

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

Report No.: PIDA721

Project Name	Social Promotion And Protection Project (P124761)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Lebanon
Sector(s)	Other social services (100%)
Lending Instrument	Specific Investment Loan
Project ID	P124761
Borrower(s)	Lebanese Republic
Implementing Agency	Ministry of Social Affairs
Environmental Category	B-Partial Assessment
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Decision	

I. Project Context

Country Context

An upper-middle-income country of 4.2 million inhabitants and a large diaspora, Lebanon is highly urbanized with more than 85 percent of the population living in cities. The Lebanese economy is an open economy in which the services and trade sectors account for 60 percent of GDP and 73 percent of jobs. The economy, with an average real GDP growth of 4 percent over the 1997-2010 period and GDP per capita of US\$9,904 (2011), is driven by a dynamic private sector and is dependent on financial flows from the Arab Gulf economies. Growth and job creation performance are below potential despite the significant financial resources, due to a number of factors, including the country's macroeconomic volatility, infrastructure bottlenecks, inadequate support to innovation, distorted product and labor market regulations, and poor governance. Only 47 percent of the working age population participates in the labor market, of which 11 percent remain unemployed. Unemployment is especially high among youth (34 percent) and women (18 percent). The majority of the labor force is employed in low productivity service jobs and only 29 percent of workers are in formal wage employment, i.e., with access to social security and protected by labor regulations. Fifty percent of workers are in the informal sector (either as wage employees or self-employed).

Although the country has proven its economic resilience to external shocks and its ability to rebound from crisis, a number of critical reforms need to be implemented to put the economy on the

right track. One example of Lebanon's resilience was the recent financial, food, and fuel crisis, which did not have serious economic effects on the country. Foreign saving and inflows increased considerably in 2007-2010, which demonstrated, in part, the attractiveness of the Lebanese banking sector, which is considered as "a safe haven in times of crisis". These inflows contributed to an increase in aggregate demand and led to fluctuations in economic activity without improving the prospects for long term growth enhancement and job creation. Therefore, it is crucial to put the domestic economy on a path to high, sustainable, and broad-based growth that will create sufficient employment opportunities to meet the needs of a growing educated labor force and to achieve fiscal space and debt sustainability. Despite a shared understanding of the reforms needed for inclusive economic growth, unique features of the country's political system and the challenging geopolitical environment have made it difficult for consecutive governments to implement the reforms.

The complex confession-based political system and the lack of a regionally balanced development strategy affect the quality of public services provided across Lebanon. Lebanon's complex political economy is based on a sectarian consensual democracy, in which political authority is shared among confessional groups, with power divided largely between representatives of the Christian and Muslim communities. This political structure affects, among other things, the quality of the country's public institutions for service delivery. As a consequence, citizens often turn to costlier alternative providers of services. In addition, the absence of a regionally balanced development strategy together with geographic disparities in human capital has created regional disparities in living conditions. Development efforts since the end of the Civil War (1975-1991) have mostly focused on urban reconstruction, while the rural northern region, which houses almost half of the poor population, continues to lag behind.

Although poverty rates are comparable to those of other middle-income countries, poverty remains significant and regional disparities in living conditions are acute. Based on the 2004 Household Budget Survey, nearly 27 percent of the Lebanese population, or 1 million people, are poor, living on less than US\$4 per day, and 8 percent, or 300,000 people, are extremely poor, living on less than US\$2.40 per day. Poverty is significantly higher in some regions, such as the north (which has 21 percent of Lebanon's population but almost 40 percent of the poor and 46 percent of the extreme poor), and in slums around the major cities. In addition, over half of the Lebanese citizens claimed they do not have any money left after paying for basic needs and necessities. Even more concerning is the fact that 63 percent of Lebanese claimed not being able to afford the basic necessities at some time. Out of those who have some surplus, almost 30 percent save for unexpected emergency/medical expenses, and only 7 percent save to invest capital in business or assets. Compounding this situation is the dearth of community development and social safety net initiatives that could support the livelihoods of the poor and vulnerable, promote their inclusion in society, and enhance their resilience to shocks (see paragraph 6).

Overall in human development, Lebanon has achieved good health and education outcomes, but this has occurred in spite of low quality service delivery by the public sector. Life expectancy at 72 years is comparable to that of other middle-income countries, while infant and child mortality rates as well as maternal mortality rates are below the regional averages for the Middle East and North Africa (MENA). The net enrolment rate in primary education increased from 71 percent in 1997 to 92 percent in 2010 and secondary school net enrolment rates are five percentage points above the MENA regional average and 11 points above the average in middle-income countries. In addition, with a 54 percent gross enrolment rate in tertiary education in 2010, Lebanon greatly exceeds the 31 and 26 percent enrolment rates registered, respectively, for the MENA region and for middle-

income countries. Still, weak institutional capacity and inefficiencies limit the country's prospects for developing higher quality education and health services. Public service delivery sectors are severely under-resourced, especially in terms of skilled staff, which affects the performance of ministries and their capacity to deliver quality services. Therefore, those who can afford it rely on the more expensive services provided by the private sector. There is widespread consensus that improved service delivery is a critical step toward a more inclusive Lebanon.

II. Sectoral and Institutional Context

Social safety nets (SSNs) in Lebanon are fragmented, weak, and ill-prepared to play an effective role in times of need. Government spending on social safety nets and subsidies is roughly 4 percent of GDP (2010) but the effectiveness and impact on poverty is limited due to high rates of leakage to the non-poor, weak capacity and coordination among the main public institutions, and the lack of reliable and timely data. The following three types of social safety nets and subsidies exist : (i) social services to specific categories of vulnerable groups provided by welfare institutions and NGOs - financed by the Ministry of Social Affairs; (ii) price subsidies for diesel, bread, domestic production of tobacco, and subsidies to the electric supply company (Electricité du Liban, EDL) – financed by the Ministry of Finance, Ministry of Economy and Trade, and Ministry of Energy; and (iii) fee waivers for hospitalization in public and private hospitals – financed by the Ministry of Public Health. The first type of social safety net consists of programs targeted to certain categories of the population (disabled persons, juvenile delinquents, school dropouts, orphans, etc.) and represents around 90 percent of MOSA's budget. These funds are known to reach over 200,000 beneficiaries through welfare institutions and NGOs. The second type of safety net - price subsidies (for domestic production of tobacco and consumption of diesel) - either reach a small number of beneficiaries (e.g., 2,400 tobacco farmers), or are distributed universally, with significant benefit leakages to distributors and suppliers (in the case of diesel subsidies). The bread subsidy has been implemented in an ad hoc manner with inadequate monitoring and evaluation, and there are indications that subsidized flour is often used for food items not commonly consumed by the poor (e.g., pizza, pasta, and French pastries). The third type of safety net, fee waivers for hospitalization (85 percent of the bill), is for use of hospital services by those not covered by the National Social Security Fund and lacking the means to purchase insurance. There is suggestive evidence that this program is not well targeted to the poor.

Consecutive governments in Lebanon over the past five years have put reforming social safety nets and tackling poverty as a priority. In 2007, the Social Action Plan (SAP) submitted by the GOL to the donor community at the International Conference for Support to Lebanon (Paris III) focused on the establishment of an effective SSN system targeted to the poor and vulnerable to help them cope with social and economic difficulties and to strengthen the population's ability to better manage negative shocks, as well as to ensure improvements in health, education, and pensions. In addition, social issues have featured prominently in a number of government policy statements, with the current government identifying local development and prioritization of the needs of the poor in its policy statement to the Parliament in June 2011. In fact, as affirmed in this policy statement, the Cabinet is committed to attaining social justice and sustainable development in all the regions through comprehensive development and economic plans.

Preparation for the National Poverty Targeting Program (NPTP) began in 2009 with World Bank assistance, and the program was officially launched as a national program in October 2011. The objective of the NPTP is to “provide social assistance to the poorest and most vulnerable Lebanese households based on transparent criteria that assess each household's eligibility to receive

assistance, given the available public resources". The NPTP is based on a proxy-means testing (PMT) targeting mechanism and has been allocated US\$28.2 million by the Council of Ministers for 2012. The program currently offers access to the following benefits: (i) payment of the beneficiary portion of health bills in public and private hospitals; (ii) coverage of chronic disease prescription medications through the MOSA SDCs; (iii) registration fee waivers and free books for students in primary and secondary public schools; and (iv) discounts on the electricity bills submitted to the EDL. As of October 2012, more than 62,000 households have applied to the program, 43,608 households were assessed and received a score, with 18,801 households deemed eligible to receive the benefits and were approved by the Social Inter-Ministerial Committee (Social-IMC) and the Council of Ministers.

Despite the above progress, the NPTP is still an anti-poverty program in its infancy. Coverage remains low - the program today reaches only 27 percent of the extreme poor and 7 percent of the poor. The GOL's objective is to expand the program to reach all the individuals below the poverty line by 2027, which are believed to be 26.7 percent of the population. The impact of providing the current "basket of benefits" on the poor and vulnerable is still to be assessed. The organizational structure of the program, while working fairly effectively today, needs to be institutionalized (see Annex 2). Monitoring and evaluation and other business processes and infrastructure systems are just getting established. And awareness of the program remains low (40 percent among the poor) as seen from a recent survey. Finally, the GOL would like the NPTP to become an integrated anti-poverty program over time where beneficiaries are activated into labor market and/or other programs increasing self-reliance.

In addition to social safety net programs, community-driven development (CDD) programs have a key role to play in addressing poverty and regional disparities in human development outcomes, particularly if such programs are implemented transparently and with community participation. In Lebanon, evidence from prior CDD programs indicates some positive impacts such as a five-fold reduction in morbidity of water-borne diseases through a project that connected 130 households to a sewage network and a wastewater treatment station (Zouk El Moqashreen in north Lebanon); creation of jobs and improvement of incomes through a project that planted new vine shoots in 11 villages, increasing the area of developed land in Baalbeck; and improved access to health services to the members of a community in Akkar by building and equipping a health dispensary, among many others. But the key issue has been that these efforts/programs have not been sustainable. The CDD programs are managed and implemented by various agencies and ministries, each applying different methodologies, criteria, implementation mechanisms, and driven by different donor priorities. Little coordination exists between these various agencies and donors. Finally, robust monitoring and evaluation systems have not been put in place, and where attempts were made, they have fizzled out after the donor support ended.

The agency in Lebanon with the mandate to coordinate and lead CDD-type programs for the social sectors is the Ministry of Social Affairs (MOSA). At the strategic level, MOSA has placed the CDD approach central to its 2011 National Social Development Strategy. As stated in the strategy: "MoSA's objective is to establish an effective and sustainable institutional mechanism to build social and economic assets of disadvantaged communities, building on its mandate among government agencies of supporting social development at the community level". Building an effective CDD-type program is seen as the way of transforming MOSA from a ministry of social affairs to a ministry of social development. In addition, the complementarities of such a program with the NPTP are high, with the former tackling poverty and inequality at the community level while the latter aiming to

achieve similar goals at the household level. Thus, implementing these two programs in parallel can assist the GOL in moving forward on a comprehensive anti-poverty and social development agenda.

To achieve the above vision, however, MOSA will need to address a number of financial, technical, and institutional constraints --key among them is the modernization and empowerment of its 218 Social Development Centers (SDCs) spread across the country. Other than municipalities, the SDCs are the only permanent government institutions at the grassroots level, and they are the key local agencies in implementing MOSA's strategy on the ground, including the CDD approach. The SDCs provide social services and promote integrated development at the individual, household and community levels. Specific roles and responsibilities of the SDCs include: (i) undertake studies on various topics related to the welfare of the local community (education, health, poverty, demography, economy, etc.); (ii) identify and prioritize community needs and issues (resulting in local plans); (iii) propose, implement and supervise social development programs in collaboration with local private and public stakeholders; (iv) set up local social committees, and collaborate with them to address local development issues; (v) recommend and support social awareness, educational and counseling programs; (vi) provide social services to the community and, particularly to individuals with special needs (disabled, orphans, homeless, delinquents and the elderly); and (vii) provide assistance and relief work in case of emergency. In 2009, the SDCs across Lebanon reached: (i) almost 309,200 individuals with health services; (ii) around 61,600 individuals with social services; (iii) almost 7,000 individuals with training services; and (iv) 16,500 individuals with education services.

However, the performance of SDCs has been very uneven across the country, in part reflecting their widely varying endowments: some centers have ample space and staff, and offer a variety of services, while others are very under-resourced and offer minimal services. As of 2012, one of the top priorities of MOSA is to reform and reinforce SDCs to enable them to fulfill their mandated role.

Among other constraints facing MOSA in the CDD arena is the weakness of the central unit responsible for supporting community development projects – the Social Development Directorate. With an annual budget of LBP 1 billion (US\$665,000), very limited staffing, and no set criteria or guidelines, the Directorate today finances and implements small projects that mainly consist of small infrastructure works (retainer walls, agricultural roads, cemetery maintenance, etc.) with unclear effects on the poor and vulnerable, and limited social impact. In addition, the approval process for such projects submitted for funding by communities lacks credibility, transparency, and accountability.

III. Project Development Objectives

The development objective of SPPP is to increase access to social development services at the community level, improve the coverage and targeting of the National Poverty Targeting Program (NPTP), and build the capacity of the Ministry of Social Affairs (MOSA) at the central and the Social Development Center (SDC) levels.

IV. Project Description

Component Name

Component 1: Social Development Centers (SDCs)

Component 2: Community Social Development Program (CSD)

Component 3: National poverty Targeting Program (NPTP)

Component 4: Project Coordination Team (PCT)

V. Financing (*in USD Million*)

For Loans/Credits/Others	Amount
Borrower	166.52
International Bank for Reconstruction and Development	30.00
Total	196.52

VI. Implementation

The Ministry of Social Affairs (MOSA) is the project implementing agency and it will oversee the implementation of all SPPP activities. A Project Coordinator will head the Project Coordination Team, and also be responsible for the implementation of Component 1, while Components 2 (Community Social Development Program) and 3 (National Poverty Targeting Program - NPTP) will each be headed by a Program Manager, deemed acceptable to the World Bank. Each component will be overseen by a MOSA committee that will report to the Minister.

The heads of the components and the MOSA Minister (as well as the Director General, when the position is filled) will form the SPPP Steering Committee, which will meet periodically to review implementation progress and ensure coherence with the Ministry's policies. At the national policy level, the Social Inter-Ministerial Committee (Social-IMC), with MOSA acting as its Technical Secretariat, will ensure coordination of the SPPP with other social policies. With respect to the institutional setup of the NPTP, the program will be managed by the MOSA and the Presidency of the Council of Ministers (PCM).

VII. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

VIII. Contact point

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