 3RF and promoting coherence between efforts of the government, donors, and civil society. It would also support agreed arrangements for monitoring and oversight (including monitoring of financing streams), as well as inform the CG on overall 3RF strategic progress. In addition to supporting the CG, the Secretariat will handle functions related to administration of the proposed financing facility. Responsibilities would be performed by dedicated staff, (co-)financed or seconded by the UN, World Bank Group, or EU.

In addition, existing pillar or Sector Working Groups (SWGs) would be leveraged to promote coordination across programs and sectors on the priorities of the 3RF, as well as knowledge sharing and policy coherence. These groups would discuss technical issues pertaining to specific 3RF thematic areas and serve as a sounding board for design of projects, including those for the financing facility. New SWGs should only be established on an as-needed basis and in response to coordination gaps identified by key stakeholders (e.g., by the technical team or Secretariat).

Figure 2: Institutional Arrangements



As part of wider 3RF institutional arrangements, an independent oversight body would be established, to be led by civil society. It would monitor 3RF implementation progress and use of the proposed facility and other financing by implementing agencies. Its periodic reports could be presented to the CG and disclosed to the public. The body could also receive complaints and feedback from beneficiaries and citizens and report on its findings.

## Monitoring and Accountability Arrangements

Rebuilding the Lebanese people's trust will provide the foundation for successful recovery: a recovery that not only deals with losses and damage, but also helps the country get back on a path toward sustainable development. Accountability and transparency arrangements will be critical and will need to be adequately resourced, particularly given the high levels of public concern about the management of the reconstruction process.

### Results Monitoring

The 3RF Consultative Group will set clear overall outcomes and indicators for the different phases of the 3RF, and monitor adherence to each of the underlying principles. Results monitoring will be based on principles of simplicity and promote a learning culture to inform, and where necessary, adapt delivery of the recovery program.

Reporting will be supplemented by regular population perception surveys, and, where appropriate, by satellite and drone imagery, for example to monitor infrastructure rehabilitation.<sup>21</sup>

## Risk Management

Risks and associated mitigation measures will be identified in the early stages of design and implementation of the 3RF program. An activity's risks will be measured against its benefits, rather than simply by choosing the lowest-risk option. Options for minimizing, avoiding, sharing or mitigating, and accepting risks will be developed based on the likelihood and potential impact of the risk.

Risk will then be actively managed, for example by making risk management a standing agenda item of sector group and Consultative Group meetings. Sector groups will manage risk within the scope of their regular activities and escalate those that require higher-level attention to the Consultative Group as part of a positive risk culture. In particular, corruption risk management processes will need to be put in place, not just around the rehabilitation and reconstruction programs, but also through a prevention lens: for example, around the port management system, and in the electricity sector.

## Complaints Mechanism and Protection of Whistle-blowers

Provisions will be made for: (i) the confidential submission of complaints; (ii) the protection of incentives for reporting; and (iii) the protection of whistle-blowers, based on the 2018 Whistle-blower Protection Law. It will be important to work through the existing taskforce on whistle-blower protection, already established under the national anti-corruption strategy.

## Financial Tracking and Transparency

As Lebanon is a country with multiple aid tracking frameworks<sup>22</sup> and numerous international donors, a comprehensive and locally owned aid tracking tool will be necessary to ensure sustainability, transparency, and efficiency. While an online tool is the best approach, given the urgency of the recovery response and potential delays in initiating such a tool, an offline approach will be adopted first and then gradually transition to an online system. To enable flexibility for different reporting requirements and ensure maximum coherence and coverage in reporting, the data included in the tool will be made publicly available. Beyond the financial aid tracking, and in order to ensure full transparency on 3RF implementation, an online platform will be set up as a "one-stop shop" for all relevant information about the 3RF.

## Communications

Effective public communication can provide citizens with truthful and accurate information, engage them in the recovery effort, help debunk false or misleading information, and support a better understanding of public attitudes including fears, concerns, and expectations. Together, this can help restore trust.

- › Public communications on progress reporting will be made available on a timely basis. Financial tracking data will be made available online as promptly as possible.
- › The provisions of the 2017 Law on Right to Access to Information will be respected, along with the National Plan on Supporting the Implementation of this law.
- › Communications will be coordinated with trusted figures in civil society and the media, including social media influencers. Where possible, arrangements will enable two-way communication – for example, as comments and in forums.
- › Tracking and debunking of rumors and misinformation will take place on a real-time basis. This also sets the stage for the 3RF stakeholders to be held accountable on a regular basis.

21 This could include using the Recovery Observatory Demonstrator capabilities (EU Copernicus Risk and Recovery service, EU Copernicus Support to External Actions, resources provided by space agencies and partners from Committee on Earth Observation Satellite [CEOS] Disasters Working Group).

22 Lebanon already has the following tracking systems: Lebanon Aid Tracking, led by RCO with support from LCRP interagency (for LCRP) and OCHA (for LEA); Lebanese Emergency Appeal Financial Tracking, led by OCHA; OCHA-Financial Tracking System, global, led by OCHA; and Beirut Port Disaster Donor Coordination Platform, led by the government of Lebanon.



**WE ARE NOT LEAVING  
WE ARE NOT STOPPING  
WE ARE NOT GIVING UP**

## **Section 6: 3RF Financing Strategy**

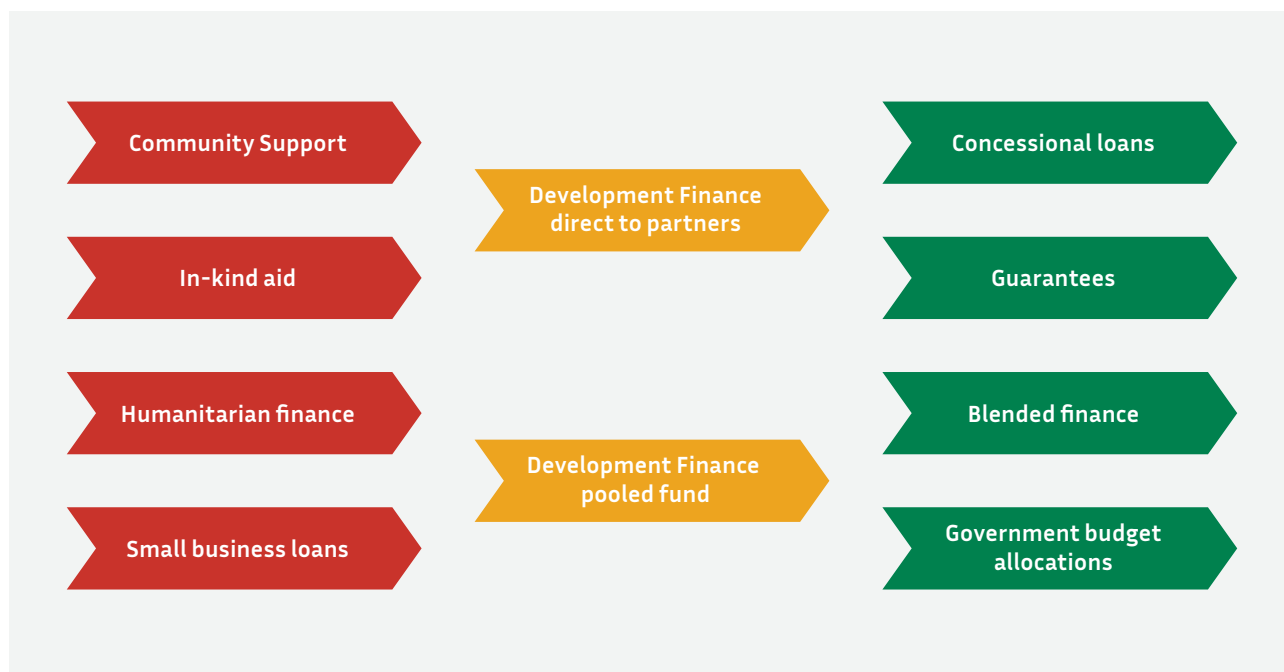
The priority needs of the 3RF are estimated at \$584 million for the people-centered recovery track (of which \$426 million is for the first year), and at \$2 billion for the reform and reconstruction track (Table 6). A more detailed breakdown of priority costs per pillar is included in Annex B. The widespread damages and large reconstruction needs will require mobilizing a mix of public and private resources, including through public-private partnerships. However, the government's collapsed revenues and inability to borrow significantly reduce its capacity to finance recovery and reconstruction in the immediate and short term. Moreover, the financial and banking crisis, accompanied by high levels of political instability and social unrest, limits the potential for mobilizing private sector finance – at least in the short term, and without guarantees to de-risk private investments. To provide immediate support for socioeconomic recovery, grant financing will therefore be required.

**Table 6: Estimated Financing Needs**

	Track 1: People-Centered Recovery (\$)	Track 2: Reforms and Reconstruction (\$)
Pillar 1: Improving Governance and Accountability	4,750,000	4,325,000
Pillar 2: Jobs and Economic Opportunities	97,750,000	196,825,000
Pillar 3: Social Protection, Inclusion and Culture	174,800,000	1,018,330,000
Pillar 4: Improving Services and Infrastructure	306,870,000	781,888,612
<b>TOTAL</b>	<b>584,170,000</b>	<b>2,001,368,612</b>

In this environment, the 3RF envisages a two-phase financing strategy for recovery and reconstruction (Figure 3). It will build on funding from humanitarian sources and the in-kind support mobilized by the Lebanese people themselves for the immediate response to the explosion. In the short term, international grant financing will be required to kick-start recovery and support urgent needs while advancing on essential reforms in parallel (phase 1). Once progress has been made on key reforms and macroeconomic stabilization, concessional loans and private finance can support reconstruction and help set Lebanon back on a path toward stability, growth, and sustainable development (phase 2).

Figure 3: Phased 3RF Financing Strategy



## Baseline: Immediate Post-Explosion Response

The immediate post-blast response began with the people of Lebanon helping each other. Soon after the shock of the blast had subsided, volunteers began sweeping the streets, caring for the wounded, repairing homes, and distributing donations and food through neighborhood centers. The Lebanese diaspora has also been active in the response, remitting funds to family members, and in some cases returning to Beirut to help in the clean-up and repair efforts. Alongside all this, local crowdsourcing efforts have been put in place, both independently and through Lebanese NGOs, CSOs, and businesses.

These local efforts were rapidly complemented by international humanitarian financing. A three-month Flash Appeal was issued on August 14, raising \$161 million<sup>23</sup> toward the revised \$195 million request. Alongside this, in-kind aid, mostly in the form of food, water, and construction materials, has been received from countries around the world.

Despite the existing financial and banking crisis accompanied by lack of liquidity, Lebanon's central bank instructed local commercial banks to issue zero-interest U.S. dollar loans, to be repaid over the next five years, so that people and businesses can rebuild their houses, businesses, and shops. The facility has been made available by commercial banks through credit lines.

While financing for the immediate post-blast phase is now more or less exhausted, contingency options for any further shocks will remain live: for example, global pooled mechanisms such as the Central Emergency Response Fund, and further injections of humanitarian finance.

<sup>23</sup> Figures correct as of September 23, 2020.



## Phase 1: People-Centered Recovery

Financing for immediate people-centered recovery priorities, as outlined in the 3RF, will be largely reliant on support from the international donor community. Grant financing will provide an indispensable source of funding for recovery and small-scale reconstruction. While grant financing is insufficient and not an appropriate financing source for large-scale reconstruction needs, it can play a catalyzing role in jump-starting programs to address the critical recovery needs of the most vulnerable groups, helping them cope with the multiple shocks they have been exposed to. It can also prepare the ground for more sustainable solutions for reconstruction financing, as well as support urgent reform or institutional strengthening.

A new Lebanon Financing Facility will be set up to pool and align grant financing under the strategic guidance of the 3RF Consultative Group and governed by a dedicated Steering Committee. This will strengthen coherence and coordination across sectors and institutions. Its scope will be ring-fenced to immediate and short-term recovery and reconstruction activities, which will support reforms aligned with the vision and strategic objectives of the 3RF. It will channel donor grant resources to people and businesses that have impacted by the explosion using a variety of flexible, nongovernmental implementation modalities (UN agencies, NGOs, the private sector, World Bank Group), with strong fiduciary monitoring and oversight. This could help speed implementation even in the absence of a fully functioning government. The facility's funds will also help prepare the ground for reconstruction and for phase 2 of recovery and reconstruction financing.

However, this financing strategy recognizes that there will be other ways of delivering international development finance. A share of international aid to Lebanon and the 3RF priorities will likely be delivered through existing programs and budget allocations as well as through new bilateral grants that target specific 3RF sectors and programs. In some cases, the resources of previously approved financing envelopes will be reoriented toward post blast-response using existing implementation channels, including the UN, international NGOs, and local actors. All actors will need to demonstrate that their programs align with the objectives, priorities, and principles of the broader 3RF framework; this will be essential to ensure close coordination to reduce overlap and increase aid effectiveness. The 3RF institutional arrangements, as set out above, will need to play an important role to support effective stakeholder coordination.

Flexible financing will be key: limiting activity-based earmarks will help ensure that financing for people-centered recovery can adapt to the evolving environment in Lebanon. The efficiency and transparency of these financial flows will be critical. In addition, all financing will need to be sufficiently risk-tolerant in this difficult operating environment, as well as timely, so that essential rehabilitation and recovery efforts are put in place, especially those that need to be delivered before the winter season.

## Phase 2: Reform and Reconstruction

The international community has clearly indicated that reconstruction and longer-term development assistance will be contingent on the country's commitment to a reform agenda.<sup>24</sup> Until a functioning government is able to institute critical macroeconomic and governance reforms, Lebanon will not be able to access financing at a scale sufficient to address its pressing needs for reconstruction of public infrastructure. Moreover, progress on an IMF program that would mobilize the urgently needed external financing remains indispensable as a foundation for the 3RF reform and reconstruction track.

Given the urgency to respond and the country's financial and economic crisis, there is no alternative to moving forward with a credible reform agenda, with specific measures that strengthen oversight and ensure more efficient use of public spending for reconstruction. Reforms will need to be accompanied by the expansion of targeted social safety nets, to ensure that the people of Lebanon are not adversely impacted by reform measures.

<sup>24</sup> Joint Statement of the International Support Group for Lebanon, September 23, 2020.

Once reforms are in motion and an authorizing environment is in place, international financing – from the international financial institutions as well as bilateral actors – can also be provided through concessional loans and guarantees. These, in turn, can mobilize other sources of finance.

In addition, private sector-led projects will need to play an increasingly important role in the sustainable recovery of key productive sectors (industry, commerce, and services) as well as some of the reconstruction efforts, notably high-value infrastructure such as the port. The 3RF financing strategy will therefore need to explore opportunities for developmental financial institutions to help de-risk larger private sector-led projects. Blended finance – the strategic use of development finance and philanthropic funds to mobilize private capital flows – has the potential to shift the investment risk-return profile with flexible capital and favorable terms in key sectors identified by the 3RF. Blended finance models are likely to emerge in sustainable recovery and reconstruction efforts for sectors such as housing, commerce, industry, and infrastructure (such as the port). They may also support public-private partnerships in viable areas of key infrastructure development, such as energy, transport, waste management, health, education, and tourism.

Over time, the government of Lebanon will need to take responsibility for increasing public investments for reconstruction via appropriate budget allocations. It will also need to ensure that this money is spent in ways that achieve the maximum possible impact, while the transparency and accountability of these flows will be critical to restoring trust between Lebanon's people and the state. Programs under the 3RF and beyond will be designed with this objective in mind, to help ensure the financial sustainability of the country's development efforts.



# Annex A:

## Selected Macroeconomic Indicators for Lebanon (2016-2021)<sup>25</sup>

	2016	2017	2018	2019 Est.	2020 Proj.	2021
<b>Real sector</b>						
Real GDP	1.5	0.9	-1.9	-6.7	-19.2	-13.2
Real GDP per Capita <sup>1</sup>	-1.2	-0.6	-2.5	-6.8	-19.6	-13.6
Agriculture (share of GDP)	4.0	4.5	4.4	5.0	4.7	4.7
Industry (share of GDP)	12.8	12.3	12.0	10.6	13.3	13.3
Services (share of GDP)	71.5	71.6	72.2	74.3	78.3	78.0
Net indirect taxes (share of GDP)	11.7	11.6	11.4	10.1	3.7	4.0
<b>Money and prices</b>						
CPI Inflation (p.a)	-0.8	4.5	6.1	2.9	75.0	40.0
Money <sup>2</sup>	7.3	4.2	3.0	-6.7	130.0	60.0
<b>Investment &amp; saving</b>						
Gross Capital Formation	22.7	21.4	20.8	18.5	6.3	4.2
o/w private	21.3	19.9	19.1	17.2	5.2	2.4
Gross National Savings	2.2	-1.5	-3.5	-2.7	-8.1	-3.7
o/w private	-1.0	-4.8	-5.3	7.9	-3.4	-1.0
<b>Central Government Finance</b>						
Revenue (including grants)	19.4	21.9	21.0	20.6	11.5	13.5
o/w. tax revenues	13.7	15.5	15.4	15.5	7.8	8.8
Total expenditure and net lending	28.6	28.6	32.0	31.2	17.3	18.1
Current	27.3	27.1	30.3	29.9	16.2	16.2
o/w Interest Payment	9.3	9.4	9.8	10.0	2.3	2.4
Capital & Net Lending (excluding foreign financed)	1.4	1.5	1.7	1.3	1.2	1.9
Overall balance (deficit -)	-9.3	-6.7	-11.0	-10.5	-5.9	-4.6
Primary Balance (deficit -)	0.0	2.7	-1.2	-0.5	-3.6	-2.2
<b>External sector</b>						
Current Account Balance	-20.5	-22.9	-24.4	-21.2	-14.4	-8.0
Trade Balance	-23.6	-24.7	-24.8	-24.9	-4.4	2.7
o/w Export (GNFS)	37.3	36.0	35.7	35.4	35.0	44.6
Exports of Goods	7.7	7.6	7.0	9.3	13.9	17.5
Exports of Services	29.6	28.4	28.7	26.1	21.1	27.1
o/w Import (GNFS)	60.9	60.8	60.5	60.3	39.3	41.9
Imports of Goods	35.0	34.7	34.4	35.0	22.7	24.2
Imports of Services	25.9	26.1	26.1	25.2	16.6	17.7
Net private current transfers:	4.8	2.3	2.5	5.6	-10.4	-11.2
Net Remittances	6.6	5.2	4.2	6.1	10.1	14.1
Net Income receipts	-1.7	-0.5	-2.1	-1.9	0.4	0.5
Capital Accounts	0	0	0	0	0	0
Gross Reserves (months of imports GNFS) <sup>3,4</sup>	15.2	15.6	14.3	14.3	23.8	12.5
<b>Total Public Debt</b>						
Total Debt Stock (in million US\$)	74,900	79,530	85,139	88,900	62,276	55,464
Debt-to-GDP ratio (percent)	146.3	149.7	154.9	171.0	194.0	211.7
<b>Memorandum Items:</b>						
GDP (in million US\$)	51,205	53,141	54,961	51,992	32,103	26,200

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

<sup>1</sup> Population figures, which include Syrian refugees registered with the UNHCR, are taken from the United Nations Population Division

<sup>2</sup> Prior to 2020 this is M3, including non-resident deposits; 2020 and after, this is M0 (currency in circulation)

<sup>3</sup> Gross Reserves (months of imports GNFS) = (Imports of Goods & Services / Gross Res. excl. Gold)\*12

<sup>4</sup> Total Imports using the BOP data from the Quarterly Bulletin of BDL

# Annex B:

## 3RF Priority Costs (Overview)

### Track 1: People-Centered Recovery

Priorities	Costs (US\$)		
	year 1 (Q1-Q4)	year 2 (Q1-Q2)	Total
<b>Governance Pillar</b>			
Priority 1: PFM & Procurement	150,000	100,000	250,000
Priority 2: Anti-corruption, Integrity & Transparency	1,650,000	700,000	2,350,000
Priority 3: Human Rights & Justice	1,400,000	750,000	2,150,000
<b>Governance Pillar Sub-total</b>	<b>3,200,000</b>	<b>1,550,000</b>	<b>4,750,000</b>
<b>Economic Recovery Pillar</b>			
Priority 1: Restoring business activities and preserving jobs	95,300,000	8,200,000	96,000,000
Priority 2: Strengthening the insurance sector and digital financial services	1,000,000	200,000	1,200,000
Priority 3: Expediting urgent business environment reforms	200,000	550,000	550,000
<b>Economic Recovery Pillar Sub-total</b>	<b>96,500,000</b>	<b>8,950,000</b>	<b>97,750,000</b>
<b>Social Protection, Inclusion &amp; Culture Pillar</b>			
Priority 1: Social Protection	55,550,000	15,150,000	70,700,000
Priority 2: Social Cohesion, Inclusion and Gender	18,700,000	8,400,000	27,100,000
Priority 3: Culture	44,800,000	32,200,000	77,000,000
<b>Social Protection, Inclusion &amp; Culture Pillar Sub-total</b>	<b>119,050,000</b>	<b>55,750,000</b>	<b>174,800,000</b>
<b>Services &amp; Infrastructure Pillar</b>			
Priority 1: Housing	146,250,000	63,400,000	209,650,000
Priority 2: Port Rehabilitation/Governance	21,250,000	12,500,000	33,750,000
Priority 3: Urban Services	34,595,000	12,225,000	46,820,000
Priority 4: Public Services	5,475,000	11,175,000	16,650,000
<b>Services &amp; Infrastructure Pillar Sub-total</b>	<b>207,570,000</b>	<b>99,300,000</b>	<b>306,870,000</b>
<b>TOTAL RECOVERY TRACK</b>	<b>426,320,000</b>	<b>165,550,000</b>	<b>584,170,000</b>

## Track 2: Reform and Reconstruction

Priorities	Costs (US\$)		
	year 1 (Q1-Q4)	year 2 (Q1-Q2)	Total
<b>Governance Pillar</b>			
Priority 1: PFM & Procurement	1,025,000	525,000	1,550,000
Priority 2: Anti-corruption, Integrity & Transparency	1,400,000	650,000	2,050,000
Priority 3: Human Rights & Justice	475,000	250,000	725,000
<b>Governance Pillar Sub-total</b>	<b>2,900,000</b>	<b>1,425,000</b>	<b>4,325,000</b>
<b>Economic Recovery Pillar</b>			
Priority 1: Restoring business activities and preserving jobs	67,750,000	125,250,000	193,000,000
Priority 2: Strengthening the insurance sector and digital financial services	650,000	150,000	350,000
Priority 3: Expediting urgent business environment reforms	1,925,000	1,550,000	3,475,000
<b>Economic Recovery Pillar Sub-total</b>	<b>70,325,000</b>	<b>126,950,000</b>	<b>196,825,000</b>
<b>Social Protection, Inclusion &amp; Culture Pillar</b>			
Priority 1: Social Protection	565,920,000	305,110,000	871,030,000
Priority 2: Social Cohesion, Inclusion and Gender	400,000	2,900,000	3,300,000
Priority 3: Culture	58,350,000	85,650,000	144,000,000
<b>Social Protection, Inclusion &amp; Culture Pillar Sub-total</b>	<b>624,670,000</b>	<b>393,660,000</b>	<b>1,018,330,000</b>
<b>Services &amp; Infrastructure Pillar</b>			
Priority 1: Housing	21,717,500	10,691,750	32,409,250
Priority 2: Port Rehabilitation/Governance	5,500,000	308,000,000	313,500,000
Priority 3: Urban Services	73,348,000	40,425,000	113,773,000
Priority 4: Public Services	96,735,000	225,471,362	322,206,362
<b>Services &amp; Infrastructure Pillar Sub-total</b>	<b>197,300,500</b>	<b>584,588,112</b>	<b>781,888,612</b>
<b>TOTAL REFORM &amp; RECONSTRUCTION TRACK</b>	<b>895,195,500</b>	<b>1,106,623,112</b>	<b>2,001,368,612</b>

