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ON A
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IN THE AMOUNT OF US$400.0 MILLION

(IBRD FINANCING WITH THE CONCESSIONAL FINANCING FACILITY SUPPORT)

TO THE

LEBANESE REPUBLIC

FOR A

CREATING ECONOMIC OPPORTUNITIES IN SUPPORT OF THE LEBANON NATIONAL JOBS PROGRAM

PROGRAM FOR RESULTS

June 6, 2018

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CURRENCY EQUIVALENTS
(Exchange Rate Effective: May 30, 2018)
Currency Unit = LBP Lebanese Pound
1,513 Lebanese Pounds = US$1

ABBREVIATIONS AND ACRONYMS

AEO	Authorized Economic Operator
ALMP	Active Labor Market Program
ASYCUDA	Automated System for Customs Data
BdL	Banque Du Liban
BDS	Business Development Services
BPO	Business Process Outsourcing
BSL	Budget Systems Law
CC	(Inter-Ministerial) Coordinating Committee
CDR	Council for Development and Reconstruction
CGE	Computable General Equilibrium (Model)
CIP	Capital Investment Plan
CI	Central Inspection
COA	Court of Account
COM	Council of Ministers
CPF	Country Partnership Framework
CTB	Central Tender Board
DG	Director General
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DSP	Data Services Provider
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
ECC	Environmental Compliance Certificate
EIA	Environment Impact Assessment
EIB	European Investment Bank
ESSA	Environmental and Social Systems Assessment
FCV	Fragility, Conflict, and Violence
FTTC	Fiber to the Cabinet
FTTH	Fiber to the Home
GCFF	Global Concessional Financing Fund
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GRM	Grievance Redress Mechanism
HCC	Higher Council for Customs
HCP	High Council for Privatization and PPP

IBEL	Improving the Business Environment in Lebanon
ICT	Information and Communication Technologies
IDAL	Investment Development Authority of Lebanon
IFC	International Finance Organization
ILO	International Labour Organization
INDC	Intended Nationally Determined Contribution
INTOSAI	International Organization of Supreme Audit Institutions
IVA	Independent Verification Agency
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MFD	Maximizing Finance for Development
MFI	Microfinance Institution
MIGA	Multilateral Investment Guarantee Agency
MIS	Management Information System
MOA	Ministry of Agriculture
MOE	Ministry of Environment
MOET	Ministry of Economy and Trade
MOF	Ministry of Finance
MOI	Ministry of Industry
MOL	Ministry of Labor
MOT	Ministry of Telecommunications
MSME	Micro, Small and Medium Enterprise
NEET	Not in Employment, Education, or Training
NEO	National Employment Office
NGO	Non-Governmental Organization
NJP	National Jobs Program
NSSF	National Social Security Fund
OHS	Occupational Health and Safety
OJT	On-the-Job Training
OMSFAC	Office of Minister of State for the Fight Against Corruption
OMSWA	Office of the Minister of State for Women's Affairs
PAP	Program Action Plan
PDO	Program Development Objective
PEU	Program Executing Unit
PFM	Public Financial Management
PforR	Program for Results
POM	Program Operational Manual
PPD	Public-Private Dialogue
PPP	Public Private Partnership
PSAB	Private Sector Advisory Board
RA	Results Area

SEA	Strategic Environmental Assessment
SCD	Systematic Country Diagnostic
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
STEP	Subsidized Temporary Employment Program
TSEZ	Tripoli Special Economic Zone
TSEZA	Tripoli Special Economic Zone Authority
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Program
UNHCR	United Nations Higher Council for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
US$	United States Dollars
VC	Value Chain
VCC	Value Chain Committee
WB	World Bank
WBG	World Bank Group

Regional Vice President:	Hafez Ghanem
Global Practice Vice President:	Jan Walliser, Annette Dixon
Country Director:	Saroj Kumar Jha
Practice Manager:	Nabila Assaf, Hana Brixi, David Robalino
Task Team Leader(s):	Peter Mousley, Haneen Sayed, Thomas Farole

LEBANESE REPUBLIC
Creating Economic Opportunities in Support of the Lebanon National Jobs Program

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PAD DATA SHEET

Lebanese Republic

Creating Economic Opportunities in Support of the Lebanon National Jobs Program (P163576)

PROGRAM FOR RESULTS PROGRAM APPRAISAL DOCUMENT

Middle East and North Africa

Date:	June 6, 2018	Sectors:	Finance, Competitiveness and Innovation Social Protection and Jobs
Country Director:	Saroj Kumar Jha	Themes:	Jobs, Trade, Active Labor Market Programs, Investment Promotion, Regulations, Public-Private Partnerships, Telecoms, Special Economic Zones
Practice Manager:	Nabila Assaf, Hana Brixi, David Robalino		
Global Practice Vice President:	Jan Walliser, Annette Dixon		
Program ID:	P163576		
Team Leader(s):	Peter Mousley, Haneen Sayed, Thomas Farole		

Program Implementation Period: 5 years	Start Date: January 1, 2019	End Date:	December 31, 2023
Expected Financing Effectiveness Date:	January 1, 2019		
Expected Financing Closing Date:	December 31, 2023		

Program Financing Data

[X]Loan [ ] Credit	[ ] Grant	[x] Other (CFF)

For Loans/Credits/Others (US$M):

Total Program Cost:	$695	$400

Total Cofinancng:

Financing Source	Amount
BORROWER/RECIPIENT	$165 million
IBRD	$330 million
Global Concessional Financing Facility	$70 million
Private sector	$130 million
Total	$695 million

Borrower: The Lebanese Republic

Responsible Agency: Ministry of Finance

Contact: Mr. Alain Bifani

Telephone No.: +961 1 980821

Responsible Agency: Ministry of Finance

Expected Disbursements (in USD Million)

Fiscal Year	2019	2020	2021	2022	2023	2024		
Annual	100	92	78	56	74			
Cumulative	100	192	270	326	400			

Program Development Objective(s)

The Program Development Objective (PDO) is to improve economic opportunities for Targeted Beneficiaries in Lebanon.

Compliance

Policy

Does the Program depart from the CAS in content or in other significant respects?	[] Yes	[X] No
Does the Program require any waivers of Bank policies applicable to Program-for-Results operations?	[ ] Yes	[X] No
Have these been approved by Bank management?	[ ]Yes	[ ] No
Is approval for any policy waiver sought from the Board?	[ ] Yes	[] No

Overall Risk Rating: High

Legal Covenants			
Name	**Recurrent**	**Due Date**	**Frequency**
The Borrower shall establish a Program Executing Unit ("PEU"). The PEU will be maintained at the Ministry of Finance, acting as a secretariat for the Coordinating Committee, and responsible for: (i) the overall management, coordination, reporting, monitoring, and evaluation of Program implementation; (ii) hiring and interfacing with independent verification agencies; (iii) hiring independent technical auditor(s), with the terms of reference acceptable to the Bank, responsible for carrying out the technical audits; (iv) hiring external auditor for the annual financial audits of the Program's financial statements; (v) requiring Implementing Agencies identified in Schedule 4 to report to the PEU, on a regular basis, on the implementation of their respective parts of the Program; (vi) requiring Implementing Agencies to coordinate in the preparation and implementation of the Project Operational Manual; and (vi) coordinating with entities and institutions to implement the recommendations and gap-filling measures established in the ESSA, all in accordance with the provisions of this Agreement and the POM. The Borrower shall properly staff the PEU with adequate personnel, under terms and conditions as described in the POM.	No	No later than 3 months after effectiveness	Once
The Borrower shall establish an Inter-Ministerial Coordinating Committee ("CC") composed of senior representatives of the entities and institutions participating in the implementation, monitoring and evaluation of the Program. The CC will be responsible for strategic oversight and guidance under the Program, and chaired by the Minister of Finance, or his/her delegated representative, all under terms and conditions acceptable to the Bank and described in the POM.	No	No later than 6 months after effectiveness	Once
The Borrower shall establish a Private Sector Advisory Board ("PSAB") composed of representatives of the principal chambers of commerce from Beirut and main cities in the Lagging Regions, and other members selected by the CC, with the terms of reference specified in the POM. The aims of the PSAB is to provide guidance to the PEU and the CC on Program progress and to ensure receipt of ongoing private sector feedback on key policy and Program activities.	No	No later than 4 months after effectiveness	Once
The Borrower shall establish a VC Committee ("VCC"): composed of members of the public and private sector who are relevant to a given VC and agree to take on an active responsibility in the preparation and approval of the VC Action plans. The VCC shall be chaired by the Ministry of Economy and Trade, responsible for overseeing the preparation and approving of the VC Action Plans.	No	No later than 6 months after effectiveness	Once
The Borrower shall (A) cause the relevant Implementing Agencies to prepare and submit to the Borrower, on a timely basis, respective parts of the Program operational manual for which each Implementing Agency is responsible; and (B) consolidate and deliver a Program operational manual ("Program Operational Manual" or "POM") for the Program, in form and substance acceptable to the Bank.	No	No later than 3 months after effectiveness	Once

The Borrower shall through MOET establish the Matching Grant Fund with the funding contribution of up to $20,000,000, to fund the Matching Grants and cover the administration and management of the Matching Grant Fund.	No	No later than 365 calendar days after the Effectiveness	Once
The Borrower shall, through MOET establish an Entrepreneurship Grant Fund with the funding contribution of up to $10,000,000 to fund the Entrepreneurship Grants and cover the administration and management of the Entrepreneurship Grant Fund.	No	No later than 365 calendar days after the Effectiveness	Once
The Borrower shall recruit an independent verification agency or independent verification agencies, as the case may be, under terms of reference satisfactory to the Bank, to be responsible for preparing and providing verification reports in accordance with the Verification Protocol, certifying the achievement of those DLRs indicated to be verified by such independent verification agency or agencies in the Verification Protocol.	No	No later than 4 months after effectiveness	Once
The Borrower shall establish a complaints and grievance redressal mechanism within each of the following agency: (a) TSEZA; (b) MOET; (c) HCP; (d) NEO to handle complaints and grievances from Program beneficiaries or third parties relating to any aspect of the Program carried out by the respective agency, including adverse social and environmental impacts, (but excluding allegations of fraud and corruption and procurement complaints); (e) OMSFAC to handle allegations of fraud and corruption from Program beneficiaries or third parties relating to the implementation of the Program; (f) the Court of Accounts to handle complaints from Program beneficiaries or third parties relating to any procurement aspect of the Program implemented by HCP; and (g) Central Inspection to handle complaints from Program beneficiaries or third parties relating to any procurement aspect of the Program implemented by an agency other than HCP.	No	No later than 6 months after effectiveness	Once

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Peter Mousley	Program Leader EFI, co-TTL, MNC02	Private sector development	
Haneen Sayed	Program Leader HD, co-TTL, MNC02	Labor, skills	
Thomas Farole	Lead Economist, co-TTL, Jobs Group	Private sector development, value chains	
Ibrahim Dajani	Program Leader SD, MNC02	Infrastructure, Transport	
Saad Sabrah	IFC Country Head	Contact point for IFC	
Muneer A. Ferozie	Manager CASPM	IFC PPP	
Laurent Gonnet	Lead Financial Sector Specialist	Financial sector	

Lina Fares	Senior Procurement Specialist	Procurement	
Michelle Rebosio	Senior Social Development Specialist	Safeguards	
Mohammad Farouk Ibrahim Kandeel	Senior Environment Specialist	Environment	
Rima Koteiche	Senior Financial Management Specialist	Financial Management	
Natalia Robalino	Senior Counsel	Legal	
Wissam Harake	Lebanon Country Economist	Macro and Fiscal policy	
Jan von der Goltz	Economist, Jobs Group	Jobs in FCV context, Impact Evaluation	
Carol Khouzami	Operations Officer, FCI	Financial sector, TSEZ	
Shyamala Shukla	Senior Public Private Partnerships Specialist	PPP	
Angela Elzir	Labor & Social Protection Specialist, SPJ	Labor, connection to jobs, profiling	
Mira Morad	Transport Specialist		
Patricia Haydamous	Consultant Economist, FCI	Financial Institution Assessment	
Zeina El Khoury	Private Sector Specialist, FCI		
Meriem Ait Ali Slimane	Senior Private Sector Specialist, FCI		
Mirvat Haddad	Program Assistant, MNC02		
Nada Abou-Rizk	Senior Program Assistant, MNC02		
Carlo Rossotto	Lead ICT Policy Specialist, GTD11	Telecommunications sector	
Periklis Saragiotis	Private Sector Specialist, GMTRI	Customs and trade facilitation	
Arnaud Dorel	Lead Financial Sector Specialist, GFCLT	Financial sector	
Etienne Kechichian	Senior Private Sector Specialist, GFCIS	TSEZ	
Sherif Muhtaseb	Senior Private Sector Specialist, GFCIS	TSEZ	
Non Bank Staff			
Name	**Title**	**City**	

Maggy Grabundzija	Gender Consultant	Beirut
James Crittle	SEZ Consultant	Washington, DC

1. STRATEGIC CONTEXT

A. Country Context

1. **The Lebanese economy has been highly volatile over several decades.** Real gross domestic product (GDP) grew, on average, an estimated 3.6 percent from 1965 to 2014 (4.4 percent from 1992 to 2014). These figures mask sharp fluctuations, which are the result of domestic and regional political and economic crises during this period. The effects of these crises are further complicated by the confessional drivers at play in state decision-making.

2. **The crisis in Syria has contributed to a sharp slowdown in Lebanon's economy, aggravated the existing jobs crisis, and raised social tensions.** In the six years prior to the start of the Syrian war in 2011, growth was seven percent annually – it has fallen to less than 1.7 percent in the six years since, and to just 1 percent in 2015 and 2016. Traditional drivers of growth – finance and real estate, but also construction and tourism, which are major sources of job creation for youth and lower-skilled Lebanese – have suffered particularly badly from the onset of the Syrian conflict. Close to 1.5 million Syrians have crossed into Lebanon, representing close to one quarter of the total Lebanese population (around 4.2 million pre-crisis). This is the highest refugee per capita ratio in the world. In 2014, Lebanon hosted over 230 refugees per 1,000 inhabitants, compared to 87 in Jordan in the same year. This has exacerbated the deteriorating socio-economic situation for the Lebanese host economy, increased pressure on labor markets, and severely stretched infrastructure and public services. The result is not only increasing poverty for both refugee and host populations, but also increasing social tensions.

3. **Regional disparities in economic opportunities are stark, with most of the poor living in lagging regions outside of Beirut and Mount Lebanon.** Poverty rates in the Bekaa, North, and South Lebanon regions (at 38 percent, 36 percent, and 31 percent, respectively) are well above the national average and around twice as high as in Mount Lebanon and Beirut (22 percent and 16 percent, respectively).[1] This is linked closely with labor market outcomes, with lagging regions having much lower labor force participation, higher unemployment, and significantly higher reliance on self-employment.

B. Sectoral and Institutional Context

4. **Lebanon faces long-standing jobs challenges.** Even before the Syrian crisis, economic growth did not translate into sufficient job creation. With an employment growth elasticity of 0.2, Lebanon fared significantly worse than other countries in the region (the MENA average is 0.5). [2] Disregarding the recent influx of refugees, there were, on average, 23,000 new entrants to the labor market annually between 2004 and 2007, while the formal job creation was just one-sixth this level. In addition, job creation has been concentrated in low-productivity activities that demand low-skill labor[3] and more limited in higher productivity sectors such as communications, financial services, and manufacturing.[4] A large reservoir of untapped human resources coupled with limited private sector job creation has led to high and long-term unemployment and pushed a growing number of workers to either migrate abroad, or engage in subsistence-level activities in the informal economy. In 2010, prior to the influx of refugees, already half of the Lebanese

[1] Central Administration on Statistics (CAS) and World Bank (2015). Measuring Poverty in Lebanon using 2011 HBS: A Technical Report.
[2] World Bank (2012), "Republic of Lebanon—Good Jobs Needed: The Role of Macro, Investment, Education, Labor and Social Protection Policies", December, Washington DC.
[3] The main contributors to employment by order of importance were wholesale and retail trade, other non-tradable service sectors, and construction.
[4] World Bank (2016). "Lebanon: Promoting Poverty Reduction and Shared Prosperity, A Systematic Country Diagnostic". Middle East and North Africa Region.

labor force worked in the informal sector.[5] It is estimated that up to 44 percent of Lebanon's tertiary education population has migrated abroad.[6]

5. **Women and youth have particularly poor labor market outcomes.** Prior to the onset of the Syrian crisis, 70 percent of working age men were participating in the labor force, compared to 24 percent of working age women. Females and youth face higher unemployment rates than men (18 percent and 34 percent, respectively, versus nine percent amongst men). Moreover, women who are employed also earn significantly lower wages and experience poor working conditions. Traditional views of gender roles, anchored in family laws, play a strong role in determining the division of labor within the family. As a result, the burden of domestic chores and care-taking duties falls almost entirely on women, and given the limited support services available (e.g. high-quality and accessible childcare), this impacts their decision to enter or remain in the labor force when they marry or have children. Finally, self-employed women face gender-based barriers to starting and expanding their business: their access to finance is limited, their businesses are concentrated in a narrow set of low productivity locally-traded services, and they lack access to good quality business development services[7].

6. **The Syrian refugee crisis has had a significant impact on the Lebanese labor market, with youth and workers in lagging regions bearing the brunt.** The influx of refugees has resulted in a large increase in labor supply in Lebanon, with negative impacts concentrated in lagging regions – especially in the North and Bekaa – which already faced poor labor market outcomes. With few initial resources, extremely high levels of poverty, and with aid meeting less than 50 percent of household needs, Syrian refugees face a stark need to find income earning opportunities. But given their relatively low education levels, significant legal restrictions on sectors and occupations where they may work, most refugees are forced to work irregularly in the informal economy, where they accept sharply lower wages than host community members (the estimated wage gap is 50 percent). Close to 70 percent of working age Syrian men are in the labor force (employed or looking for work), although just 10 percent of working age women are active[8]. Labor market prospects for Lebanese youth have been particularly hard hit, as they are more likely to compete, both sectorally and occupationally, with Syrian refugees in the labor market. They are also likely to be concentrated in sectors (tourism and trade), where growth is most impacted by the crisis.[9] A recent analysis on the impact of Syrian refugees in Lebanon[10] shows that areas with high refugee influx, which coincide with economically lagging regions have witnessed a sharp unemployment increase among young Lebanese men, from 10 percent in 2010 to 36 percent in 2015. Forty-four percent of Lebanese host community households cited competition for jobs as the biggest factor driving community tensions[11]. Creating more jobs in the economy is critical for addressing the needs of both Lebanese and Syrian refugees.

7. **The refugee crisis is also exacerbating climate vulnerabilities, raising risks for low income, rural households in lagging regions.** Climate projections in Lebanon include increasing mean annual temperatures, evapotranspiration, and extreme weather events, such as drought and heat waves, decreasing precipitation, and rising in sea levels. The refugee crisis is straining land and water resources across the country, compounding these impacts. Agriculture, which uses 70 percent of available water for irrigation, is expected to be the most vulnerable sector to climate change impacts, with water security, land degradation, and crop yields at high risk. This is particularly concerning, given the importance of the sector

[5] World Bank (2012), "Lebanon - Good jobs needed: the role of macro, investment, education, labor and social protection policies (MILES)," Report No. 76008-LB, December.
[6] World Bank (2016) "Lebanon: Promoting Poverty Reduction and Shared Prosperity, A Systematic Country Diagnostic". Middle East and North Africa Region.
[7] These finding are based on a quick diagnostic on women's barriers to accessing jobs in Lebanon undertaken as preparatory work to this Program. The final report is forthcoming.
[8] Vulnerability Assessment of Syrian Refugees in Lebanon – 2017 (UNHCR, UNICEF, and WFP, 2017).
[9] In 2010 more than half of the employed youth worked in tourism and trade, compared with only 33 percent in 2015.
[10] World Bank (2013), Lebanon: Economic and Social Impact Assessment of the Syrian Conflict.
[11] UNHCR, UNICEF, and World Food Programme (2017), "Vulnerability Assessment of Syrian Refugees in Lebanon 2017".

to employment and earnings of the poorer segments of Lebanon's society, as well as Syrian refugees. This Program will consider vulnerability to climate change in the design and implementation of relevant activities, especially, as it relates to the engagement of the poor and other vulnerable groups (refugees, women and youth) who are often the most at risk to the effects of climate change. This is in line with Lebanon's Intended Nationally Determined Contribution (INDC), which outlines the intention to mainstream climate change adaptation and mitigation in these sectors.

8. **In Lebanon's highly fragile context, jobs are critical not just for poverty reduction but also for social cohesion.** As highlighted in the World Bank Group's (WBG) *Integrated Framework for Jobs in Fragile and Conflict Situations*, jobs can be expected to deliver high social returns in fragile environments, because they not only contribute to productivity, growth, and poverty reduction, but also to strengthen social cohesion and reduce the risk of violence. These social returns may be particularly high in Lebanon's context, given the heightened concerns over social cohesion resulting from the Syrian refugee crisis.

9. **Successful and sustainable job creation requires a significant expansion of private sector investment.** But as Lebanon's sclerotic formal labor market fails to create good jobs in the best of times, job creation will not simply come from increasing growth. Therefore, expanding investment in labor intensive sectors - along with targeted efforts at job creation to absorb excess labor and reach excluded populations - will be a critical priority in the short-term. Notably, this means catalyzing economic opportunities in sectors where women and youth are most likely to be employed, and where Syrian refugees are legally entitled to work. The WBG's *Integrated Framework for Jobs in Fragile and Conflict Situations* also emphasizes that "…short-term solutions must be developed in ways that facilitate, and do not constrain, structural reforms and economic transformation". In Lebanon's current context this means that short-term solutions like public works are part of the equation, particularly for low and semi-skilled employment, but expansion of the private sector is needed over the longer-term to generate sustained demand for quality jobs. This requires establishing an environment that is conducive to private investment, particularly for start-ups and younger and productive Small and Medium Enterprises (SMEs), as well as for foreign direct investors (FDI).

10. **Unlocking job-creating investment from Lebanon's private sector requires addressing a wide range of investment climate constraints**. Firms operating in Lebanon face a macro-environment which raises risks, distorts the efficient allocation of capital, and biases against tradable sectors, along with a meso- and micro-environment where high transaction costs undermine competitiveness. Regional and domestic political uncertainty is a top constraint to the private sector. This contributes to large macroeconomic imbalances (the World Economic Forum's Global Competitiveness Index ranks Lebanon's macroeconomic environment 133rd of 137 countries), which have kept borrowing costs high for businesses. World Bank Enterprise Surveys highlight significant constraints including: corruption, which is cited as a major constraint by 61 percent of firms, access to electricity (cited by 55 percent of firms)[12]; and lack of access to bank loans (cited by 41 percent of firms). Trade facilitation also stands out – more than 41 percent of exporters cited customs and trade regulations as a major constraint, a share that is almost twice the global average and 30 percent above the MENA regional average. Despite being an economy with a dynamic IT entrepreneurship potential, the country has a mobile network that is not open to competition. Lebanon has a "network readiness" level (coverage, affordability and coverage) ranked 88th out of 143 countries in 2017 and, within the Middle East region, ahead of only Egypt and Algeria. By contrast, more traditional 'business environment' issues appear to be less binding in Lebanon, particularly for SMEs. For example, while far

[12] A recent study as shown that – beyond the core necessity of better access to electricity, the Syrian crisis has deepened the problem due to: (i) increased burden on an already deteriorating network; (ii) negative impact on quality of supplied power due to additional demand in some areas; (iii) indirect impact of additional power consumption of schools hosting displaced Syrians as well as municipalities/water establishments; (iv) damaged to distribution transformers and cables due to overload; (v) rise in non-technical losses and damage to distribution network due to the non-metered connections. Main findings extracted from: *Ministry of Energy and Water and UNDP. (2017). The Impact of the Syrian Crisis on the Lebanese Power Sector and Priority Recommendations.*

from being ideal conditions in terms of 'doing business' measures, just seven percent of firms identify business licensing and permits as a major constraint compared to almost 20 percent on average in the MENA region.

11. **In this context, the Government of Lebanon has developed a '*National Jobs Program' (NJP)*[13], to complement the '*Capital Investment Plan'*, as central pillars of the reform and investment program presented at the 2018 Paris Investor Conference.**[14] In the Brussels Conference of April 2017, the Government of Lebanon (GOL) introduced its Vision for Stabilization and Development[15] (VSD), which articulated its response to the Syrian refugee crisis. Since then, GOL has moved forward on implementation of the education pillar of the VSD, and has deepened and refined the investment, growth, and job creation pillar, which consists of: (i) The *Capital Investment Plan* (CIP), designed to address Lebanon's severe infrastructure gap, while creating large-scale, short-term jobs through public works financed by both public and private investment; and (ii) The *National Jobs Program* (NJP), designed to address structural constraints to job creation. This Program for Results (PforR) operation supports the NJP.

C. Relationship to the Country Partnership Framework (CPF) and Rationale for Use of Instrument

12. **The proposed Program – *Creating Economic Opportunities in Support of the Lebanon National Jobs Program* (hereinafter referred to as the "Program") – addresses key priorities in the Country Partnership Framework (CPF)**. The Program supports Focus Area two of the FY17-22 CPF (as discussed by the Board of Executive Directors on July 14, 2016), which seeks to "*expand economic opportunities and increase human capital (to)… help Lebanon adapt to the economic and social impact of the Syria crisis, safeguard the country's development gains, address the country's pre-Syria crisis vulnerabilities, and enhance the prospects for stability and development in the coming years."* Specifically, the Program supports the WBG's objectives to address Lebanon's jobs challenge along several CPF priority dimensions, including the business environment, as well as access to infrastructure and finance, with an emphasis on leveraging the private sector as the main engine of job growth. It is also aligned with the Middle East and North Africa Regional Strategy (October 2015) contributing particularly to the pillars on renewing the social contract and building resilience to refugee shocks. Moreover, it contributes to the WBG's strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner.

13. **The Program leverages strong engagement with the Government and the private sector in Lebanon that has been built up over the last five years**. Motivation for the design of the Program derives directly from the recently completed diagnostic report "*Jobs for North Lebanon: Value Chains, Labor Markets, Skills and Investment Climate in Tripoli and the North*" (2016), and before it from the "*Lebanon, Good Jobs Needed: The Role of Macro, Investment, Education, Labor and Social Protection Policies (MILES)*" (2012). Specific design elements were informed by the above reports, as well as the *Financial Sector Assessment Program* (FSAP) report which was submitted to the Government in January 2017, and a detailed set of technical reports – on public-private partnership (PPP), access to finance, competition, trade and investment policy, and the Tripoli Special Economic Zone (TSEZ) – as part of the Lebanon Economic Opportunities Diagnostics. Additionally, a Gender Diagnostic to understand women's constraints has been completed.

[13] See "Lebanon National Jobs Program Document", Referenced in GOL "Vision for Stabilization, Growth and Development" as presented to the international community at the CEDRE Investment Conference, Paris, 6 April, 2018, Government of Lebanon.
[14] Conférence Économique pour le Développement par le Réformé avec les Entreprises (CÉDRE).
[15] The Vision for Stabilization and Development (VSD) is a strategic document of the Government of Lebanon aimed at proposing a program to respond to the Syrian refugee crisis. This document was first presented by the Prime Minister at the Brussels Conference "Supporting the Future of Syria and the Region", in April 2017. An updated and enhanced version of the Government program was presented at the Paris conference in April 2018.

14. **The Program is well-aligned with the 2017 WBG White Paper on Priority Reforms for the Government of Lebanon**. The Program aims to support the move towards a more jobs-intensive growth model set out in the White Paper, which also explicitly proposes the need to address the labor market aspects of the current refugee crisis through a two-pronged approach that combines labor-intensive public works (through the CIP) with a Program to promote private sector investment and job creation (through the NJP). The Program includes support to the implementation of specific priority reforms recommended in the White Paper and now included in the Government's NJP, including PPP, the financial and telecommunications sectors, firm competitiveness and (matching-grant supported) value chain initiatives.[16]

15. **Recognizing the Fragility, Conflict and Violence (FCV) environment and the complex political economy in Lebanon, the Program is designed to focus on activities that can have the biggest impact on improving economic opportunities for vulnerable populations – Lebanese women and youth, and Syrian refugees per Lebanese laws and regulations – over the short-to-medium term.** The Systematic Country Diagnostic (SCD) highlights two overriding constraints to economic policy-making in Lebanon, the destabilizing impact of confessional governance and the regional security situation, and posits two strategies to address the challenges. The first is to tackle the over-arching constraints themselves. The second is to work on lessening the "nested" constraints that are – in the words of the SCD – "incentive-compatible with the existing over-arching constraints". These include macroeconomic vulnerabilities, weak governance, insufficient and inefficient infrastructure, a challenging business climate, limited access to finance, uneven human capital, and skills mismatches, among others.

16. **The Program takes the second of these strategic options – it is designed to support economic opportunities by addressing several of the "nested" binding constraints, with a focus on those that unlock capital, increase competition, and facilitate inclusive private sector investment in tradable sectors.** The sustainability of the Program is aided in that it draws together: (i) job-creating policy reforms and program activities where there is cross-confessional consensus; (ii) a focus on lagging regions and marginalized groups, including refugees to counter the negative consequences of regional insecurity (the second over-arching constraint). The Program does not directly address some long-standing constraints, including macro-economic distortions, political uncertainty, corruption, and access to electricity. This does not mean they are not considered high priorities, but rather: (i) they face a highly challenging political economy and will require ongoing, long-term engagement; or (ii) the World Bank and/or the GOL are working to address them through other programs, strategies, and actions.

17. **The Program applies the WBG approach of maximizing finance for development (MFD)[17], leveraging the GOL's recently enacted Public Private Partnership (PPP) law.** This will help ensure that IBRD\GCFF funding leverages optimum levels of complementary private financing. Close collaboration between the World Bank, IFC, and MIGA, along with the private sector in Program design and implementation will be key to leverage private sector participation and investment in the infrastructure services that will be delivered through the Program. This is reflected the following priority areas of support:

- Capacity development of the High Council for Privatization and PPP (HCP), which is the executive body for the implementation of the PPP and privatization laws, with responsibility to deliver on the Government's objective of mobilizing private investment as part of the financing for the US$20 billion currently estimated for the CIP.

[16] Through investments in critical public infrastructure, key elements of the White Paper agenda are also addressed through the CIP, as illustrated in Table 1.

[17] "The March 2017 Forward Look – A Vision for the World Bank Group in 2030 – Progress and Challenges introduced the MFD, or "Cascade Approach", as a concept to guide the WBG's efforts to leverage the private sector for growth and sustainable development. This approach asks the WBG to help countries maximize their development resources by drawing on private financing and sustainable private sector solutions to provide value for money, meet the highest environmental, social, and fiscal responsibility standards, and reserve scarce public financing for areas where private sector engagement is not optimal or available." *Extracted from "Maximizing Finance for Development: Leveraging the Private Sector for Growth and Sustainable Development" prepared by the World Bank Group for the October 14, 2017 Development Committee Meeting.*

- Crowding-in private investment and expertise, including private sector operators for delivery of broadband services and for the development and operation of the Tripoli Special Economic Zone (TSEZ), as well as the value chain interventions, entrepreneurship programs, and active labor market programs (ALMPs).

18. **The PforR instrument will enhance the impact of the WBG's financial and technical support and increase the results-orientation of the Government's NJP.** The decision to use the PforR instrument was based on the following considerations and related theory of change that underpins the Program:

i. **Multi-faceted nature of the jobs challenge:** Addressing the jobs challenge will require a mix of investments, policy and programmatic actions, along with technical assistance and institutional capacity building. Such an approach is most effectively supported through a programmatic instrument.

ii. **Upfront momentum on policy reform supports Program implementation:** The PforR instrument will be used to generate momentum around key actions that are critical to deliver on the outcomes of the NJP. Disbursement-linked indicators (DLIs) will reinforce key policy reform actions and Program activities and serve to ensure timely implementation across these inter-linked activities.

iii. **The PforR instrument enhances the Bank's ability to leverage other development organizations**. This will entail inter-donor collaboration to coordinate different programs and enable pooling of IBRD/GCFF (see Box 1) and donor grant resources, notably for the key technical assistance activities that it is anticipated will accompany the Bank operation.

iv. **PforR allows for focus on results, while providing flexibility and strengthening national systems.** The results focus**,** reinforced by DLI targets, predictable disbursements and robust monitoring and evaluation best responds to the market-demand driven elements of the Program and the dynamic external environment that Lebanon faces. The approach also allows for strengthening of institutions and systems that support private sector development and employment services. Such a broad level of support would be more difficult to deliver under other instruments.

Box 1: Global Concessional Financing Facility

The Global Concessional Financing Facility (GCFF) is a partnership sponsored by the World Bank, the UN, and the Islamic Development Bank Group to mobilize the international community in addressing the financing needs of middle-income countries hosting large numbers of refugees. By combining donor contributions with multilateral development bank loans, the GCFF enables eligible middle-income countries that are facing refugee crises to borrow at concessional rates for providing a global public good. The GCFF represents a coordinated response by the international community to the Syrian refugee crisis, bridging the gap between humanitarian and development assistance, as well as enhancing the coordination between the UN, supporting countries, multilateral development banks, and benefitting (hosting) countries. The GCFF is currently supported by Canada, Denmark, the European Commission, Germany, Japan, the Netherlands, Norway, Sweden, the United Kingdom, and the United States.

2. PROGRAM DESCRIPTION

A. Government Program

19. **The GOL's program to support sustainable job creation – the NJP – is part of the development priorities set out in the Vision for Stabilization and Development presented by the Prime Minister in Brussels in April 2017.** The initial *Vision for Stabilization and Development* (VSD) focused on Government's leadership role to address the short-term challenges resulting from the crisis. The VSD set out three pillars to address the crisis:

i. *Accelerating existing public investment projects*: The GOL will sharply increase public investment levels in the short term by accelerating the implementation of projects for which foreign loans have been committed. This is intended to stimulate (short-term) job creation for

both displaced Syrians per Lebanese Laws and Regulations as well as Lebanese, primarily in the construction sector. This investment program is expected to total around US$2.7 billion.

ii. *Large-scale investment in new capital projects*: The GOL will launch a major program of new projects for infrastructure investment – the CIP – to reduce the significant gaps that exist between the demand for infrastructure services and the supply, and lay the basis for sustained growth and increased productivity. Current estimates of the CIP call for approximately US$21 billion in investments between 2018 and 2030, covering priority electricity, water, transport, infrastructure. The expectation is that at least 25 percent of investments will be financed by the private sector, including different PPP solutions.

iii. *Expanding educational opportunities*: The GOL will implement programs to increase access to education for displaced Syrians and Lebanese (at present, there are around 500,000 non-Lebanese children residing in the country). In addition, the GOL will increase access to non-formal and technical education and vocational training opportunities that will improve the employability of Lebanese and Syrian youth. This program is expected to require around US$350 million in financial support from the international community between 2017-2020.

20. **The GOL's NJP is an estimated US$1.3 billion program that targets the creation of 100,000 jobs over the medium term. The NJP was introduced as a fourth pillar of the VSD and presented along with the CIP at the Paris Investors Conference in April 2018. It addresses pre-crisis, structural challenges to accelerate job creation and improve economic opportunities for vulnerable populations**. The NJP is designed to: (i) support sustainable, quality job creation through private sector expansion; and (ii) ensure disadvantaged populations in Lebanon – including Lebanese women and youth, and Syrian refugees in accordance with Lebanese laws and regulations – have improved access to jobs and earnings opportunities. The initiative is structured across three integrated pillars:

i. *Enhancing the Environment for Private Investment*: The first pillar focuses on establishing a more conducive environment to promote job-creating private investment across the country. Activities in this pillar include legal and regulatory reforms, along with improved mechanisms for governance of the financial sector, encompassed in the "Improving the Business Environment in Lebanon (IBEL)" initiative led by the Prime Minister's Office (PMO), along with transversal reform actions in key sectors including telecommunications and trade facilitation.

ii. *Catalyzing Job Creation through Trade and Investment*: The second pillar complements the actions in Pillar 1 through efforts to mobilize private investment, increase exports, and improve productivity in targeted sectors to facilitate job creation in regions. Activities in this pillar will include investments in special economic zones (SEZs) and industrial zones, along with support to value chains with a high potential to create jobs in lagging regions.

iii. *Connecting Youth and Women to Jobs*: The pillar supports targeted population groups – notably women and youth – that are in a better position to take advantage of newly-created job opportunities, or to establish their own businesses, if they prefer to be entrepreneurs. Activities under this pillar include expanded and enhanced active labor market programs, as well as technical and financial support for entrepreneurship.

21. **The NJP marks a new approach by the Government of Lebanon to supporting the private sector as a driver of economic opportunity**. It targets policy drivers and programs designed to foster a more outward oriented, productive and inclusive economy. The NJP – which is designed as a five-year program in its initial phase – will also serve as a platform to launch new initiatives and to pilot innovative approaches to job creation that can potentially be scaled up over time, depending on performance.

B. Program Development Objectives (PDO), beneficiaries, and key results

22. The Program Development Objective (PDO) ***is to improve economic opportunities for Targeted Beneficiaries in Lebanon***.

23. **To achieve this objective an integrated approach is used, leveraging synergies across the Results Areas**. Implementation of key policies in Results Area 1 unlocks opportunities for job-creating investments through the demand-side interventions in Results Area 2. These demand-side interventions create economic opportunities for Targeted Beneficiaries of the supply-side interventions in Results Area 3 (and these beneficiaries can contribute to productive investments in Results Area 2).

24. **Consistent with the integrated approach, the Program defines "economic opportunities" and "Targeted Beneficiaries" as follows:**

- "Economic opportunities" are defined at three levels: (i) *at the macro level, in terms of measures considered "fundamentals" that would improve the environment for private investment and benefit firms,* as measured by the implementation of the new PPP law, adoption of a new telecoms licensing regime (i.e. firms benefitting from improved internet access), simplification of customs procedures (i.e. firms face faster and easier processes for imports and exports), passage of Secured Transactions and Insolvency regulations and establishment of a movable assets registry (i.e. individuals and firms have easier access to finance); (ii) *at the level of firms,* increased private sector finance to cooperatives/clusters and firms receiving matching grants, and increased occupancy in TSEZ; and (iii) *at the level of individuals,* improved labor market outcomes amongst Lebanese women and youth as they are placed in wage-employment jobs (e.g. counseling, training, intermediation, etc.), or supported to become entrepreneurs (e.g. business development services and financing) and Syrian refugees through vocational training in accordance with Lebanese laws and regulations.

- *"Targeted Beneficiaries" include two categories of beneficiaries:*
  i. *Firms, particularly SMEs*[18]: This group will benefit from: (i) transversal investment climate interventions in Results Area 1; and (ii) TSEZ and value chain (VC) activities in Results Area 2.
  ii. *Individual beneficiaries, particularly Lebanese youths aged 18-34 and women (18-45), and Syrian refugees*. These groups will benefit from activities in Results Area 3, which are: (i) the active labor market programs for Lebanese; (ii) the vocational training programs for Syrian refugees in accordance with Lebanese laws and regulations; and (iii) the entrepreneurship grant and business development services for Lebanese.

25. **Key Program results include increased private investment in tradable sectors, job creation, and economic opportunities for the vulnerable populations.** This will be achieved through a Program focused on private sector development through improved competitiveness and export performance in key value chains and new firm entry, along with increased participation of women and youth in the labor market. The results chain in Figure 1 (overleaf) illustrates how those expected Program results will be measured through the different proposed interventions and Results Areas of the Program. The three proposed PDO-level indicators are listed below. A detailed Results Framework is provided in Annex 2.

[18] SMEs are defined, per the Ministry of Economy and Trade SME Strategy, as: (i) Micro Enterprise: Less than LBP 500 million AND less than 10 employees; (ii) Small Enterprise: Less than LBP 5 billion AND less than 50 employees; (iii) Medium Enterprise: Less than LBP 25 billion AND less than 100 employees.

i. Private capital mobilized[19] following the implementation of policy reforms and amongst businesses supported by the Program;
ii. Full-time equivalent (FTE) direct jobs created among businesses supported by the Program; and
iii. Supported beneficiaries with wage-employment.

[19] According to the *Core Sectors and Indicators Definition* report by the Results Platforms, World Bank (2014), "Mobilized private capital" is private capital that has been fully committed. For projects where private capital comes from debt, equity, or both, private capital is mobilized when it is fully committed and all conditions precedent to the first drawdown are fulfilled or waived. Therefore, loan funds are available for drawdown. For projects where private capital comes from equity only, private capital is mobilized when the contract under which private equity will be provided is signed and becomes effective.

Figure 1: Program results chain

C. PforR Program Scope

26. **The PforR Program (the "Program") supports implementation of the Government's NJP.** As shown in **Table 1**, the Program will support a subset of the activities in the estimated US$1.3 billion NJP. This subset of activities – which forms the Program – covers an overall expenditure framework of an estimated US$695 million over a five-year period, of which the World Bank will finance US$400 million. The Program supports all three pillars of the NJP, although some activities in the NJP fall outside the Program scope. Activities in the NJP that are outside the Program include those that:

i. Are long-established and funded, which are relevant to the jobs agenda but not a new initiative to be included in the Program;
ii. Would increase complexity to Program implementation, specifically by introducing additional institutions and overly increasing coordination risks of the Program;
iii. Would require a timeline not manageable within the Program period; and,
iv. Do not meet World Bank Group policies on eligibility for PforR financing – for example those that are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people, as defined in the Policy and Directives on PforR financing.

27. In addition, should any activity not meet World Bank Group policies on eligibility for PforR financing – for example those that are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people, as defined in the Policy and Directives on PforR financing – it would be excluded from the Program.

Table 1: NJP and PforR Program scope

Activities	Estimated cost of NJP (US$m)	Coverage in PforR Program (2019-23)	Comments (if not fully covered in Program)
Development of PPP program	220	120	Program coverage based on current PPP pipeline
Financial sector development of the Business environment reforms (IBEL) program	7	4	Excluded: established and already financed under PCM/ OMSAR leadership
Trade facilitation	110	110	
Broadband sector development	390	140	Program excludes investments in Beirut and Mount Lebanon
Value chain development	32	32	
Entrepreneurship	24	24	
Movable Assets Registry	2	2	
TSEZ	291	180	Some investment will take place outside the Program period (post-2023)
Industrial parks	120	0	Excluded: funded through EBRD / EIB / Italian Government / UNIDO
Active labor market programs and first-time jobseekers program	66	66	

TVET reforms	TBD[20]	0	Excluded: supported through UNICEF and others
Labor market information (LFS)	7	0	
Subsidized Temporary Employment Program (STEP)	20	0	Excluded: established and supported through DFID
Gender-enabling labor market reforms	5	5	Additional investments may be included in NJP in later years
Program management	6	6	This covers cost of implementing the components of the Program for which MOF are responsible. Other Program activities are financed by other donors through different implementing ministries.
Overall Unallocated		6	
TOTAL	**1,300**	**695**	

** Costs include private sector contributions*
*** Costs include allocations of relevant costs from existing Ministry/agency budgets where relevant to deliver program results*

28. **Key to the success of the Program will be its integrated approach, linking actions designed to support the implementation of transversal reforms with targeted programmatic interventions that impact both the demand and supply sides of the jobs market**. This Program aims to demonstrate the results that can be achieved from such an integrated approach, and to use the Program implementation to establish a platform of mechanisms, capacity, public/private coordination, and learning around the NJP for continued government action and partnership with the private sector that build on the results of this Program. Also, important to its potential for success is that the Program takes into account: (i) the political economy of what is feasible (where there are clear reform champions to maintain momentum); and (ii) where early impact can be achieved to provide concrete demonstration of the impacts reforms can have to reinforce momentum for further action.

Results Area 1 – Enhancing the Environment for Private Investment

29. **Results Area 1 targets critical transversal actions that are needed to promote job-creating private sector investment across the country**. Generating sustainable economic opportunities in Lebanon will require establishing a more conducive environment for private enterprises to invest in establishing new businesses and growing existing ones. This, in turn, depends on whether firms can access finance at a reasonable cost, achieve a reasonable return on investment, and appropriate those returns[21]. In this context, Results Area 1 focuses on: (i) establishing the enabling environment to support expanded private sector and PPP investment in critical economic infrastructure; (ii) financial sector strengthening, to increase access to finance for MSMEs and women-owned businesses; and (iii) customs reforms to reduce barriers to trade, which will improve private sector returns.

30. **Developing the institutional capacity to implement PPP will facilitate investment in key economic infrastructure for growth and job creation, and will be critical to support implementation of the NJP and the CIP.** The recently passed PPP law sets the proper legal and regulatory framework for the implementation of partnership projects. This establishes the broad governance and institutional arrangements that can signal to the private sector that effective and transparent processes for the identification, development, negotiation, procurement, implementation and monitoring of PPP projects is in place**.** Working with the HCP, the Program will support expenditures to establish the institutional

[20] To be determined "TBD"
[21] This follows the Growth Diagnostics Framework (Hausmann, Rodrik, and Velasco, 2005)

environment for PPP, and finance the extensive advisory services – including financial and technical due diligence, environment and social assessments, transaction advisory, etc. – that will be required to bring an initial series of PPP investments to the market under the CIP and other government projects. Support for PPP is in line with the WBG's maximizing finance for development (MFD) initiative which seeks to leverage private financing in support of priority government investments with significant socio-economic returns**.** Support for PPP will also contribute to achieving the results in Results Area 2, notably through facilitating investment in TSEZ, which is among the projects prioritized by the HCP.

31. **Financial sector development will support enhanced economic opportunities by expanding access to credit, especially for SMEs that are women-owned and those in lagging regions.** The Program will support, as first priority, the implementation of regulations approved by the Council of Ministers (COM) to strengthen the credit infrastructure, including on the insolvency regime and secured transactions. The insolvency regime will establish an efficient tracking of loan performance, restructuring, and insolvency system that will allow unviable firms to exit efficiently, and viable firms to reorganize and restructure debt. Support for implementing secured transactions, including expenditures to establish a movable assets registry, will enable banks to secure collateral through non-property assets, significantly increasing the possibility for women to access credit. This initiative will be complemented by activities in Results Area 3 to further support entrepreneurship, especially among women and youth, building on the Prime Minister's Enterprise Start-Up Initiative.

32. **Support for an improved trade facilitation environment through the implementation of a new Customs Strategic Plan will facilitate job-creating investment in tradable sectors.** This reform initiative set out in the Strategic Plan being led by the Lebanese High Council for Customs (HCC) includes: (i) an updated Customs Law; (ii) development of a new organizational structure; (iii) modernization of the risk management system, including the introduction of a full-fledged Authorized Economic Operator (AEO) Program, which will enable proven, low-risk traders to avoid overly-burdensome inspection procedures; and (iii) introduction of "single window" systems at the Beirut port, the TSEZ, and other key border posts, allowing seamless integration of Customs, Health, and other relevant authorities, including the updating of the existing Automated System for Customs Data (ASYCUDA)-based system to support e-payments. Progress with these initiatives will require the adoption of the Customs Strategic Plan under preparation, coordination with other key ministries and agencies and the articulation of a clear implementation plan. Delivery of an improved trade facilitation environment will help underpin results on value chain initiatives, particularly in export-oriented agribusiness value chains, in Results Area 2.

Results Area 2 – Catalyzing Job Creation through Trade and Investment in Lagging Regions

33. **Results Area 2 complements the transversal actions in Results Area 1 and aims to mobilize greater private sector investment to drive expansion of job-creating, tradable sectors, with a focus on areas outside of Beirut and Mount Lebanon.** The main activities include: (i) expansion of private provision of high-speed broadband services to support productivity growth and development of the information and communication technology (ICT) services sector in lagging regions; (ii) support for investment in the TSEZ; and (iii) launch of a value chain development program in the agribusiness and ICT services sectors.

34. **To foster increased private investment and provision of faster, more competitively priced broadband fiber services in lagging regions, strengthened competition in the telecommunications sector is required.** ICT has historically been one of the most dynamic sectors in Lebanon but currently the country lags its peers in many aspects of the digital technology environment. Lebanon has significant potential to develop competitive ICT and business process outsourcing (BPO) sectors, which would deliver high quality jobs, particularly for youth. Unlocking this potential requires reforms to increase competition

and accelerate rollout of infrastructure – specifically high-speed broadband infrastructure. Significant investments in upgrading the fixed broadband networks have been approved by the GOL in 2017. A US$300 million project for the deployment of Fiber to the Cabinet (FTTC) and Fiber to the Home (FTTH) networks in Lebanon by OGERO over a period of four years has been approved by the GOL and contracts have been awarded in early 2018. The Program will support the portion of this investment taking place outside of Beirut and Mount Lebanon. To complement this, the Program will also facilitate GOL efforts to introduce greater competition in the sector. Good progress has already been made on these – the Government has authorized two data service providers (DSPs) to build fiber using OGERO's passive infrastructure, and a draft decree has been submitted to the State Council standardized licensing framework to bring all operators on the same level playing field and allow all DSPs to deploy fiber. Delivering on the results for broadband development will have a direct impact on the planned ICT value chain initiatives also in Results Area 2.

35. **The Tripoli Special Economic Zone (TSEZ) represents a potentially transformative initiative to expand economic opportunities in a lagging region.** In the context of the historically slow pace of reform in Lebanon, along with binding constraints in critical economic infrastructure (e.g. reliable electricity), SEZs can be an effective catalyst for investment in the short-term, particularly in lagging regions like North Lebanon. TSEZ not only offers an opportunity to expand investment, exports, and jobs in North Lebanon, but can also act as a showcase for the kind of high-quality business environment that Lebanon needs to be successful in the future. Based on the feasibility assessment (base case), the TSEZ should generate at least 8,600 jobs for residents of the lagging North region. It is also expected to create some temporary employment opportunities for Syrian refugees, in accordance with Lebanese laws and regulations, given the greenfield construction requirements of the project, which will employ construction labor over at least five years of development. The Program will support expenditures to accelerate implementation of TSEZ as a world-class investment and operating environment, including establishing a high-quality legal and institutional regime, undertaking initial infrastructure investment, and attracting an experienced private developer-operator. Investments through the Program are intended to accelerate implementation and maximize the impact TSEZ will have on economic opportunities at the local and regional level.

36. **Four (4) value chain development programs will be launched to leverage economic opportunities for Lebanese, focusing on the agribusiness and ICT services sectors, and other potential sectors identified by the Ministry of Economy and Trade (MOET) in consultation with the WBG.** The focus on ICT will tap into Lebanon's entrepreneurial ecosystem to generate jobs for youth, with a focus on extending opportunities outside of Beirut and Mount Lebanon. The focus on agribusiness value chains has potential to also lead to new employment opportunities for Syrian refugees, in accordance with Lebanese laws and regulations, (after construction, agriculture is the largest single sector for Syrian refugee employment). It will also provide opportunities to increase the sector's sustainability and resilience to the impacts of climate change, such as the adoption of practices and technologies that reduce the risk of large crop failures and market losses and mitigate greenhouse gas (GHG) emissions. The value chain initiative, to be developed by the MOET, in close cooperation with other relevant Ministries and agencies (e.g. MOA, MOT, MOI, IDAL) and stakeholders, including from the private sector, will finance activities including public-private dialogue (PPD) of value chain stakeholders and developing detailed action/investment plans. Value chains will be selected through consultations with the private sector, and based on criteria including job creation, competitiveness, potential to attract export-oriented investment, reach to specific targeted populations, and impact on lagging regions. The Program would be open to considering alternative value chains outside of the agribusiness and ICT services sectors, should the GOL identify a particularly high-priority opportunity during the course of the Program.

37. **The Program will establish a US$20 million matching grant fund to facilitate access to finance for Lebanese job-creating investments.** The matching grants financed through the Program will focus on

activities carried out by Lebanese firms and cooperatives that increase value addition, improve productivity, and expand access to markets, for example, investments in technology (shift to higher value-added, improve quality, increase productivity, adapt to climate change risks, etc.), technical services (for quality enhancement or new market entry), and workforce development. The fund will initially target cooperatives and coordinated investments by groups of firms, with the potential to expand access to individual firms over time. The key criteria for receiving matching grants will include: (i) meaningful job impact and social externality; (ii) commercial viability; (iii) environmental and social compliance; and (iv) beneficiary integrity due diligence. As part of the Mid-Term Review exercise, the matching grant will be assessed in terms of its performance to date and consideration given, as needed, to alternative financing approaches that could serve to better achieve the objectives set out for the matching grant program.

38. The matching grant fund will be overseen by the MOET and managed by Kafalat. The MOET will enter into an administration agreement with Kafalat no later than three months after the effectiveness date of the Program. The matching grant fund will be established no later than 365 days after the effectiveness date. It will include gender-informed measures to ensure women-led cooperatives and business consortia apply, including training and support for preparing applications and targeted outreach efforts sensitive to women's constraints. Cooperatives and firms participating in the value chain initiatives, and particularly those that receive matching grants, will be encouraged (and, where possible, incentivized) to hire and/or provide apprenticeships to beneficiaries coming through the ALMP program in Results Area 3. Further, workforce development initiatives under value chain programs will be linked directly to employment services providers delivering on the ALMPs in Results Area 3, to ensure a close link between employer needs and the identification and development of matching jobseekers.

Results Area 3 – Connecting Women and Youth to Jobs

39. **Regardless of the policy environment for job-creating investment, women and youth in Lebanon face specific constraints that restrict access to economic opportunities.** These include: mismatches in skills required in the labor market; limited social networks to find jobs; lack of information on jobs and earnings; lack of capital; and little or no work experience. The Program will develop initiatives to address each of these constraints (see Table 2).

40. **In this context, Results Area 3 aims to enhance the labor market outcomes of Lebanese women and youth, and Syrian refugees, in accordance with Lebanese laws and regulations, especially in lagging parts of the country, by improving their access to economic opportunities through on-the-job training and wage or self-employment.** Activities in Results Area 3 include: (i) setting up systems at the National Employment Office (NEO) aimed at improving the targeting, effectiveness and efficiency of active ALMPs supporting women and youth; (ii) facilitating transitions to wage-employment for first-time jobseekers and women; (iii) boosting entrepreneurship with a focus on start-ups and early stage entrepreneurs – including social entrepreneurs – in all sectors; and (iv) supporting the Office of the Minister of State for Women's Affairs (OMSWA) in evidence-based gender policy making, conducting advocacy campaigns to support women's economic empowerment, and implementing a pilot to improve access to quality childcare services so women can become economically active.

Table 2: Results Area 3 Design

Supply side constraints	Supply side interventions included in the Program	
Gaps and mismatches in technical, cognitive and non-cognitive skills	**Training and skills development programs**: technical, vocational, behavioral and non-cognitive skills (classroom and OJT, incl. internships)	Combined in the Program
Information gaps, mobility and limited access to networks	**Employment and intermediation services:** information systems, job search assistance and counselling	
Lack of capital and limited access to credit	**Entrepreneurship programs:** financial (e.g. grants), and non-financial services (e.g. business development services, mentorship)	
Little or no work experience	**Subsidized employment interventions**: wage subsidies	

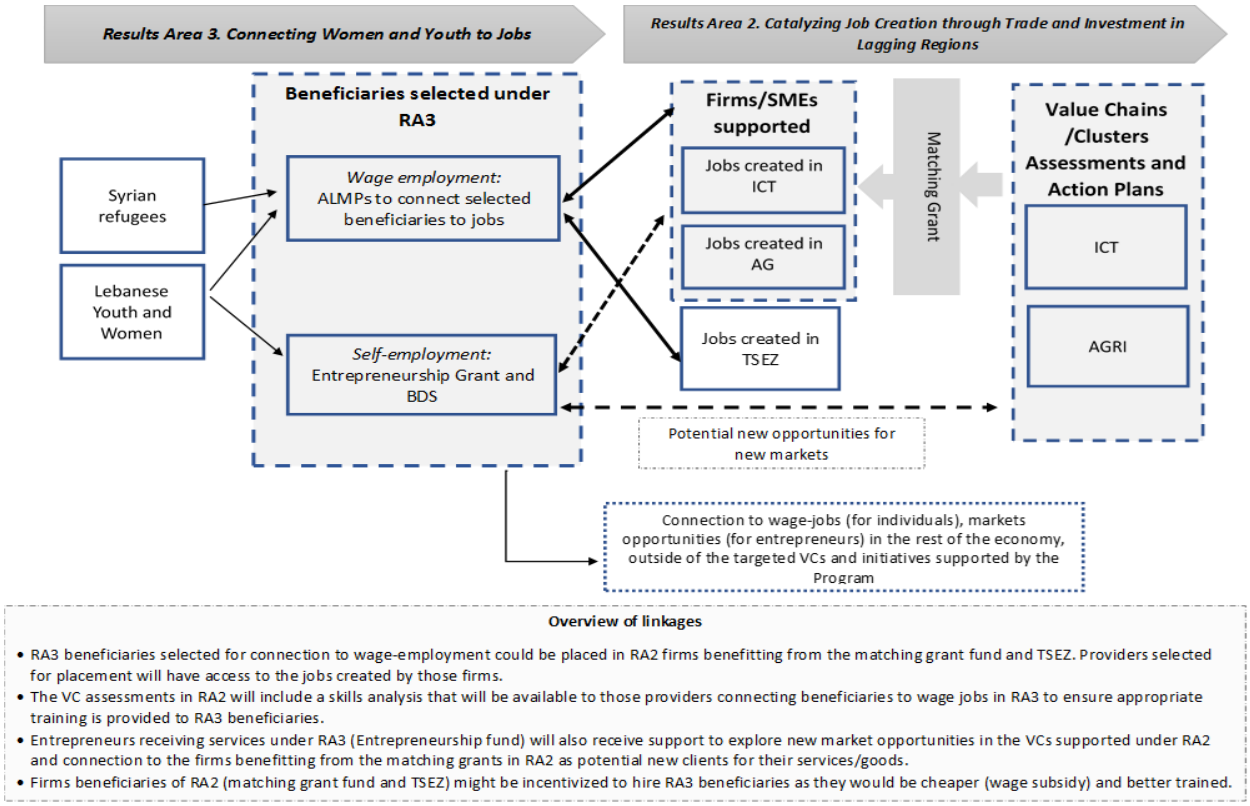
41. **Modernizing ALMPs will be delivered through the introduction of new approaches at the NEO along with much closer involvement of the private sector in design and delivery of employment services.** The Program will support the establishment of modernized registration and profiling systems as tools for better targeted and monitorable employment services to jobseekers. It will outsource the design and delivery of a tailored combination of employment services, to competitively selected private sector providers, paid based on performance. The design and delivery of employment services will be gender-informed. The ALMP services will be designed to link directly with those in Results Area 2, so that workers will be trained and placed to meet the specific needs in targeted sectors, value chains, and firms (Figure 2).

42. **A temporary wage subsidy will be introduced to incentivize employers in hiring first time jobseekers**. The Program will build on the "First Job for Youth Program" (Decree Number 8691), to be managed by NEO under the Ministry of Labor (MOL). This subsidy will target employers, who will be reimbursed for a period of twelve months[22] for the participants' social security contributions. The subsidy seeks to offset the risk that employers face in hiring workers with no experience (and, thus typically, lower productivity). It will be time-limited and be contingent on hiring and maintaining employment.

43. **Beneficiaries.** The ALMPs will target 15,000 beneficiaries, of which: (i) 12,000 Lebanese, approximately half of which are women – 8,000 youth (male and female) and 4,000 adult women; and (ii) 3,000 Syrian refugees. They will be selected following a scoring mechanism with clear and transparent pre-identified criteria and will receive an integrated package of ALMPs and wage subsidies for a period of 12 months. Selected Syrian refugee beneficiaries will only receive vocational training services in accordance with Lebanese laws and regulations.

[22] The Decree references a period of 24 months. However, the MOL and NEO prefer to pilot it first for a period covering 12 months (in the context of the Program).

Figure 2: Links between Results Areas 2 and 3



44. **The Program will aim to boost entrepreneurship among Lebanese women and youth through the launch of a US$10 million Entrepreneurship Grant fund program**. The initiative will focus on early stage entrepreneurs, for whom very little financial support is available at pre-seed and seed level from existing instruments in the market.[23] It will focus on women and youth in lagging regions as well as catalyzing the nascent social entrepreneurship sector. Grants will be distributed through a network of established intermediaries with proven track records supporting entrepreneurship and innovation, complemented by business development services. Intermediaries will be incentivized through their contracts to ensure selection of grantees (youth and women) with the highest potential to expand, innovate utilizing new technologies, and create employment opportunities. A detailed Operational Manual will be developed for this program, and will include gender-sensitive design and features. As with the matching grant program, the entrepreneurship grant program will also - as part of the Medium-Term Review - be assessed in terms of its performance to date and alternative financing approaches be considered, as needed, to better achieve the objectives set out for the Program.

45. **The Program will support women's economic empowerment by strengthening evidence-based policy making and raising awareness on women's rights in the workplace, and the benefits of increased women's participation in the labor market.** The Program will support the following activities:

a. *Advocacy unit at the OMSWA*. This unit at the Ministry would aim, in partnerships with relevant stakeholders and Gender Units[24] in ministries and institutions, to: (i) raise awareness about

[23] Beyond iSME concept development grants and few small-scale business plan competitions, few facilities are available to early stage entrepreneurs.

[24] Gender Focal Points (GFPs) – the crucial actors in mainstreaming gender across ministries in Lebanon – were established as per circular 23/2009. Currently 44 GFPs are appointed. However, the circular presents numbers of shortcomings such as lack of vision,

women's rights in the workplace (targeting both employers and employees, including refugees); (ii) share best practices amongst private sector firms in retaining and attracting women; (iii) raise awareness on the economic impact of stronger participation of women in the labor market; (iv) address gender norms; and (v) address concerns and raise awareness on the economic impact of sexual harassment at the workplace[25].

b. *Gender-focused household and employer surveys*. Supported by local and international experts and in partnership with relevant stakeholders, eight household and employer levels surveys will be conducted to shed light on the challenges faced by women in the Lebanese labor market. Such gender-disaggregated data are missing today and are critical for the newly established Ministry for relevant and adequate evidence-based policy making on gender.

c. *Gender database with gender-disaggregated data*. A database will be set up at the OMSWA to compile existing and collect new (see previous bullet point) gender-disaggregated data. The data will be publicly available.

d. *Childcare provision action plan and launch of a pilot project*. High-quality childcare accessibility and affordability are widely accepted as necessary areas needing improvement to enhance women's participation in the labor market in Lebanon. This activity will develop a detailed technical/assessment study with a clear action plan and required laws/regulations to be passed, to launch and implement a pilot to increase access to childcare for women so they can be economically active. The OMSWA will endorse and implement this initiative, supported by local and international experts, and by consulting the private sector, local partners and stakeholders (e.g. government agencies, labor unions, and civil society).

Cross-Cutting Priorities

46. **Across all parts of the Program, emphasis will be on delivering improved labor market outcomes for Lebanese women and youth, as well as Syrian refugees, as per Lebanese laws and regulations; where possible, support will focus on lagging regions of the country**. In Results Area 3 support to Targeted Beneficiaries will come through direct actions targeting these beneficiaries. In Results Areas 1 and 2, these target populations will benefit through job creation from firms, notably from SMEs, in accordance with Lebanese laws and regulations, who will benefit from an improved regulatory environment and opportunities to raise competitiveness and access export market opportunities.

47. **Women.** Across all parts of the Program, interventions have been designed and implemented in a way that addresses the barriers facing women in the Lebanese labor market – see Box 2. The Gender Units in relevant ministries (e.g. MOET, MOL, etc.) will be encouraged to be involved in the implementation to ensure gender mainstreaming in all project-activities. OMSWA will collaborate with Gender Units in evidence-based gender policy making and in designing and conducting advocacy campaigns to support women's economic empowerment. *Expected Program results for women are summarized* ***Table 9***.

Box 2: Summary of Gender-Informed Interventions in the Program

The Program has been designed to address barriers preventing access of women to economic opportunities. Specific activities include:

- The Program will strengthen evidence-based policy making as well as raising awareness on

lack of structure to support the GFPs, lack of clear tasks to be accomplished by the GFPs, etc. Therefore, the OMSWA is planning to reform the current set up and establish Gender Units in relevant ministries (including MOET and MOL). These Gender Units' mission, vision and tasks will be clearly identified in a circular. If those units are not established by the effectiveness of the operation, the Program will work through the existing GFPs.

[25] A draft law submitted by the OMSWA that criminalizes sexual harassment is pending Parliament approval; once approved, the unit could also raise awareness of the legal consequences of such behavior.

women's rights in the workplace and on the benefits of increased women's participation in the labor market through the: (i) establishment of an advocacy unit at the Office of the Minister's State for Women's Affairs (OMSWA); (ii) launch of a pilot based on a detailed technical study/assessment/action plan for the provision of high-quality childcare; and (iii) set up and operationalization of a gender-disaggregated database for improved evidence-based policymaking.

- Implementation of eight gender-focused surveys at the household and employer levels to shed light on key challenges faced by women in the Lebanese labor market.
- Establishment of a Movable Assets Registry (Results Area 1) will have a significant impact on access to finance amongst women, due to women's entrenched lower access to immovable assets that can be used as collateral.
- Job creation for women will be among the criteria used in selecting value chains (Results Area 2).
- In the matching grant (Results Area 2): (i) the fund manager will have outreach efforts targeting women-owned cooperatives; and (ii) tailored training / mentoring/coaching/ networking support for preparing applications and/or implementation, if applications are approved, will be provided.
- A communications campaign (Results Area 2 and 3) will be designed in a gender-sensitive way to attract and motivate women to participate in the Program's initiatives.
- The Entrepreneurship Grant Fund (Results Area 3) will encourage intermediaries to develop proposals that would incentivize women to submit ideas to the fund, for example an application process/dedicated window through which women can apply, and/or a quota on the number of applications submitted for approval (e.g. 50 percent of applications would need to be led by women).
- The profiling system (Results Area 3) will inform Program design for women with dependents (young children and elderly), and will help capture various profiles of beneficiaries (by considering gender, education level, geographical location, etc.).
- The pay by performance incentive system to private ALMPs providers (Results Area 3) will require to allocate a higher level of resources to boost employment opportunities for hard-to-serve women (e.g. facing resistance at home and at risk of dropping out).

48. **Youth**. In addition to the programs targeting youth directly in Results Area 3, youth are also expected to benefit significantly from economic opportunities created through development of the ICT sector in Results Area 2. *Expected Program results for youth are summarized **Table 9**.*

49. **Syrian refugees**. Syrian refugees are expected to benefit from temporary employment opportunities created from the construction associated with PPP investments, development of the TSEZ, and broadband infrastructure rollout. Benefits to refugees will also arise from upstream agricultural labor opportunities created through development of agribusiness value chains in Results Area 2. Under Results Area 3, vocational training will be provided to Syrian refugees in accordance with Lebanese laws and regulations. *Expected Program results for Syrian refugees are summarized **Table 9**.*

50. **Lagging regions**. The Program targets regions outside of Beirut and Mount Lebanon (defined as 'lagging regions') for all activities outside of transversal interventions in Results Area 1. Specifically: (i) the deployment of high speed broadband in lagging regions; (ii) the Value Chains support program will focus on value chains in lagging regions, and the matching grant fund will consider location in lagging regions as an important selection criterion; (iii) TSEZ is focused on Tripoli and the North region; (iv) beneficiaries targeted in the ALMPs will come from lagging regions only; and (v) the Entrepreneurship Grant program will have a focus on lagging regions.

D. Program Financing

51. **Financing.** World Bank funding - covering the three Results Areas described above - is US$400 million, from both IBRD and GCFF. World Bank financing is expected to contribute around 57.6 percent

of Program expenditures, with an additional estimated US$165 million (23.7 percent) financed from the GOL and US$130 million (18.7 percent) from private investment. Expenditures are based on projected five-year (2019-2023) requirements, with World Bank financing covering additional activities not initially budgeted for, but which are needed to deliver on the Program results. The Program will request a 22.5 percent advance on DLI payments to finance key activities during the first 18 months of the Program.

Table 3: Program Estimated Financing (US$m) by source (including private sector)

Source	Amount (US$m)	% of Total
Government	**165.0**	**23.7%**
IBRD (including GCFF financing)	**400.0**	**57.6%**
Private sector	**130.0**	**18.7%**
Total Program Financing	**695.0**	**100%**

Table 4: Use of Program funds (US$m) by Results Area and year (rounded)

	2019	2020	2021	2022	2023	Total
RA1: Enhancing the Environment for Private Investment	28	56	67	47	36	234
RA2: Catalyzing Job Creation through Trade and Investment in Lagging Regions	95	78	79	80	46	357
of which from private sector	27	21	26	26	30	130
RA 3: Connecting Women and Youth to Jobs	6	16	21	21	20	83
TOTAL*	130	149	167	147	102	695

** Total includes US$5 million (US$1 million annually) funding for implementation (PEU)*

52. **Engagement with donors**. There is a wide engagement of donor programs in areas key to the NJP, including supporting SME competitiveness, value chains, access to finance, and skills. These include initiatives being supported by USAID, DFID, EU, UK, as well as UN agencies including UNIDO, UNDP, and UNICEF. The WBG has maintained ongoing dialogue with development partners on most of these activities as a matter of course. In addition to the ongoing dialogue with international partners, more in-depth engagements arising from the NJP have been underway on relevant programs and activities to ensure coordination and to seek development partners' technical and financial inputs where relevant. While no donor funding is included directly in the expenditure framework of the Program, it should be noted that donors are participating in several projects that are covered in the GOL's NJP, but outside the scope of the Program (see Table 2). In addition, donors are expected to play an active technical and financial role in supporting implementation and capacity building of the Program.

53. **Private sector contribution**. Delivering on the results of TSEZ and the broadband sector development (DLIs 5 and 4, respectively) will require leveraging investment from the private sector. It is expected that private investment in the TSEZ will total US$226m overall – US$110m of this is expected to be come from infrastructure investments made by the selected private developer-operator during the Program period. Private investment by DSPs licensed through the MOT licensing regime established through the Program are expected to reach to US$70 million during the Program period, of which MOT

anticipates US$20-40 million will come in high speed broadband networks in lagging regions. Substantial private investment will also be leveraged to deliver on the PPP program and the VC and matching grant program, as well as in delivering the ALMPs.

E. Disbursement Linked Indicators and Verification Protocols

54. **Program funds will be disbursed through nine disbursement-linked indicators (DLIs).** The DLIs reflect critical elements of performance required to achieve the PDO. The range of DLIs reflects the scope of the Program, as well as the intention to minimize reliance on cross-ministerial coordination (i.e. delivery against DLIs are kept largely within the control of individual ministries). The DLIs are summarized in Table 5. The complete DLI Matrix is available in Annex 3.

55. **Selection of DLIs is based on capacity to incentivize and measure results, and pricing is informed by a computable general equilibrium (CGE) model projecting jobs impacts**. DLIs have been selected based on their capacity to leverage progress in implementing the Program and to lead to unambiguous decisions regarding disbursements. Among DLIs that reliably measure meaningful results, the Program targets those that mitigate non-performance risk, for instance, where upfront investments are required to achieve the results. Pricing of DLIs balances: *(i) Impact on job creation (CGE model)*: DLI pricing aims to reward results based on their relative expected impact on job creation (direct, indirect, and induced). This is informed by a CGE model of the Lebanese economy; the CGE model is also a key tool used in projected overall Program economic impact (see Annex 4); and (ii) *Timing*: DLI pricing aims to give the right incentives at the right time, while maintaining the possibility for a relatively smooth flow of disbursements of the Program period.

Table 5: Results Areas and DLIs

Result Area	DLI	Amount (US$ m)	Justification for DLI selection
RA1: Enhancing the Environment for Private Investment	DLI 1: Operational PPP program	$70m	Establishing a sufficiently resourced and technically capable PPP unit (DLR 1.1) is an indispensable milestone toward effective PPPs. Completing five feasibility studies on Capital Investment Plan (CIP) and other projects (DLR 1.2, scalable) will then provide sufficient basis to enable two PPP contracts to be signed by the Government and private investors.
	DLI 2: Financial Sector Development to improve lending to SMEs	$45m	The DLI measures actions that could shape a more conducive environment for MSME lending. The approval of implementing regulations to strengthen the credit infrastructure (DLR 2.1-2.2) would establish a more robust insolvency regime and allow for the use of moveable collateral in securing loans, and remove an important barrier to MSME lending, especially to women. The Movable Asset Registry (DLR 2.3) is essential to making the policy change effective. Finally, the DLI rewards the increase in lending through the number of loans using movable asset registered at the registry (DLR 2.4, scalable).
	DLI 3: Improved trade facilitation environment	$25m	The DLI measures steps that can lead to an improvement in Lebanon's trade facilitation environment. It recognizes adoption of the Customs Strategic Plan (DLR 3.1) as a critical starting point. The ultimate outcome is

			measured as an improvement in the Distance to Frontier score in the 'trading across borders' component of Doing Business (DLI 3.2, scalable).
RA2: Catalyzing Job Creation through Trade and Investment in Lagging Regions	DLI 4: Increased access to broadband internet in lagging regions	$50m	The DLI recognizes the importance of a new telecoms licensing regime based on non-discriminatory principles (DLR4.1) to strengthen competition and facilitate private sector access, and imposes a market test on its impact on broadband by disbursing against new broadband subscriptions achieved through FTTC and FTTH technologies in lagging regions (DLR 4.2, scalable).
	DLI 5: New investments established in TSEZ	$65m	The DLI bases payments on actions that are indispensable to the establishment of the SEZ (DLRs 5.1-5.2), and on a market test that measures investor's signing lease agreements to establish in the SEZ (DLR 5.3, scalable). This, therefore, targets the commercial viability of the zone and its success in attracting investment (and, indirectly, job creation). Finally, DLR 5.4 (scalable) targets job creation for Syrian refugees in TSEZ construction projects in accordance with Lebanese laws and regulations.
	DLI 6: Increased investments in targeted sectors through value chain (VC) development	$40m	The DLI is structured to incentivize effective implementation of the value chain support program (DLR 6.1, scalable); it also sets an incentive for private investment leveraged from the market (DLR 6.2, scalable).
RA3: Connecting Women and Youth to Jobs	DLI 7: Improved labor market outcomes amongst Targeted Beneficiaries	$65m	The DLI targets effective implementation of the ALMP program to support Lebanese Targeted Beneficiaries (DLR 7.1, scalable), the provision of vocational training to Syrian refugees in accordance with Lebanese laws and regulations (DLR 7.2, scalable), and an output (DLR 7.3, scalable) – Lebanese beneficiaries placed in employment.
	DLI 8: Entrepreneurship opportunities created for women and youth	$20m	The DLI first targets a critical enabling result, the successful contracting of intermediaries to deliver the grant program (DLR 8.1, scalable) and an outcome of interest, namely beneficiary entrepreneurs leveraging additional private financing (DLR 8.2, scalable), as a measure of success.
	DLI 9: Gender-based policy making for increased women's economic empowerment supported	$20m	The DLI targets the implementation and analysis of 8 household and employer surveys (DLR 9.1, scalable). It supports steps towards informing the policy dialogue on women's economic empowerment in Lebanon, including setting up a gender database to build gender-disaggregated data established at the OMSWA (DLR 9.2) and the launch of a pilot based on a technical study/assessment to increase the access to childcare provision implemented by the OMSWA (DLR 9.3).

56. **Independent Verification Agent (IVA).** Progress toward the achievement of the Program's objectives will be verified each year by an IVA. The IVA will provide independent confirmation of the results reported to the World Bank. The IVA for this Program will be a firm with the relevant technical expertise, which will be selected on a competitive basis based on terms of reference acceptable to the World

Bank. The recruitment of the IVA is a dated covenant which needs to be completed within four months after effectiveness. The cost of the IVA will be paid out of the loan proceeds. The independent verification of results will accompany any disbursement request to the World Bank. Further details on the verification protocols for the DLIs are provided in Annex 3.

F. Capacity Building and Institutional Strengthening

57. **Capacity building and process strengthening in key public institutions will be needed to achieve Program goals.** Institutional capacity and strengthening planning and delivery systems is required across all three Results Areas. The GOL will use Program funds to procure technical expertise and build implementation capacity, which is also expected to be supported by the WB and other donors. The main activities and possible sources of funding beyond the Program are summarized in in Annex 1. IFC advisory services will play an important role in providing technical advice and assistance on the implementation of the financial sector and TSEZ activities. It is also anticipated that donor partners will play support through financing and delivering on several of the capacity-building efforts.

3. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

58. **Implementing Agencies**. Given the cross-cutting nature of the jobs agenda, several agencies will be involved in implementing the Program. The Program design mitigates the complexity this implies by ensuring that each DLI is the responsibility of a specific agency who has the executive accountability to deliver on that DLI. Table 6 summarizes the responsible agencies by Results Area and activity. Dedicated staff will be needed for activities that are new and where the implementing agency does not have existing capacity. This is expected to be the case for MOET, NEO, HCP and OMSWA – details are provided in the Program Action Plan (PAP) in Annex 8.

Table 6: Implementing agencies in each Results Area

Results Area	Activity	Implementing agency (partners)
RA1: Enhancing the Environment for Private Investment	Development of PPP program	HCP
	Financial sector development	PCM (BdL/MOET)
	Telecommunications development	MOT
	Customs reforms and trade facilitation	HCC (MOF -customs administration/MOET)
RA 2: Catalyzing Job Creation through Trade and Investment in Lagging Regions	Targeted value chain development	MOET
	Matching grants	MOET (Kafalat)
	Tripoli Special Economic Zone development	TSEZA (CDR)
RA3: Connecting Women and Youth to Jobs	Strengthening and modernizing active labor market programs	NEO
	First-time jobseekers program	NEO
	Entrepreneurship program	MOET
	Improving gender-based policy making for increased women's economic empowerment and launch of a pilot to improve women's access to childcare	OMSWA

59. **Program Executing Unit (PEU)**. A Program Executing Unit (PEU) will be established within three months of effectiveness of the Program and maintained at the Ministry of Finance (MOF) throughout

the implementation of the Program. The PEU functions as the secretariat of the Coordinating Committee (see below), responsible for: (i) the overall management, coordination, reporting, monitoring, and evaluation of Program implementation, including Program fiduciary, social, and environmental management; (ii) hiring and interfacing with the IVA; (iii) carrying out Annual Performance Assessment; (iv) carrying out the technical audits; (v) facilitating financial audits for the Program, all in accordance with the Program Operational Manual (POM). In addition, the PEU will carry-out inter-ministerial and inter-agency coordination on the Program policy and technical agenda. As discussed further in Annex 4, the PEU will include Program management and monitoring and evaluation (M&E), environmental and social specialists. Including the costs of the IVA and both external and technical audits, the PEU is expected to have a budget of around US$5 million over a five-year Program period.

60. **Inter-Ministerial Coordinating Committee (CC)**. Coordination at the policy level will be ensured by a National Jobs Program CC, to be established within six months of the effectiveness of the Program. The committee will be chaired by the Minister of Finance, with participation from all ministries and agencies that are participating in the Program, including: Ministry of Finance; Prime Minister's Office; Ministry of Economy and Trade; Ministry of Labor; Ministry of Telecommunications; Ministry of Industry; HCC; HCP; TSEZA; OMSWA; and Banque du Liban (BdL). The CC will provide strategic guidance and direction and facilitate coordination across different departments, agencies and levels of Government involved. It will review and finalize recommendation reports and plans developed as part of the different Results Areas and DLIs, monitor progress of the Program on a quarterly basis. The CC will also endorse annual plans for the Program's monitoring and evaluation (M&E) activities.

61. **Private Sector Advisory Board (PSAB).** A PSAB will be established, within four months of the effectiveness of the Program, to provide guidance to the PEU and CC on Program progress and private sector feedback on key policy and program activities. Membership would include representatives from the principal Chambers of Commerce from Beirut and main cities in the lagging regions, plus other identified members to be selected by the PEU in consultation with CC members. The PSAB will be launched based on the mandate and membership to be agreed upon at the first meeting of the CC. A key aspect of this mandate would be to act as a "sounding board" for new interventions or policies that would emerge from the learning and experience of this Program.

62. **Value Chain Committee (VCC). A VCC will be established for each value chain under the program.** The VCC, chaired and appointed by MOET, will comprise members of the public and private sectors who are relevant to a given VC and agree to take on an active responsibility in the preparation and approval of the VC Action Plans. The mandate of the VCC will be set out in the Program Operational Manual (POM).

63. **Readiness and first-year implementation plans.** It is recognized that effective delivery of the Program requires actions across a wide range of ministries and agencies that have limited experience in working with the WBG or other development partners on similar types of activities. Timely and effective implementation will require substantial upfront planning as well as capacity building. To this end, the Program plans the following: (i) early organization of three-day Program launch workshop – after Board approval - with all key implementing agents and technical assistance partners – to review implementation manuals (day 1); identify capacity-building and technical gaps (day 2); set out a comprehensive program of priority capacity building over the course of the first year of Program implementation to address gaps, including in financing of these priorities (day 3).

B. Results Monitoring and Evaluation

64. **Program performance will be monitored based on the Program results framework and DLI reporting requirements** with a focus on: (i) ascertaining progress toward DLIs; and; (ii) tracking broader results. The WBG will provide Ministries and agencies participating in the NJP with technical assistance on the required design of information systems. The MOF, overseeing the Program, will monitor the establishment of the necessary capacity in implementing agencies. An independent auditor will be retained to verify reported results. The results framework includes three kinds of indicators, with distinct monitoring arrangements (see Annex 2 for a description of indicators, data collection processes, and responsibilities).

i. *Indicators that reflect whether actions have been taken following the approvals of implementing decrees (Results Area 1).* Monitoring will rely on reporting by government entities; there are no data collecting issues involved, verification is straightforward, and reporting arrangements will be limited to a requirement to report.

ii. *Indicators that measure benefits arising to and actions taken by direct beneficiaries of the NJP (Results Areas 2 and 3).* Monitoring will rely on reporting by implementing agencies, supported by beneficiary supplied information. Technical assistance will be provided to ensure that implementing agencies have sufficient data collection capacity and to strengthen the GOL's "tracking" capacity, including systems to monitor gender-specific impacts of interventions.

iii. *Indicators that measure actions taken by or benefits arising to economic actors who do not receive direct support from the Program (Results area 2).* Monitoring will rely on administrative data collected by government entities. Technical assistance will be provided to ensure that data collection protocols collect the data needed for monitoring.

65. **M&E will be supported by Program activities to support an improved evidence based on firms in Lebanon.** Support through the Program for the establishment of an SME Observatory at the MOET to track and assess data on SME development, will provide valuable input to the M&E efforts. An impact evaluation of the Program will focus on the interventions that provide funding to beneficiaries. These evaluations will: (i) assess the effectiveness of jobs programs in a labor market under considerable stress; (ii) compare the effectiveness and cost-efficiency of different support modalities in a single consistent framework; and (iii) ensure the results are gender sensitive. Building a strong evidence base on the impact of interventions in the Program will be particularly important for components that make use of grant funding to subsidize firms or individuals (matching grant, entrepreneurship grant, and subsidy for first-time jobseekers), as this evidence will guide decisions on if and how to implement these components following the pilot phase. Where possible, randomized controlled trials are envisaged to generate convincing evidence on the performance of the VC matching and entrepreneurship grant components. The degree of over-subscription of programs and the quality of applications will further determine whether randomization is feasible and desirable. Administrative data available from the MOF will allow for a high-quality non-experimental evaluation of activities including support to the TSEZ, and the value chains and broadband access components (difference in difference approaches with pre-trends).
Approximately US$600,000 have been secured to fund robust impact evaluation from the Jobs Multi-Donor Trust Fund" (parent Trust Fund number TF072322).

66. **Impact evaluation will draw upon data collected for monitoring of the Program's results, as well as additional dedicated surveys.** Data collected primarily for monitoring will play an important role in facilitating impact evaluation. This is true for both: (i) data on actions and beneficiaries that is collected through the Program's M&E system; and (ii) administrative data made available by the GOL to enable monitoring. The design of evaluations will continue to evolve alongside the NJP as program details are being refined. The administrative details of program elements will influence identification strategies (for instance, roll-out schedules and outreach campaigns).

C. Disbursement Arrangements

67. **The Program uses DLIs for disbursement**. The Program has nine DLIs spread across five years. Many of the DLIs are scalable or include sub-results (disbursement-linked results [DLRs] – See Annex 3).

68. **Disbursements will be contingent upon GOL furnishing evidence satisfactory to the World Bank that it has achieved the respective DLRs, and that these have been verified by the Independent Verification Agency (IVA) as specified in the verification protocol.** Application for withdrawal from the World Bank's financing account of amounts allocated to individual DLRs and calculated in accordance with the relevant formula will be sent to the World Bank any time after the World Bank has notified the GOL in writing that it has accepted evidence of achievement of the DLRs and the amount eligible for payment. The withdrawal amount against the DLRs achieved will not exceed the amount of the financing allocated by the World Bank for the specific DLRs. Details of the agreed disbursement rules for each DLR are provided in Annex 3. The overall amount of Bank financing disbursed may not exceed the total amount of expenditures under the Program, considering contributions from other financing sources. If, by Program completion, the Bank financing disbursed exceeds the total amount of Program expenditures, the borrower will be required to refund the difference to the Bank.

4. ASSESSMENT SUMMARY

A. Technical (including Program economic evaluation)

Strategic relevance and technical soundness

69. **The Program targets poverty, exclusion, and associated social fragility by helping put in place an environment for expanded economic opportunities**. The Syrian refugee crisis has exacerbated Lebanon's structural labor market problems that result in poor job quality, high informality, and few opportunities for women and youth, especially in lagging regions. Poverty is on the rise and exclusion among youth – both Lebanese and Syrian – has intensified. The GOL is – in part - addressing the resultant social risks by creating significant short-term (mainly in construction) employment through the CIP. The NJP complements these measures through its focus on the strengthening the investment climate for sustainable, private sector-led investment and job creation, together with targeted interventions to support Lebanese women and youth to better access economic opportunities as well as Syrian refugees as per Lebanese laws and regulations.

70. **Recognizing the FCV context, the Program is designed to be pragmatic in its interventions and support to private sector-led job creation**. First, the Program will support the GOL in taking steps forward on long-delayed reforms to unlock private investment in key job-creating sectors. Second, it will serve as a platform for the GOL to test out new initiatives and new ways of working, with a strong emphasis on private sector leadership and the government's role as an enabler in correcting market distortions and government failures. In this respect, the Program will equip key ministries and agencies with new tools, resources, and incentives to implement modern, successfully-proven approaches to supporting the private sector, jobseekers, and entrepreneurs. Third, the Program will support enhanced coordination across government, incentivized by specific resources, programs, and results targets.

71. **The Program leverages recent Bank experiences in designing integrated multi-sectoral jobs operations**. Specifically, the design reflects four key lessons: (i) lasting solutions to job creation fundamentally require a focus on unlocking barriers to private sector investment; (ii) addressing these constraints to private sector growth requires a combination of economywide reforms as well as targeted interventions in key job-creating sectors; (iii) interventions designed to address supply-side barriers in the labor market must be linked as closely possible to demand-side conditions and needs, and; (iv) the creation

of formal, waged employment, particularly in a FCV context, is unlikely to be sufficient to address the jobs challenges in the short-to-medium term. Interventions are also required to facilitate sustainable self-employment and entrepreneurship.

72. **Grant funding instruments are deployed in a targeted way, drawing on lessons from WBG experience and supported by robust impact evaluation**. A catalytic matching grant program targeting the agribusiness and ICT sectors is designed to address SME credit constraints identified through an access to finance assessment of firms in Lebanon's lagging regions, as well as to encourage innovative investments with externalities like quality upgrading and export market discovery. Its design reflects key lessons identified in a recent publication reviewing WBG experience with these instruments over two decades, including: (i) targeting specific market failures; (ii) identifying a targeted group of beneficiaries; (iii) ensuring support for business development services, including gender-sensitive services (women networking events, women mentorship, etc.); and (iv) use of an independent fund manager. Similarly, design of entrepreneurship grant draws on experience of successful programs globally, and leverages a strong base of domestic intermediaries for delivery. All grant programs will be supported by a trust-funded impact evaluation program to assess overall impacts, as well as efficiency of design and delivery.

73. **The Program is guided by a clearly developed causal chain (see figure 1) with Results Areas reinforcing one another in a results chain that moves toward jobs-related outcomes.** Transversal actions and DLIs in Results Area 1 have been selected to support vertical interventions in key sectors and labor markets in Results Areas 2 and 3, while also providing wider demonstration effects. The NJP has a focus on selected areas – PPP, Finance, Telecoms, and Customs – where reform momentum is evident. Moreover, by focusing on targeted reforms in areas that are fundamental to supporting competitiveness of vertical sectors that are the focus of Results Area 2 (agribusiness and ICT) as well target groups in Results Area 3 (e.g. women and youth, who will be major beneficiaries of reforms in Access to Finance), the overall Program is likely to have greater success. DLIs payments in the early stages of the Program are designed to support implementation of critical reforms that will help unlock job-creating investment. Meanwhile, DLIs linked to programs, and especially to grant facilities (matching grants and entrepreneurship grant) target deliver of results on investments and jobs.

74. **The Program puts strong emphasis on the private sector as not just a creator of economic opportunity but as an investor and service provider**. Results Area 1 supports development of the market for PPPs. Results Area 2 supports private investment in development and operation of the TSEZ and in broadband infrastructure, while providing technical and financial support to facilitate private investment in job-creating sectors. Results Area 3 is designed to involve private service providers, on performance-based contracts, to deliver the ALMP services and the entrepreneurship support program.

Expenditure framework

75. **Program expenditures are projected to be US$695 million from 2019-2023, of which the World Bank PforR will finance US$400 million**.

76. **Program activities are to be directly carried out by Ministries and agencies as well as in some cases contracted to the private and non-governmental organization (NGO) sector, including delivery of the entrepreneurship support program and ALMP services**. Activities under the Program will fall within the budgets of four ministries: (i) PCM (with subsequent allocation to HCP, OMSWA, OMSFAC and TSEZA); and (ii) MOL (with allocations to NEO). In both these cases the transfer is done in the budget line item "article 14" [26]. The budget allocations for the activities that will be conducted by MOET and

[26] "Contributions" to agencies reporting to a ministry or the PCM are provided for under the article (line item) 14 of the budget framework used by government entities in preparing, expending and reporting budgetary allocations.

Customs will be embedded within the current budget lines as reported by the MOF, with additional activities also accounted for within their budgets. Table 7 details anticipated public expenditure requirements by type of expenditure in each Ministry/agency and sources.

Table 7: Public expenditure requirements by responsible agency and expenditure type (US$ m) – over 5 years of Program

	Salaries and Benefits and other Current Costs (Part 1)	Equipment and Maintenance (Part 2)	CAPEX and Projects	New Programs and Grant Funds introduced in the Program	Total	Explanation on CAPEX and New Programs / Grant Funds
HCP	22	2	96	-	120	Fees for external service providers for feasibility assessment, transaction advisory, and other project preparation
PCM (BdL)	2	-	3	-	5	Technical assistance costs to implement credit infrastructure laws
MOT	-	-	120	-	120	Infrastructure and project management costs for FTTC and FFTH rollout in lagging regions
HCC (Customs Authority)	69	1	40	-	110	Costs for IT systems, screening equipment, etc. and technical advisory services
MOET	19	2	-	35	56	US$20m for matching grant fund; US$10m for entrepreneurship fund; US$5m for value chains and SME Observatory; US$1.5m for the movable assets registry
TSEZA (CDR)	28	11	31	-	70	Site Preparation investment
MOL (NEO)	9	-	-	57	66	Employment services and first-time job seekers subsidy program
OMSWA	-	-	5	-	5	Gender awareness-raising unit and databases
OMSFAC	1	0			1	
OVERALL UNALLOCATED	-	-	6	-	6	
PEU	5	1		-	6	Project Execution Unit Staff and IVA
Subtotal - public	153	17	301	93	565	
Private investment			130		130	US$110m for TSEZ and US$20m for broadband (MOT)
TOTAL	153	17	431	93	695	

77. **A review of budget allocation and expenditures across agencies responsible for delivering on the results of the Program indicates improving capacity, although some risks are apparent**. In general, a high rate of allocated budgets is usually carried over for the next year, to allow for the existing committed/contracted activities to be implemented. The review of the budget allocations for the MOET shows an overall improvement in the Ministry's ability to execute its budget to reach an average rate of 60 percent over the past six years. The Customs administration has a greater ability to execute its budgets with around 75 percent execution rate. NEO, which receives its budget as a contribution line item within Ministry of Labor's Budget, has been increasingly able to execute its budget over the past three years. HCP and TSEZA receive their budgets as contribution line items within the Office of Prime Minister's Budget. Both agencies have a shorter track record and capacity building is planned by their managements to enable them to effectively delivery on substantially increased budgets. A significant increase is envisioned to the HCP budget over the forthcoming five years, further to the enactment of the PPP law and the key role that the HCP will play in developing CIP and other projects for private investment. This provides for the needed scale-up of operations during 2018 in terms of increases in core staffing and appropriation of funds for the procurement of feasibility studies and transaction advisors. Full details are provided in Annex 4.

78. **The Program will be funded through the normal GOL budget allocation process and facilitated through the MOF**. The Program expenditure framework has been developed based on the 2017 approved budget for the different entities involved in implementation, with any additional activities captured separately and integrated into future-year budgets. MOF will have Program funds flow into the Treasury account (Account 36- Loans) upon all DLIs' achievements. MOF has the capacity and control to ensure that the right budget allocations are contributed to each agency, on a yearly basis, and the ability to consolidate the Program flow of funds in a matching manner to the costs associated.

79. **Private investment will enter the expenditure framework through a few large investors linked directly to Program-financed agencies**. The largest private investment included in the Program expenditure framework is the expected US$110 million in investment in TSEZ. This investment is expected to be made by a single private investor[27], which will be contracted by TSEZA to develop and operate TSEZ. The investor will make investments in on-site infrastructure (e.g. land plots, factory buildings, etc.), and will operate under the terms of the contract with TSEZA and the laws and regulations governing TSEZ. The second private investment included in the expenditure framework is the expected US$20 million that will come from private DSPs that will invest in fiber connecting from OGERO Central Offices to subscribers. These DSPs will be licensed by MOT subject to approval of the COM and will operate under the terms established by the applicable class license regime supported by the Program (DLI4).

80. **DLI disbursements are designed to finance future results.** DLI disbursements are intended to ensure responsible Ministries/agencies have access to the funding they need to deliver the results to which they are committed, while establishing an incentive to meet those commitments. A 22.5 percent advance on DLI payments is expected at the outset, which will help provide the necessary financing to ensure delivery. See Annex 4 for further details.

[27] While this is expected to be a single investor it is possible it could be broken into two or more contracts.

Table 8: Expected flow of public expenditures and disbursements by year (US$ m- rounded to nearest US$1 m)

	At effectiveness	2019	2020	2021	2022	2023	TOTAL
Expected public-sector Program expenditures		103	128	141	121	72	565
Expected DLI disbursements	10	92	78	56	91	73	400
Expected DLI disbursements incl advance (22.5%)	100	92	78	56	74	0	400
Cumulative public expenditure		103	231	372	493	565	
Cumulative disbursement	100	192	270	326	400	400	

** The balance of program expenditures to be financed by the private sector (refer to Table 4).*

81. **Program financial sustainability and funding predictability**. Budget allocations and budget execution trends in recent years have not raised any significant concerns over predictability and sustainability. However, the high level of instability in the wider region and the Lebanon's fragility and high debt level does expose the Program exogenous shocks. Considering this and given that the NJP introduces several grant and subsidy programs (budgeted at US$89 million over the 5-year period of the Program) that are not guaranteed continued funding beyond the completion of the Program, these have been designed as pilots with rigorous impact evaluations that should guide decisions on future funding.

Economic analysis

82. **The Program is designed to address a wide range of government and market failures that have constrained private sector investment, job creation, and the efficient functioning of labor markets in Lebanon**. The policy reforms in Results Area 1 target mainly government failures and actions with significant economywide spillovers, including through both productivity and demonstration effects. Interventions in Results Area 2 are focused more on addressing information and coordination failures in vertical sectors (and, in the case of TSEZ, government failures), and internalize discovery costs related to exporting and quality enhancement that contribute to underinvestment. These actions are expected to support job creation through the channel of increased firm investment, output, and exports, as well as increasing wages through raising worker skills. Finally, interventions in Results Area 3 aim to address information asymmetries as well as externalities related to scale economies. These actions are expected to support job creation and increased earnings through self-employment, help ensure that economic opportunities are biased toward the most socially optimal beneficiaries, and raise the productivity of jobs.

83. **The economic analysis uses a CGE model to assess Program impacts through investment and labor market channels**. Following the logic of the results chain and the PDO indicators, the economic analysis derives benefits mainly through the labor channel – via additional employment as well as increased earnings through higher quality employment. Impact estimates are derived independently from published empirical relationships between program actions and economic opportunities, as well as from a computable general equilibrium (CGE) model of the Lebanese economy[28] – Annex 4 discusses methods, assumptions, and results in detail. Each of the main activities of the Program are separately assessed for job creation and,

[28] The CGE is a dynamic eight-sector model of the economy with a disaggregated labor market structure. It is informed by 2011 household survey data and a 2009 social accounting matrix.

subsequently, economic impact. However, it is expected that many of the interventions will raise the economic returns of other interventions – these benefits are not captured in the results below.

84. **The Program is expected to create more than 52,000 permanent jobs and close to 12,000 temporary construction jobs over a 15-year period.**[29] This corresponds to around 3,500 permanent jobs and another 800 temporary jobs created every year. To put this number into context, this is more jobs than the entire Lebanese economy was creating based on the latest available survey, from 2004-2007[30] (3,400 jobs per year). The same survey indicated that Lebanon would have an average of 23,000 new labor market entrants each year over the coming decade – thus, permanent jobs created through the Program would account for more than 15 percent of overall labor market needs. Around 19,000 total jobs will be generated within the 5-year period of Program implementation. More than half of the jobs created during this 5-year period are expected to go to women and youth. The Program is also expected to create more than 900,000 person-days of construction employment for Syrian refugees during the 5-year Program period in accordance with Lebanese laws and regulations. Finally, the Program will create an additional 15,000 opportunities for Targeted Beneficiaries through placement in wage or self-employment during the 5-year Program period (see Table 9).

Table 9: Summary of key Program results – jobs and economic opportunities for individuals

	PforR duration - 5 years	**Program horizon - 15 years**
Permanent jobs	13,514	52,217
Of which, Women	*2,787*	*7,964*
Of which, Youth	*4,194*	*7,941*
Temporary construction jobs	5,375	11,584
Person-days of construction employment created for Syrian refugees as per Lebanese laws and regulations[31]	906,135	
Targeted Beneficiaries placed in wage-employment /on-the-job training	15,000	
Of which, Youth (women and men)	*8,000*	
Of which, Adult Women	*4,000*	
Of which, Syrian refugees as per Lebanese laws and regulations	*3,000*	

85. **The Program has a high economic return.** GOL investment per permanent job is US$12,506 (US$10,235 including temporary jobs). This compares well with regional benchmarks– for example Robalino (2018) estimates around US$30,000[32] in investment is required to create one direct job in Tunisia. It also compares well with benchmarks from other programs supporting jobs, for instance, US$24,037 in the Nigerian YouWiN! business plan program (McKenzie, 2017)[33]. Table 10 shows economic rates of return to GOL investment: (i) counting only wages (net of the opportunity cost of labor); and (ii) wages and

[29] A 'permanent' job is defined as one that is created due to a change in the economy that lasts (all else equal). For instance, productivity increases (e.g. in the case of broadband access), increases in capital stock (e.g. value chains), or efficiency gains (e.g. customs, collateral registry). By contrast, a job is considered 'temporary' if it is created due to changes in the economy that do not last, for instance, a demand shock in the construction sector that may create jobs for some years.

[30] World Bank (2012), "Lebanon - Good jobs needed: the role of macro, investment, education, labor and social protection policies (MILES)," Report No. 76008-LB, December.

[31] Note that estimates for Syrian construction labor opportunities assumes that Syrian workers access 50% of newly-created construction jobs as per regulations (Ministry of Labor- Decision number 1/49, February 2017) that require one Lebanese worker per Syrian worker hired in the construction sector. In practice, the share of Syrian workers in the sector is significantly higher.

[32] https://blogs.worldbank.org/jobs/how-much-does-it-cost-create-job.

[33] Adjusting by the ratio of GDP p.c. between Lebanon and Nigeria; Note this is example is from an entrepreneurship program.

tax revenue as benefits. It reflects high returns to public investments in the matching grant fund and the TSEZ, and sound returns to the entrepreneurship grant fund. Economic returns to the placement program are negative without considering the social externalities of promoting access to jobs for women and youth.

Table 10: Economic rates of return on public investment (excludes DLIs with policy outputs)

	Economic rates of return	
	Wages only - public investment	Wages + tax - public investment
Value Chains and matching grants	28%	56%
TSEZ	27%	43%
Placement	n/a	n/a
Entrepreneurship grants	5%	15%

86. Full details on the economic analysis are provided in Annex 4.

B. Fiduciary

87. **The Program has an overall "Substantial risk" fiduciary rating that will require implementation of appropriate mitigation measures.** On this basis there is reasonable assurance that the Program financing will be used for intended purposes and implementation will serve to achieve desired results. The Program will follow the country's public financial management (PFM) systems used for the execution of the Budget with proposed risk mitigating measures as detailed in Annex 5. The funds of the World Bank will be transferred to the Treasury current account at the Central Bank of Lebanon. MOF will be responsible of submitting withdrawal applications with the necessary supporting documents evidencing DLIs' achievements.

88. **The assessment identified the following risks:** (i) complex Program with several agencies including state-owned enterprises (SOE) involved in the implementation; (ii) implementing agencies that may not receive their share of the Program financing within their respective yearly budget; (iii) delays in payments reviews, processing and payments that are centrally managed by MOF; (iv) delays in funds transfers to entities' bank accounts (NEO, TSEZA, HCP, OMSWA, OMSFAC); (v) limited effectiveness of controls within SOEs as well as other implementing agencies; (vi) limited capacity of the Court of Accounts (COA) to carry out audit over the Program; (vii) weak central inspection and non-existence of internal audit function with the Lebanese public financial management framework; (viii) SOEs operations are following individual procurement regulations; (ix) weak monitoring and procurement oversight; (x) inconsistent quality of technical specifications and weak capacity for contract management and administration; (xi) cumbersome procurement processing; (xii) lack of independent complaint mechanisms; (xiii) weak automation of contract cycle to produce and monitor performance indicators; and (xiv) ghost workers and patronage recruitment of consultants within the implementing agencies.

89. **The risk mitigating measures proposed are the following:** (i) the implementation details for fiduciary arrangements will be set out in the Program Operational Manual; (ii) the yearly Budget of each implementing agency will include all budget lines covered by the Program, clearly also delineating where these budget lines are financing entirely new activities (e.g. Matching and Entrepreneurship grants, ALMP activities); (iii) the payments will be centralized through Treasury account at MOF following the country systems processes; (iv) proposition to include in the loan agreement the need to have the Program payments be given a priority in processing; (v) an independent external auditor will be hired to carry out the yearly audit of the Program with terms of reference agreed by the Bank; (vi) technical audit(s) to verify fiduciary

processing abiding by the principles of public procurement and financial management (economy, efficiency, effectiveness, transparency, and accountability) for selected high risk activities specifically the ALMP, Entrepreneurship Fund and Matching Grant Fund; (vii) technical assistance for development and revision of technical specifications; (viii) systematic consolidation of procurement processing and contract management; (ix) creation/nomination of an independent complaint unit; (x) usage of automation to collect procurement data adequate for performance analysis; (xi) publication of annual procurement plans, procurement notices and contract awards; (xii) technical auditors to verify the eligibility selection and qualifications of recruitment of staff and consultants under the Program; and (xiii) MOF to ensure adequate system in place for Program periodic reporting, as well as assume the role of coordination on the Program implementation, achievement of DLIs and their verification through IVA, external audit report timely submission, as well as the technical audits resolution of findings.

90. **Procurement exclusions**. No exclusions are anticipated since all individual contracts under this Program are estimated below the Operations Procurement Review Committee thresholds following values: (i) works US$75,000,000 equivalent; (ii) goods US$50,000,000 equivalent; (iii) non-consulting services US$50,000,000 equivalent; and (iv) consulting services US$20,000,000 equivalent.

91. **Application of the Anticorruption Guidelines**. The World Bank's Anticorruption Guidelines will be applicable to the Program as a whole. Specific requirements of the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing are the following:

- Sharing information regarding all allegations of fraud and corruption in connection with the Program, investigating all credible allegations received; reporting to the World Bank on actions taken, and cooperating in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program.
- Procurement entities monitoring and abiding by the World Bank's list of debarred/suspended firms.

92. **Fiduciary Management Capacity**: The assessment concludes on availability of procurement and financial management civil servants. Enhancement to skills and resources is needed for Program activities:

- **Program Executing Unit (PEU):** Within MOF, the PEU will operate in accordance with the POM. The PEU will facilitate proper budget planning and timely financial allocations for the respective agencies, including transfer of funds, achievement and verification of DLIs, periodic reporting of the Program implementation progress, reconciliation of Program expenditures with respect to WB financing, and timely submission of yearly Program external audit reports.
- **Implementing agencies:** Skilled procurement officers and financial managements professionals should be allocated or hired to implement the agreed necessary fiduciary arrangements with due regard to procurement and financial management principles.

93. **Program Systems and Capacity Improvements.** The below summarizes the fiduciary arrangements for the Program with respect to procurement and financial management. The PAP will record the critical support measures**.**

- **Procurement arrangement conclusions:** Despite the limitations of the procurement system, the Program activities are not sophisticated by nature and some of them were already initiated under previous Bank's funds (specifically NEO and CDR). Therefore, the Program will:
    - Implement via the entities per their mandates and regulations, after outsourcing a technical audit to monitor procurement soundness, as well as technical assistance to ensure human resources for procurement processing and contract management.
    - For public procurement, use the Central Inspection (CI)/CTB portal for posting annual procurement plans, procurement notices, and publishing contract awards. A reasonable 10 days stand-still period (between contract recommendation to award and contract signing) is to be observed to provide a window for the bidders to file procurement complaints.

- For PPP, the HCP will publish on its website all procurement notices and contract awards.
- For public procurement, use the CI as the central unit for procurement complaints that are not satisfactorily resolved by the pertinent implementing agency. A log of complaints and their resolution will be maintained and published by CI. The COA will exercise the post review and the CTB will exercise its proposed regulatory role (in accordance with the draft procurement law).
- For PPP, use the Court of Account (COA) for procurement complaints that are not satisfactorily resolved by HCP, and a log of complaints will be maintained.
- Arbitration and mediation to settle contractual disputes will follow Lebanese regulations.

- **Financial management conclusions:** Program implementation requires substantial follow up and coordination. More specifically:
  - MOF as the coordinating entity entails: (i) monitoring of DLI achievement; (ii) periodic reporting of implementing entities on Program expenditures; (iii) timely flow of funds and yearly external audit report submission to the Bank; (iv) coordination on technical auditor's findings and application of recommendations and resolution of findings and irregularities.
  - Strengthening of implementing agency capacity through the hiring/appointment of additional professionals with the required skills to implement the activities for results achievement. This will be verified as part of the technical auditor ToRs.
  - Yearly budget to reflect the required activities to be conducted for each agency to achieve its DLIs. This will be agreed upon by negotiations and reflected in the loan agreement.
  - Flow of funds is key, and the timeliness of allocation by MOF to respective public institutions (HCP, NEO, TSEZA, OMSWA, OMSFAC) is critical to Program success.
  - MOF will need to establish a reporting mechanism for the: (i) coordination, monitoring, and reporting consolidation of the program implementation; (ii) flow of funds and contract management; and (iii) external Program audit report submission to the Bank in a timely manner (not later than six months at the end of each fiscal year).
  - The anti-corruption measures proposed for the Program are found adequate as summarized in the Annex 5 and detailed in the standalone Annex Fiduciary Systems Assessment.

C. Environmental and Social

94. **An Environmental and Social Systems Assessment (ESSA) has been prepared for the Program**. The ESSA describes expected environmental and social effects, assesses the relevant existing environmental and social systems, identifies gaps between the existing systems and the core environmental and social principles of Bank Policy PforR Financing and recommends measures for bridging the identified gaps and promoting sustainability in the Program. A draft form of the ESSA was made publicly available on the Bank's website for a period of two weeks during the month of February 2018 and meetings were scheduled with government agencies, CSOs and academics to get their feedback on 26 and 27 February 2018. The final version of the ESSA was disclosed June 1, 2018.

95. **Environmental and social risks in the Program are substantial.** The level of risk is largely associated with possible investments in PPP infrastructure projects and potential cumulative environmental impacts of the TSEZ. Risks related to other activities are assessed to be moderate or low at this time. Relevant interventions under Result Area 1 (PPP projects) and Result Area 2 (broadband infrastructure, value chains/matching grants, and facilities within TSEZ) will be subject to a proper environmental and social assessment instrument, which will include mitigation measures for preventing/minimizing negative impacts and risks. All interventions that could have adverse environmental effects on areas that are sensitive, diverse, or unprecedented will be excluded from the Program. As a general rule, all interventions

included in Annex I of Decree 8633/2012 or those interventions in Annex II that are located in sensitive areas (natural protectorate – habitats of endangered species – wetlands – natural shores of the sea, rivers and springs) will be excluded. Activities that require land acquisition will be permitted, as long as such land acquisition does not negatively impact more than 100 formal or informal land users, regardless of such users' rights to the land or citizenship. Activities that have significant negative risks related to labor will also be screened out using mechanisms described in the ESSA.

Environment

96. **The Program interventions would have some environmental impacts and risks.** During construction there would be temporary impacts/risks that could be prevented/minimized by implementing adequate environmental mitigation measures. The impacts/risks during operation would vary from minor, for most the Program interventions, to substantial potentially for certain infrastructure projects as determined later during implementation. Such risks/impacts will be captured and mitigated through environmental assessment instruments that will be prepared as per the national system.

97. **The Program will also have some environmental benefits such** as supporting climate change mitigation actions in agribusiness value chains and raising the occupational health and safety (OHS) capacity among Program beneficiaries.

98. **The risks and impacts of TSEZ would have a cumulative dimension.** Currently TSEZA is preparing a masterplan and a Strategic Environmental Assessment (SEA), as required by the Decree 8213/2012. The SEA scope includes identifying different environmental aspects focusing on assessing the cumulative impacts of the development on the local environment and infrastructure. The SEA will inform the masterplan on eligible and noneligible investments (all high-risk investments will be screened out), limitations of the assimilative capacity of local environment, and planning requirements of zone. An interim report of the SEA has been prepared characterizing the baseline environmental conditions and the existing environmental stresses from current activities. The report concluded that investments in TSEZ will not cause significant impacts on the environment or the infrastructure of Tripoli City (water supply, sanitation and power infrastructure).

99. **Environmental management measures have been recommended for strengthening the system**. Those measures include requirements in the definition DLI 5 (to ensure TSEZ includes adequate environmental standards and institutional capacity) and DLI 7 (to ensure that labor beneficiaries are trained on relevant OHS measures). The PAP includes requirements for an adequate institutional structure to manage environmental issues for different implementing agencies and for the POM to screen out ineligible investments and to include adequate environmental management measures for eligible investments. There will be also technical assistance to improve the compliance with environmental and OHS requirements.

Social

100. **Overall, the Program is expected to have positive social impacts**. The Program includes mechanisms to address the needs of women, youth, and refugees. The Program will benefit these groups by decreasing unemployment and promoting entrepreneurship - activities which are expected to have positive repercussions on local communities in lagging regions. These activities will directly reduce the vulnerability of these social groups and could also have indirect impacts on social cohesion. Activities to support the business environment and financial sector will also promote transparency in the sector, thereby also increasing the ability of Lebanese of all backgrounds to benefit from private sector development.

101. **The Program has moderate social risks under several of the Results Areas**. The institutions implementing the Program largely have the capacity to manage most of these risks. The Bank will work

with the implementing agencies throughout the duration of the Program to continue to build their capacity for social risk mitigation.

102. **Social risks in Results Area 1 are related to the support provided to PPPs.** Under this results area, the Program will support two PPPs up to the stage of these PPPs being contracted. As noted above, a screening mechanism has been developed to ensure that high-risk environment and social investments are screened out. In addition, the HCP will be developing detailed environmental and social impact assessments (ESIAs), including assessment of social risks related to land acquisition. The two PPPs supported will be eligible for financing only if they do not have a high level of risk. More specifically, PPPs that negatively impact more than 100 formal or informal land users will be screened out. In addition to this, the HCP will contract a social specialist who will spend at least 50 percent of the time ensuring that ESIAs adequately address social risks, that PPPs implemented by the HCP are adequately managing risks during implementation, and that all responsible parties are aware of potential social risks and have a role in reporting and mitigating such risks. Reforms to the telecommunications sector and trade facilitation are not expected to have significant social impacts.

103. **Under Results Area 2, the most important (yet still moderate) social risks are related to labor rights and conditions in the TSEZ.** The TSEZ is expected to provide jobs to Lebanese and Syrian workers as per Lebanese laws and regulations during its construction and operational phases. The risks arise from the limited capacity of the Ministry of Labor to monitor labor conditions. However, DLR 1.2 requires that TSEZ bylaws and regulations establish labor regulations that protect workers as per the recommendations outlined in the ESSA. These measures, measures for monitoring of labor conditions that will be outlined in the POM, and the requirement for the TSEZ to include a social specialist tasked with monitoring labor conditions and mitigate against social and labor risks in the TSEZ.

104. **The TSEZ is expected to employ approximately 8,000 individuals when it is fully functioning.** Although this could result in large amounts of labor influx, the Program has chosen to support the TSEZ precisely because it would largely create employment in Tripoli. Lebanese and Syrians already living in Tripoli are expected to make up the work force for the TSEZ, with skilled foreigners being hired as needed. Although there is no data on the exact number of foreigners or Lebanese and Syrian workers expected to arrive to work in the TSEZ from outside of Tripoli, the risks related to labor influx are considered to be moderate. This is because the metropolitan area of Tripoli has a population of over one million people and the city could easily accommodate workers. However, the POM will establish a mechanism to monitor for negative labor influx impacts and all workers, whether local or foreign, will be required to sign a code of conduct outlining their expected behavior inside the zone and when relating to nearby communities. The TSEZ's social specialist will also hold regular meetings with communities surrounding the TSEZ to make sure that the TSEZA has information on potential negative impacts related to labor influx.

105. **Activities to support value chains under Results Area 2 need to be screened to avoid supporting businesses or investments with poor social or labor practices.** Eligibility criteria will be developed that will screen out proposals that could inadvertently support such practices. Establishing these criteria could indirectly have positive impacts, as it could create incentives for businesses to improve their social risk management and labor practices.

106. **Activities to support the expansion of the broadband network (Results Area 2) will also have low levels of risk.** These activities will not require land acquisition and are not expected to have permanent impacts. Temporary livelihood impacts on informal vendors are possible but not expected. If such impacts were to be identified, vendors would receive assistance to relocate temporarily their businesses.

107. **Other social risks under the project are assessed to be low.** Under Results Area 2, activities to support Value Chains and Cluster Development will include financing of a matching grant scheme. Risks

to these activities would potentially include elite capture or perceptions that project resources are allocated unfairly. Similar risks exist in support to entrepreneurship and ALMP activities under Results Area 3. The project has minimized these risks by developing strong targeting criteria and establishing mechanisms to communicate these criteria. These criteria will be further developed in the POM.

108. **Relevant Program implementing agencies will set up grievance redress mechanisms (GRMs) to manage social and environmental risks, and to gather and respond to user feedback.** A hotline will be established at the HCP that will gather feedback from people who feel PPPs have negatively impacted them. The HCP social specialist will be responsible for this mechanism. The Ministry of Economy will also establish a hotline to gather feedback and respond to complaints about the entrepreneurship and value chain/cluster support programs under its purview. The hotline will be established outside of these programs and is expected to be able to respond to complaints related to the approval/rejection of grant applications in both programs.

109. **The TSEZA will put in place a more comprehensive GRM that will receive feedback and complaints on environmental and social issues.** The GRM will be designed as per the recommendations outlined in the ESSA. See further details in Annex 6.

110. **Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation - as defined by the applicable policy and procedures - may submit complaints to the existing Program grievance redress mechanism or the WB's Grievance Redress Service (GRS)**. The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, because of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

D. Risk Assessment

111. **The overall risk rating for the Program is High**. This is primarily due to the FCV context as well as the political environment in Lebanon which often results in gridlock both on the types of reforms and the investments which would be critical for achieving the development objective.

112. **Political and governance risk is assessed as High***:* Potential stalemates in the executive and legislative branches of the Government are unpredictable and could delay effectiveness. Changes in political leadership could also affect commitment to the sustainability of the project. This risk affects all WB-financed operations and cannot be fully mitigated.

113. **Macroeconomic risk is assessed as Substantial***:* Lebanon's macroeconomic environment is highly vulnerable to political instability, and its growth prospects are largely a function of the performance of other countries in the MENA region. As such, the ongoing regional conflict is a major source of risk. In addition, Lebanon's economy is characterized by an unsustainable public debt dynamic, with low revenue mobilization, high debt level, large twin deficits (fiscal and current account), and highly dollarized pegged economy.

114. **Sector strategies and policies risk is assessed as Substantial***:* The government is putting in place strategies key to the success of the NJP including on SMEs, PPPs, Customs and the CIP. However

substantial risks exist in terms of sector implementation capacities and the level of intra-sectoral coordination that will be required if the supply and demand sides of the jobs challenge are to be effectively addressed. Adoption of the NJP is anticipated to play an important role to reinforce the cohesion across these different sector strategies.

115. **Technical design risk of the Program is assessed as Substantial***:* Determining the right multi-sector mix of policies, programs, and institutional actions poses a significant technical and coordination risk. It also requires active participation and responsiveness from the private sector. A balance will need to be achieved to ensure selection of the right combination and sequencing of activities to ensure some early successes that can also provide momentum for the more challenging initiatives that will need to be implemented for the NJP objectives to be achieved.

116. **Institutional capacity for implementation and sustainability risk is assessed as High:** The Program enjoys strong political support, including from the Prime Minister's office, the Presidency, the Ministry of Finance and other key ministries. It remains vulnerable to changes in policy that might accompany any possible future changes in the leadership and capacity weaknesses in key sectors. To mitigate this risk, the Inter-Ministerial Coordinating Committee chaired by the MOF is to be established. Capacity building will be required at the implementing agencies levels. Additionally, Private-Public Dialogue (PPD) arrangements will be put in place to ensure the effective engagement of private sector stakeholders.

117. **Fiduciary risk is assessed as Substantial***:* The main risks are the following: (i) government capacity in handling procurement processing for large packages and civil works on the technical aspect as well as procurement; (ii) Central Inspection resources to play the procurement regulatory role, resolve complaints at the level of public procurement and Court of Account (COA) at the level of PPP, standardize bidding documents and report, collect data, and train civil servants; (iii) COA resources for expediting the procurement reviews; (iv) diligent procurement planning and timelines of processing; and (v) adequate capacity in contract management. Resources will be provided to mitigate these risks, such as to: (i) build the capacity in procurement processing and contract management, as well as for regulatory roles; (ii) streamline and rationalize institutions processing; (iii) increase prior review thresholds and rely more on post reviews; and (iv) build independent complaint resolution skills.

118. **Environmental and social risk is assessed as Substantial**: The Program will support different investments of different scale and types which could have substantial risks as detailed in the ESSA. Although most of the Program interventions will be of small scale and low environmental significance, uncertainties related to the type of infrastructure and industries that could be established in the TSEZ and under the PPP component raised the risk to substantial. To mitigate these risks, all investments with significant impacts will be screened out and the implementing agencies will be capacitated with sufficient expertise to implement the ESSA recommended measures, making sure that the national environmental and social systems are effectively capturing and mitigating different risks and impacts.

119. **Stakeholders risk is rated as Substantial:** The multi-sectoral design aspect of the Program requires approval and commitment from a variety of stakeholders at the Government level, which can pose significant risks particularly given the sensitivity of the Syrian refugee element of the Program. As the Program targets lagging regions, concerns may be raised where it is perceived certain regions enjoy preferential treatment (namely, the TSEZ in Tripoli). To mitigate stakeholder risks, the project will seek overall through the different activities in the three Results Areas to ensure a national coverage and support this with a thorough stakeholder engagement process, including PPD.

E. Program Action Plan

120. **A PAP has been developed that outlines the key actions required to improve the Program, based on the findings of the core PforR assessments (technical, fiduciary, environmental, and social).** These assessments identify the critical technical requirements for achieving Program results, and the capacity of the Program's executing and implementing agencies. Based on these assessments, key implementation gaps have been identified. The full PAP matrix describing key actions, their due dates, responsible parties, and completion measurements can be found in Annex 8.

121. Important actions in the early stage of the Program include: The establishment of the PEU at the MOF, as well as capacitating implementation staff at MOET and NEO to manage pilot programs under Results Areas 2 and 3, respectively. It will also require: (i) capacity building to key service providers that will implement the Program; (ii) appointing and training staff in existing government agencies; and (iii) development of the POM to ensure sound implementation, including detailed implementation manuals for the matching and entrepreneurship grant funds; the value chain program; and the job placement program for women and youth, no later than three months after effectiveness. The MOF will take the lead and initiate the development of the POM in coordination with relevant ministries/agencies after signing the Financing Agreement. The POM will include identified measures for bridging the gaps in the existing environmental and social system; recruiting an experienced environmental specialist at the PEU level to lead the environmental program; and providing capacity building to different implementing agencies and stakeholders.

ANNEXES

Annex 1: Detailed Program Description

1. The Program Development Objective (PDO) ***is to improve economic opportunities for Targeted Beneficiaries in Lebanon***. The proposed policy reforms and interventions supported by the Program are expected to lead to increased private sector investment and job creation, in particular for Lebanese women and youth, including Syrian refugees as per Lebanese laws and regulations, with a focus on the lagging regions outside of Beirut and Mount Lebanon. The Program will complement the Capital Investment Plan (CIP) and contribute to the higher-level objectives of Lebanon's Vision for Stabilization and Development.

2. **The proposed Program covers an expenditure framework of US$695 million extracted from the overall US$1.3 billion NJP**. The areas of the NJP not covered by the Program are: (i) investments in the high-speed broadband network rollout in Beirut and Mount Lebanon; (ii) one-stop and business registration automation; (iii) the development of pilot industrial zones Baalbek, Terbol, and Joun through the Ministry of Industry; (iv) skills assessment framework and technical and vocational education and training (TVET) system reforms through the Ministry of Education; and (v) the Subsidized Temporary Employment Program (STEP).

3. **The Program is organized along three Results Areas**: (i) Enhancing the Environment for Private Investment; (ii) Catalyzing Job Creation through Trade and Investment in Lagging Regions; and (iii) Connecting Women and Youth to Jobs. The design of these Results Areas is gender informed to ensure activities and interventions are effective in facilitating women's access to quality jobs. Achievement of the results is expected also to contribute to increased economic opportunities for Syrian refugees in accordance to Lebanese laws and regulations, in part through expanding investment and employment in those sectors in which refugees are legally allowed to work. More details on each of these Results Areas are provided below.

Result Area 1: Enhancing the Environment for Private Investment

4. **Results Area 1 focuses on transversal interventions with the objective to deliver a more conducive environment across the country to promote private sector investment and employment**. Activities include: (i) Establishing the enabling environment to support expanded private sector and public-private partnership (**PPP) investment** in critical economic infrastructure; (ii) **Financial sector** strengthening to increase access to credit for MSMEs and women-owned businesses**;** and (iii) **Customs** reforms to reduce barriers to trade.

DLI#1: Operational PPP program

5. **The Program will support the implementation of the recently passed PPP law to ensure the participation of the private sector in at least two of the planned infrastructure projects listed within the government's CIP or other priority government programs.** The recently passed PPP law sets the proper legal and regulatory framework for the implementation of partnership projects. The law requires decrees and the capacitation of the High Council for Privatization and PPP (HCP) to ensure the assessment, selection, preparation, negotiation, implementation and fiscal management of private participation is carried out in accordance with the law. This will be the first result targeted through the Program. The Program will then support the operationalization of the PPP program by targeting the result of completing full feasibility studies for at least five projects from CIP or other government programs, including the Tripoli Special Economic Zone (TSEZ). Under this DLI, at least two projects - eligible from an environmental and social perspective – will be tendered to the market and contracts signed between the Government of Lebanon and private investors, in accordance with the PPP Law. Focus on delivering an operational PPP program is in

line with the World Bank's Maximizing Finance for Development (MFD). Ensuring a successful PPP project at the early stage of law implementation will set an example for subsequent PPPs, and can be used as an opportunity to design and then mainstream operational tools derived from international best practices.

6. **Delivering on these results will require a significant expansion of HCP's permanent staff along with substantial support for the recruitment of external feasibility analysis and transaction advisors**. The initial stages of the Program will focus on building the capacity of HCP to take on the substantial task of operationalizing PPP in Lebanon and delivering on the huge potential of the CIP pipeline. This will require first building an organization with sufficient staffing and expertise to manage the program – it will involve at least doubling the professional staff of HCP. The Program will support this, and provide capacity building to help ensure the institution is prepared to deliver on its growing mandate. PPP project preparation will then require a substantial annual budget (estimated at approximately US$39 million annually) for external advisors to carry out feasibility studies (to deliver on DLR 1.2) and provide extensive financial and technical advisory support (to deliver in DLR 1.3).

Recommended actions to be taken to achieve the results

7. Achievement of the above results, will require the following activities over the program period:

- Preparation of a PPP pipeline;
- Recruiting of additional HCP staff and obtaining/approval/effectiveness of a budget increase for HCP of 100 percent above the baseline of 2017 for the years 2018 to 2023;
- Conducting feasibility studies for five projects within the PPP pipeline;
- Submission of feasibility studies and approval of two PPP project by HCP Council;
- Preparation of comprehensive studies on the five PPP Projects covering technical, economic, legal and financing aspects, including the prequalification criteria and the extent of investor interest and the possibility of attracting the necessary financing.
- Approval and launch of tender documents for two PPP projects by Council of Ministers (COM);
- Signature of two PPP contracts between the Government of Lebanon and private investors, in accordance with the PPP Law.

DLI#2: Financial Sector Development to improve lending to SMEs

8. **The Program will support financial sector development to improve access to credit, in particular for SMEs that are women-owned and those based in lagging regions.** Passage of Credit infrastructure regulations (DLR 2.1. Insolvency regulation and DLR 2.2. Secured Transactions regulation) will help increase the flow of credit to small businesses and by allowing for the use of moveable assets as a collateral in securing loans and strengthening the insolvency regime to enable creditors to recover debts. Specifically, the aim of the insolvency regime, which includes a new bankruptcy law, is to establish an efficient loan recovery, restructuring and insolvency system that will allow unviable firms to exit efficiently, and viable (although financially distressed) firms to reorganize operations and restructure debt. As of February 2018, the Insolvency and Secured Transaction laws are under review in Cabinet committees. The Program will provide technical support to facilitate their implementation, once passed by Parliament, including through technical advisory to the PCM and *Banque du Liban* (BdL) on implementing regulations and requirements to ensure effective implementation in the market.

9. **The Program will also support the establishment of a movable asset registry (DLR 2.3), to make registration of movable assets more transparent and accountable, following the enactment of an effective law on secured transactions**. This step is essential for the law on secured transactions to be operationalized in the market. The movable asset registry will be an electronic registry that records the value and ownership of movable assets pledged to the registry. The Program will support the development of this registry, along with the technical and legal actions required to link it to banks so that they are able

to lend against assets on the registry. An estimated budget of US$5 million will be required. Full operationalization of the registry is expected to have a significant impact on lending to SMEs (DLR 2.4), in particular improving access to finance for women[34], as measured by an increase in non-collateralized lending. This initiative will also be complemented by a program to further support entrepreneurship, especially among women and youth, building on the Prime Minister's Enterprise Start-Up Initiative.

Recommended actions to be taken to achieve the results

10. Achievement of the above results will require the following activities over the program period:

- Drafting of secured transactions and insolvency implementing regulations;
- COM approving these two regulations;
- Establishing and operationalizing an effective electronic Movable Assets registry to enable lenders to effectively file a notice related to their proprietary rights;
- Awareness raising and capacity building activities to build knowledge among both public and private stakeholders including, BdL, MOET, commercial banks, relevant judiciary, SMEs and target groups including youth, women and enterprises in lagging regions, about the legal and institutional framework and the benefits of well-functioning secured financing systems.

DLI#3: Improved trade facilitation environment

11. **Trade processes and procedures conducted by Lebanese border inspection agencies are complex and time-consuming**. This is confirmed by Lebanon's low ranking in the Trading Across Borders indicator of the latest Doing Business Report, in which Lebanon ranks 140th out of 190 countries worldwide. High levels of physical inspections, excessive documentation requests and low levels of trade automation lead to high clearance lead times and unnecessary costs for traders. Sporadic efforts to introduce automation, reduce levels of inspections and eliminate red tape have been made by all border agencies.

12. **The Program will support Customs reform initiatives to reduce barriers to trade through automation and process streamlining.** There is currently a positive political and institutional momentum towards the implementation of trade facilitation reforms in the areas of risk management, automation and procedural simplification-constitutes. However, high level of customization to the security-intensive Lebanese trade context as well as proper integration of lessons learnt from past border management initiatives is required to ensure successful implementation.

13. **The first result targeted through the Program is to facilitate the adoption of a Customs Strategic Plan, prepared by the Lebanese Higher Council of Customs (HCC), that aims to modernize the current practices and adopt international standards practices and procedures**. The strategy includes four main pillars: (i) Enhancing the economic competitiveness of the country; (ii) promoting revenue collection and its fair/equitable and efficient collection; (iii) strengthening public safety and security; (iv) institutional development and capacity building. With a focus on the first pillar, customs activities include developing a risk management strategy which will cover implementing e-single window program, and developing a modern authorized economic operator (AEO) system. The Program will support the implementation of the strategy through financing technical and strategic analysis carried out by HCC, the Customs Administration, and international technical experts.

14. **Along with adoption of the Customs Strategic Plan, delivering on the results of DLI 3 will require development of an accompanying Risk Management Strategy, a new customs law, an**

[34] Women's lack of immovable assets and collateral disadvantages them in credit markets. The lack of sufficient collateral is one of the main reasons cited for rejection of loans and discourages many women from approaching banks, especially that women's access to ownership of and control over collateral, such as land, is limited. Only 7 percent of women own land in Lebanon.

organizational restructuring, and a clear implementation plan. The Program will support actions set out in the Strategy to improve customs performance in terms of Doing Business indicators as reflected in the "Distance to the Frontier" calculation (DLR 3.2). A critical part of this will be for the Customs Authority to sign memoranda of understanding with other government agencies with trade facilitation responsibilities (VAT, agriculture, health, security, etc.) as the next step to establishing a uniform system and eventually the creation of a full-fledged e-single window. Delivery on the overall results of this DLI will require mobilizing substantial key assets of the Customs Authority, including existing staff, facilities, and systems (estimated around US$14 million annually during the Program period), along with an additional US$40m in new project expenditures, including for new technology (ICT systems, screening equipment, facilities, etc.), and expertise.

Recommended actions to be taken to achieve the results

15. Achievement of the above results will require the following activities over the program period:

- Adoption of Customs Strategic Plan;
- A new draft customs law;
- A new draft for organization;
- Consultations with traders and other stakeholders as part of PPD process;
- Preparation of a Risk Management Strategy and updating of the compliance methodology towards an AEO program;
- MOUs signed with government agencies to join the single window program.

Results Area 2: Catalyzing Job Creation through Trade and Investment in Lagging Regions

16. **Results Area 2 has the objective to deliver greater private sector investment in job-creating sectors, with emphasis on supporting SME competitiveness and expanding export potential of firms in lagging regions.** The main activities in Results Area 2 include: i) Rollout of investment in high-speed broadband, with private participation, in lagging regions; ii) Support for the Tripoli Special Economic Zone (TSEZ); and iii) Launch of pilot value chain support program in high priority sectors.

DLI#4: Increased access to broadband internet in lagging regions

17. **To foster increased private investment and provision of faster, more competitively priced broadband fiber services in lagging regions, strengthened competition in the telecommunications sector is required**. Lebanon has significant potential to develop competitive ICT and business process outsourcing (BPO) sectors, which would deliver high quality jobs, particularly for youth. Unlocking this potential requires implementation of reforms to increased competition and accelerated rollout of infrastructure – specifically high-speed broadband infrastructure. An estimated US$300 million project for the deployment of Fiber to the Cabinet (FTTC) and Fiber to the Home (FTTH) networks in Lebanon by OGERO over a period of four years has been approved by the Government of Lebanon (GOL) and contracts have been awarded in early 2018. The Program will support the approximately US$120 million of this investment that is expected to take place in areas outside of Beirut and Mount Lebanon.

18. **Complementary actions are needed to support a competitive environment for private sector participation and sustainability**. The government initiated the process of preparing a standardized licensing framework to allow all existing DSPs to deploy fiber. A draft decree has been submitted to the State Council and a transparent, uniform class licensing regime for all DSPs to acquire certain rights and move to become nationwide, facilities-based operators is to be established. This will enable the private sector to compete with OGERO and contribute to the development of high-speed internet infrastructure in Lebanon, with a particular Program focus on lagging regions. Delivering on the results for broadband

development will have a direct impact on the planned ICT/BPO value chain initiatives also in Results Area 2. In addition, investment in broadband infrastructure is crucial to enable energy supply and distribution companies to adopt smart grids and ICTs to increase renewables, reduce losses, prevent outages, and increase energy efficiency of consumers—all of which have demonstrated reductions on greenhouse gas emissions in the electricity sector and are a key element to achieving Lebanon's intended nationally determined contribution (INDC). It can also be used to facilitate the development of new data sources and promote smart practices that can achieve greenhouse gas (GHG) emissions reductions and improve resilience across other sectors, such as agriculture, forestry, water, sanitation and transport.

Recommended actions to be taken to achieve the results

19. Achievement of the above results will require the following activities over the program period:

- Ministry of Telecommunications (MOT) to prepare and issue a new licensing regime, authorizing all DSPs meeting standard conditions to lay down fiber, with no minimum investment obligation, and adopting a revenue sharing model, beginning in 2019;
- Licenses based on the new regime to be issued to private DSPs subject to the approval by COM by mid-2019;
- Draft reference offer developed by MOT (including terms of access to OGERO's essential facilities, pricing);
- Implementation of the planned FTTC and FTTH plan of the MOT/OGERO.

DLI #5: New investments established in TSEZ

20. **The Tripoli Special Economic Zone (TSEZ) represents a potentially transformative initiative to expand economic opportunities.** In the context of the historically slow pace of reform in Lebanon, along with binding constraints in critical economic infrastructure (e.g. reliable electricity), SEZs can be an effective catalyst for investment in the short-term, particularly in lagging regions like North Lebanon. TSEZ not only offers an opportunity to expand investment, exports, and jobs in North Lebanon, but can act as a showcase for the kind of high-quality business environment that Lebanon needs to be successful in the future. TSEZ is expected to generate substantial job opportunities for residents of the lagging North region.

21. **It is also expected to create temporary employment opportunities, in accordance with Lebanese laws and regulation, for Syrian refugees,** given the greenfield construction requirements of the project, which will employ construction labor over at least five years of development. Support provided to TSEZ through the Program is intended to: (i) facilitate private sector investment in development and operations of the zone; (ii) accelerate implementation; and (iii) maximize the impact TSEZ has on job creation at the local and regional level. This will be achieved through support for initial onsite infrastructure investment, development of a world-class institutional and regulatory regime, development of a quality, sustainable business and market plan to attract a private developer/operator, and design and implementation of programs to support local labor market and supply chain linkages. The TSEZ, particularly as it relates to construction activities, also provides an opportunity to mainstream climate change mitigation into development. The project team will advise the Government to include in the terms of reference for potential developers the review of energy efficient improvements, including using building techniques and materials that enable the reduction of energy consumption[35].

22. **Delivery on these objectives will require substantial capital and operational expenditure.** Given that TSEZ is a new and potentially transformative job-creating initiative for a lagging region, the entire budget of TSEZ as well as expected private investment, is included in the expenditure framework.

[35] For example, more efficient insulation will contribute to increased efficiency in air conditioning and heating. When available, improvements will also include energy efficient lighting, appliances and equipment.

This includes US$6 million annually (on average of the 5-year period) for operational costs and US$40m in expected public investment for infrastructure and maintenance; it also includes an expected US$110 million in private investment over the period of the Program.

Recommended actions to be taken to achieve the results

23. Achievement of the above results will require the following activities over the program period:

- TSEZ Masterplan completed;
- Interim Licensing Regime completed;
- TSEZ regulatory and institutional design completed;
- TSEZ marketing and investment promotion program completed;
- Investment roadshows;
- Call for proposal issued for developer/operator (under statutes of PPP law);
- Developer-operator agreement signed.

DLI #6: Increased investments in targeted sectors through value chain (VC) development

24. **Four (4) value chain support programs will be launched to leverage economic opportunities for Lebanese, focusing on the agribusiness and ICT services sectors and other potential sectors identified by the Ministry of Economy and Trade (MOET) in consultations with the WBG; they will be supported by matching grants to facilitate investments by Lebanese cooperatives and SMEs to enhance quality, improve productivity, and expand exports.** The aim of this intervention is to incentivize and crowd in private sector investment in value chains with growth and job creation potential in lagging regions. The Program will focus on the agribusiness and ICT services sectors and other potential sectors identified by the MOET in consultations with the WBG. The VC programs will focus on value chains that have potential to create employment, including jobs suitable for women and for youth. The focus on agribusiness value chains will also create employment opportunities, in accordance with Lebanese laws and regulations, for Syrian refugees (after construction, agriculture is the largest single sector for Syrian refugee employment). It will also provide opportunities to increase the sector's sustainability and resilience to the impacts of climate change (i.e. water scarcity, land degradation), such as the adoption of practices and technologies that reduce the risk of large crop failures and market losses and mitigate greenhouse gas (GHG) emissions, as well as other improved processes and operations. Specific value chains will be selected through consultations with the private sector including key members of the PSAB and private sector representatives from the lagging regions, and based on criteria including (in addition to job creation), competitiveness and potential to attract export-oriented investment, reach to specific targeted populations, and impact on lagging regions.

25. **Activities supported under the Program include**: (i) the establishment of the institutional capacity at MOET for supporting value chains; (ii) the development of action plans for selected value chain pilots, and; (iii) implementation of the value chain action plans including piloting a matching grant fund that will provide co-financing and support services for new investments. Matching grant allocations will be based on eligibility and performance criteria including: (i) the soundness of their investment proposals; (ii) compliance with environmental and social requirements set out on the project operations manual; (iii) explicit social rate of return and job creation goals and; (iv) beneficiary integrity due diligence.

26. **The Value Chain (VC)Action Plans will be supported by the establishment of a matching grant fund. The institutional and implementation arrangements for the matching grant program will be detailed in the Program Operational Manual (POM).** The program is budgeted at US$25 million, including US$5 million value chain support program and an SME observatory, and US$20 million for matching grant fund that will support investments identified through the program. The matching grants will

provide financing up to 50 percent and a maximum of $250,000 of the total investment. At the initial launch of the program, the grants will be made available to cooperatives and groups of companies. As the program develops, a window may be opened to allow for grants to be made available to individual firms. The program will be implemented by MOET in cooperation with other relevant Ministries and agencies (e.g. MOA, MOT, IDAL, MOI) and key stakeholders.

27. **The matching grants will particularly target activities that face the financing constraints**. Eligible would include: (i) quality enhancements (technologies to upgrade quality, compliance with international standards and acquisition of international certification services, securing IP rights etc.); (ii) skills development and upgrading management capacity (trainings, workshops etc.); (iii) new product development including development of new or improved products; (iv) new market development (services including development of e-commerce, business advisory, market research and export information etc.; goods (including equipment related to new products or markets, investments in packaging etc.); and iv) other instruments and services that improve business operation and reduce risk (credit insurance, agriculture insurance etc.). The matching grants may be used to cover both operating and capital expenditures incurred as part of these activities, within limits and conditions that will be determined in a manner that ensures additionality, externalities, and a social return as set out in the POM.

28. As part of the Mid-Term Review exercise, the matching grant will be assessed in terms of its performance to date and consideration given, as needed, to alternative financing approaches that could serve to better achieve its objectives.

Recommended actions to be taken to achieve the results

29. Achievement of the above results will require the following activities over the program period:

- Establishing institutional capacity at MOET to support VC work, including training the implementation team and establishing the Value Chain Committee (VCCs) and a management information system (MIS)/monitoring and evaluation (M&E) system;
- Appointing consultants to prepare VC Action Plans;
- Selecting and mobilizing the VC pilots;
- Preparing strategic Action Plans for selected VCs (through VC analysis and implementing a program of Public Private Dialogue);
- Implementing the VC Action Plans;
- Developing the matching grant operations manual, including gender-sensitive design features;
- Establishing VC matching grant fund;
- Supervising and reviewing the disbursement of the matching grant fund.

Results Area 3: Connecting women and youth to jobs

30. **Results Area 3 aims to improve the labor market outcomes amongst Lebanese women and youth, and Syrian refugees as per Lebanese laws and regulations, especially in lagging parts of the country, by improving their access to economic opportunities through on-the-job training/wage or self-employment**. This will be achieved through improved targeting, effectiveness and efficiency of active labor market programs; ensuring equitable access to job opportunities by vulnerable groups, especially youth, including through a targeted wage subsidy for first-time jobseekers; and facilitating access to capital and business development services for Lebanese youth and women entrepreneurs.

DLI #7: Improved labor market outcomes amongst Targeted Beneficiaries

31. **The Program will support three inter-related interventions.**

(i) *Program intake and profiling of beneficiaries* to support the implementation of targeting, registering, selecting and profiling beneficiaries, specifically:

- Design and implement an extensive outreach process to identify and attract Program beneficiaries. Outreach activities will adopt a tailored gender-sensitive approach for different target groups (women, not in employment, education, or training [NEETs], youth, urban versus rural areas);
- Set-up a Management Information System (MIS) for the Program and all required processes for the enrollment and monitoring of beneficiaries during implementation
- Support the establishment of a profiling system to better understand the constraints individuals face. This will enable the categorization of beneficiaries into homogeneous groups facing similar labor market barriers and help estimate the scope (and thus cost) of ALMPs that will be expected from service providers. The results of this job profiling exercise will help tailor services for target youth and women, depending on the type of labor market or social barriers they face, and provide more inclusive and effective support.

(ii) *Provision of a package of tailored Active Labor Market Programs (ALMPs) to connect beneficiaries to wage-employment.* To improve the employability of beneficiaries and their access to wage-employment opportunities, the Program will finance and deliver a combination of ALMPs for Lebanese beneficiaries (e.g. counseling, mentoring, training linked to employers needs in technical or soft-skills[36], job-search assistance, information about job or business opportunities) (DLRs 7.1 and 7.3) and vocational training for Syrian refugees in accordance with Lebanese laws and regulations (DLR 7.2). The provision and design of those ALMPs and training for each project beneficiary will be outsourced to private sector providers (for profit and/or non-profit NGO) selected through a competitive process and paid by performance (upon placement and retention of beneficiaries in jobs). This performance-based payment will be carefully designed to accommodate costs and incentives for successful connection of hard-to-serve groups (informed by the results of the profiling system) to on-the-job training and job opportunities to avoid "cherry-picking" or "parking". An indicator to measure the aggregate performance of each provider (including a beneficiary satisfaction assessment) will also be constructed. The better the provider performs; the higher likelihood it will have of being selected in subsequent cycles. The services proposed in this Results Area (especially related to skills development and trainings) will be designed to link directly with those in Results Area 2, so that workers will be trained and placed to meet the specific needs in targeted sectors, VCs, and firms.

(iii) *Hiring Incentives.* The Program will offer temporary wage subsidies to incentivize employers in hiring first-time job seekers. Wage subsidies lower the cost of labor, thus incentivizing employers to hire them for a specific period, until they gain more experience and increase their productivity. The Program will build on the "First Job for Youth Program" (Decree Number 8691) which aimed at improving the employability of Lebanese first time jobseekers through the provision of temporary wage subsidies. This subsidy in the Program will target employers, who will be reimbursed for a period of 12 months for the participants' social security contributions to the NSSF, amounting to 21.5 percent of participants' wages. In addition, employers will receive an additional incentive equivalent to 10 percent of participants' wages.

32. **The Program will target 15,000 beneficiaries, of which**: (i) 12,000 Lebanese, approximately half of which are women – 8,000 youth (men and women) and 4,000 adult women; and, (ii) 3,000 Syrian refugees in accordance with Lebanese laws and regulations. The Lebanese beneficiaries will receive all the services mentioned above, while the Syrian beneficiaries will only receive vocational training as per Lebanese laws and regulations.

[36] Training provided for a specific job will include the OHS aspects for such job. This will only apply to qualified workers in certain risky jobs, and will be further detailed in the POM.

Recommended actions to be taken to achieve the results

33. Achievement of the above results will require the following over the program period:

- Eligibility criteria and prioritization system defined and agreed by the Government to select Lebanese beneficiaries of ALMP services for placement on wage-employment and Syrian refugees for the provision of vocational training in accordance with Lebanese laws and regulations;
- Design of the wage subsidy financial mechanism (i.e. agree on either reimbursement or waiver to employers);
- New Management Information Systems (MIS) for registration and profiling designed and implemented;
- Training of NEO staff on the MIS system, profiling system and new approach to ALMP provision by private sector (contracting, performance verification for payment, monitoring, design of ALMP services, etc.);
- Gender-sensitive outreach and awareness campaign designed and executed;
- Competitive selection and performance-based contracting of private providers of ALMP services.

DLI #8: Entrepreneurship opportunities created for Lebanese women and youth

34. **The Program will support the establishment of an Entrepreneurship Fund to support Lebanese women and youth entrepreneurs – for whom very little financial support is available at pre-seed and seed levels from existing market instruments - by providing cash grants and business development services based on the quality of their business plan proposals**. The Fund will address market failures for early stage entrepreneurs such as information asymmetries (lack of credit history) and financing gaps and improve the capabilities and skill set of entrepreneurs to be able to create commercially viable startups. The estimated size of the intervention is US$12 million, including US$10 million to be distributed as grants and US$2 million for business development support training/services and grant fund administration costs. Individual grants are expected to range between US$2,500-US$15,000. The fund will target 1,500-2,000 entrepreneurs. Beneficiaries will be individuals below the age of 35 and adult women, with a focus on lagging regions.

35. **The Entrepreneurship Fund will be delivered through a wholesale model working with the Lebanese private sector**. In order to ensure effective reach to a wide range of beneficiaries as well as efficient and effective implementation, grant funds will be delivered through qualified intermediaries (wholesale approach to implementation), who will handle the review, selection, training, and disbursement for a portfolio of beneficiaries. Intermediaries will be competitively selected based on eligibility criteria and scoring of their proposal. Examples of intermediaries include accelerators, incubators, universities and other business development service providers.

36. As part of the Mid-Term Review exercise, the Entrepreneurship Fund will be assessed in terms of its performance to date and consideration given, as needed, to alternative financing approaches that could serve to better achieve its objectives.

Recommended actions to be taken to achieve the results

37. Achievement of the above results will require the following activities over the program period:

- Appointment of entrepreneurship program implementation team at MOET;
- Entrepreneurship fund operations manual completed, which includes gender-sensitive design and features;
- Launch the call for proposals for grant intermediaries of the Entrepreneurship Fund;

- Ensure regular reviews of Entrepreneurship Fund disbursements.

DLI #9: Gender-based policy making for increased women's economic empowerment supported

38. **The NJP will support efforts to reform existing legal and policy-level barriers that prevent women from participating in the labor market and contribute to higher unemployment and low-quality employment among women**. Two specific interventions that could be piloted and evaluated include: (i) *support to childcare* through two main venues: piloting the provision of vouchers to families to use for qualified private childcare services, or bringing down the age requirement of the child from three years to four months in the National Social Security Fund (NSSF) benefit of family allowance, and (ii) *improve access to finance* by piloting psychometric testing techniques in place of collateral requirements with some of the biggest banks. However, these interventions would require further policy level dialogue and considerable time to design and implement, and therefore could not be included in this proposed Program.

39. **The NJP will support and encourage women's economic empowerment by strengthening the evidence-based policy making as well as raising awareness on women's rights in the workplace and on the benefits of increased women's participation in the labor market. The Program will support the following activities:**

- *Advocacy unit at the OMSWA.* This unit at the ministry would aim to, in partnerships with relevant stakeholders and Gender Units in ministries and institutions: (i) raise awareness about women's rights in the workplace (targeting both employers and employees, including refugees), (ii) share best practices amongst private sector firms in retaining and attracting women; (iii) raise awareness on the economic impact of stronger participation of women in the labor market, including in entrepreneurial activities as a response to social-cultural concerns and traditional approaches to women's employment; (iv) address gender norms, through for example, showing a positive image of fatherhood helping in domestic chores, etc.; and (v) address concerns and raise awareness on the economic impact of sexual harassment at the workplace - a draft law has been submitted by the OMSWA that criminalizes sexual harassment and is pending Parliament approval; once approved, the unit could also raise awareness of the legal consequences of such behavior.
- *Eight gender-focused household and employer surveys are completed and results are published on OMSWA website (DLR 9.1).* Supported by local and international experts and in partnership with relevant stakeholders, eight household and employer level surveys will be conducted to shed light on the challenges faced by women in the Lebanese labor market. The household-level survey would provide gender-disaggregated data on labor market outcomes (e.g. labor force participation, employment by sector/region/age, etc.). The employer survey would be implemented in key economic sectors (e.g. manufacturing, tourism, agriculture, etc.) to gather information on women's employment in those sectors, at the firm level. Such gender-disaggregated data are missing today and are critical for the newly established ministry for relevant and adequate evidence-based policy making on gender.
- *Gender database with gender-disaggregated data (DLR 9.2).* A database is proposed to be set up at the OMSWA to compile existing and the newly-collected gender-disaggregated data (as per DLR 9.1). The first step will be to coordinate with different ministries (working with the Gender Units, for example) and donor agencies to compile existing administrative data related to women (e.g. access to education, jobs, health, etc.).
- *Childcare provision action plan and launch of a pilot project (DLR 9.3).* High-quality childcare accessibility and affordability are widely accepted as necessary areas needing improvement to enhance women's participation in the labor market in Lebanon. This activity will therefore develop a detailed feasibility study, with a clear action plan and required laws/regulations to be passed, and

launch a pilot to increase access to childcare for women so they can be economically active. The OMSWA will lead on the development of this assessment and the implementation of the pilot, supported by local and international experts, and by consulting with the private sector, local partners and stakeholders (e.g. government agencies, labor unions, and civil society).

Recommended actions to be taken to achieve the results

40. Achievement of the above results will require the following activities over the program period:

- Develop the childcare assessment with a detailed action plan and draft policy/laws;
- Design of the childcare provision pilot;
- Endorsement and implementation of the childcare provision pilot;
- Established and operational gender database (recruit IT firm to design the database, purchase the necessary hardware and software for the database, develop an action plan of required data to be collected, etc.);
- Established an advocacy unit and launch at least one public campaign;
- Established partnerships (e.g. through MOUs) with relevant government ministries and agencies, needed for the database (so data can be share) and for the advocacy units (so they can partner for relevant topics/areas);
- Design, implementation and analysis of eight household- and firm-level surveys.

Technical assistance and capacity building

41. **Capacity building and process strengthening in key public institutions will be critical to achieving the Program goals.** For the Program to be successful and sustainable, it must build institutional capacity and strengthen planning and delivery systems across all three Results Areas. The GOL will use Program funds to procure technical expertise and build implementation capacity, which is also expected to be supported by the WB and other donors. The main activities and possible sources of funding beyond the Program are summarized in Table 10 below. IFC advisory services will play an important role in providing technical advice and assistance on the implementation of the financial sector and TSEZ activities. It is also anticipated that donor partners will provide support through financing and delivering on several of the capacity-building efforts.

Table 10: Capacity-building and system-strengthening

Results Area	Capacity building and systems strengthening	Budget / Source
Overall	Fiduciary capacity building support to MOF (including PforR expenditure tracking), MOET, NEO, and TSEZA	WBG Program implementation support
	Environmental and social capacity building support to MOET, HCP, MOT, NEO (and OHS Department of MOL), Ministry of Environment and TSEZ	WBG Program implementation support
	Support for M&E to MOF, MOET, NEO, and TSEZA	WBG Program implementation support and World Bank Jobs Multi-Donor Trust Fund
	Support for Grievance Redress Mechanisms for MOET, NEO, HCP, TSEZA, OMSFAC, Central Inspection	WBG Program Implementation Support
RA1: Enhancing the	Support for implementation of credit infrastructure regulations	IFC and other donor partners

Results Area	Capacity building and systems strengthening	Budget / Source
Environment for Private Investment	Support to HCP and MOF on fiscal commitment and contingent liability management and PPP feasibility and transactions advisory activities	WBG "Strengthening fiscal governance" project; IFC PPP advisory and other donor partners
	Support to HCC for implementation of Customs Strategic Plan	Additional financing needed (potential through WBG Trade TF)
RA2: Catalyzing Job Creation through Trade and Investment in Lagging Regions	Support to Ministry of Telecommunications for establishing DSP licensing regime and a reference offer (including terms of access to essential OGERO facilities, pricing models)	WBG Advisory Services and Analytics (ASA) AA-P164787-ASA-BB
	Support to MOET to institutionalize and initiate research in SME Observatory	WBG Program implementation support
	Support to MOET to institutionalize value chains support program, including staffing, training, building capacity to undertake VC analysis, launch of public-private dialogue	Additional financing needed
	Support to MOET to establish monitoring framework for assessing outcomes of matching grant and entrepreneurship grant funds	WBG Jobs TF
	Establishing overall institutional and regulatory framework for TSEZ, including quality environmental management and labor regulation regime	IFC and ILO advisory
	Developing a gender diagnostic to the TSEZ to identify measures to encourage women's involvement in the zone	TBD
RA3: Connecting Women and Youth to Jobs	Establishing the MIS system and building capacity of NEO	WBG Jobs TF; Program implementation support
	International expertise to support NEO in the development of: (i) statistically-based profiling system; and (ii) performance-based system with strong monitoring/evaluation of private providers to track performance	Additional financing needed
	Capacity building and technical support to OMSWA in setting up the gender-disaggregated database in terms of the design of this database as well as the different surveys to be implemented to collect gender-disaggregated data	Additional financing needed
	Capacity building and technical support to Gender Units in relevant ministries of the Program (e.g. MOET, MOL, etc.) to better mainstream gender in the ministries' programs	Additional financing needed
	Capacity building to MOL on Occupational Health and Safety (OHS) and to strengthen labor inspection regime	Additional financing needed (potentially through ILO)

Annex 2: Results Framework Matrix

PDO/Outcome Indicators	Intermediate Results Indicators	DLI #	Unit of Meas.	Baseline (2018)	Y1 (2019)	Y2 (2020)	Y3 (2021)	Y4 (2022)	Y5 End Target (2023)
				Targets are cumulative					
PDO Indicator 1: Private capital mobilized[37] following the implementation of policy reforms and amongst businesses supported by the project			**US$**	**0**	**0**	**31,100,000**	**70,000,000**	**305,500,000**	**445,000,000**
	IR Indicator 1.1: Professional staff (non-administrative) recruited in HCP	1	Number	4	10	15	20	20	20
	IR Indicator 1.2: Private investment committed to PPP projects through signed contracts in accordance with the PPP Law	1	US$	0	0	0	0	200,000,000	300,000,000
	IR Indicator 1.3: Number of new GOL agencies connected to the Customs system	3	Number	1	4	7	10	13	13
	IR Indicator 1.4: Approval of a risk management strategy by HCC	3	Yes/No	No	No	No	Yes	Yes	Yes
	IR Indicator 1.5: Amount of new private investment in fiber-optics (FTTH)	4	US$	0	0	20,000,000	40,000,000	50,000,000	70,000,000
	IR Indicator 1.6: TSEZ Masterplan approved by COM	5	Yes/No	No	Yes	Yes	Yes	Yes	Yes
	IR Indicator 1.7: Private investment in the TSEZ	5	US$	0	0	7,500,000	19,000,000	36,500,000	51,000,000
	IR Indicator 1.8: Private investment generated from beneficiaries under the matching grant program	6	US$	0	0	3,600,000	11,000,000	18,000,000	22,000,000
	IR Indicator 1.9: Additional private investment in businesses receiving entrepreneurship grants	8	US$	0	0	0	0	1,000,000	2,000,000

[37] According to the *Core Sectors and Indicators Definition* report by the Results Platforms, World Bank (2014), "Mobilized private capital" is private capital that has been fully committed. For projects where private capital comes from debt, equity, or both, private capital is mobilized when it is fully committed and all conditions precedent to the first drawdown are fulfilled or waived. Therefore, loan funds are available for drawdown. For projects where private capital comes from equity only, private capital is mobilized when the contract under which private equity will be provided is signed and becomes effective.

PDO/Outcome Indicators	Intermediate Results Indicators	DLI #	Unit of Meas.	Baseline (2018)	Y1 (2019)	Y2 (2020)	Y3 (2021)	Y4 (2022)	Y5 End Target (2023)
				Targets are cumulative					
PDO Indicator 2: Full-time equivalent (FTE) direct jobs created among businesses supported by the Program			**Number**	**0**	**0**	**0**	**900**	**1,900**	**3,300**
	IR Indicator 2.1: Number of additional FTE direct jobs among firms located in TSEZ	5	Number	0	0	0	500	1,000	2,000
	IR Indicator 2.2: Number of additional FTE direct jobs among beneficiaries from the matching grant fund	6	Number	0	0	0	300	700	1,000
	IR Indicator 2.3: Number of FTE direct jobs among businesses benefiting from the entrepreneurship fund, including self-employment	8	Number	0	0	0	100	200	300
	IR Indicator 2.4: Construction labor days in TSEZ for Syrian refugees	5	Number	0	45,000	90,000	135,000	180,000	225,000
	IR Indicator 2.5: Funds disbursed under the matching grant fund to selected beneficiaries	6	US$	0	0	5,000,000	10,000,000	15,000,000	18,500,000
	IR Indicator 2.6: Number of entrepreneurs with business plans supported by the Entrepreneurship Fund *Of which women (minimum %)*	8	Number	0	0	700 *40%*	900 *40%*	1,100 *40%*	1,500 *40%*
	IR Indicator 2.7: Number of formally established firms after receiving services from entrepreneurship fund	8	Number	0	0	0	0	100	300

PDO/Outcome Indicators	Intermediate Results Indicators	DLI #	Unit of Meas.	Baseline (2018)	Y1 (2019)	Y2 (2020)	Y3 (2021)	Y4 (2022)	Y5 End Target (2023)
				Targets are cumulative					
PDO Indicator 3: Supported beneficiaries with wage employment			**Number**	**0**		**1,000**	**3,000**	**5,000**	**8,000**
	IR Indicator 3.1: Number of Lebanese Targeted Beneficiaries receiving ALMP services – total and disaggregated as follows: - Of which Lebanese youth - Of which Lebanese women -	7	Number	0	0 - 0 - 0	3,000 - 2,000 - 1,000	6,000 - 4,000 - 2,000	9,000 - 6,000 - 3,000	12,000 - 8,000 - 4,000
	IR Indicator 3.2: Number of Syrian refugees receiving vocational training in accordance with Lebanese laws and regulations				0	800	1,500	2,300	3,000
	IR Indicator 3.3: Number of Lebanese Targeted Beneficiaries who remain employed in a job at the 12th month of the subsidy period - Of which are employed after the wage subsidy period ends	7	Number	0	0 - 0	800 - 0	2,500 - 1,500	4,500 - 2,000	7,000 - 3,000
	IR Indicator 3.4: Advocacy unit at OMSWA established and operational	7	Qualitative	No unit available	No unit available	Plan for the unit developed and staff hired	At least 2 advocacy campaigns launched publicly	At least 2 advocacy campaigns launched publicly	unit established & operational
	IR Indicator 4: Number of implementing agencies with a functioning grievance redress mechanism GRM		Number	0	4	4	4	4	4

Indicator Description

Indicator Name (#)	Description (Clear definition etc.)	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
PDO Level Indicators							
1	Amount of private sector investment generated following (i) the implementation of policy reforms and (ii) amongst businesses supported by the project	Annual	MOT, TSEZA, MOET	Compiling reports on private sector investment generated from MOT, TSEZ, MOET	PEU at MOF	n.a.	n.a.
2	FTE jobs are defined for a working week equals to 48 hours (as per the Lebanese Labor Law). Part-time jobs are converted to FTE jobs on a pro-rata basis (e.g. a 24 hr/week job would be equal to 0.5 FTE job). Seasonal or short-term jobs are prorated on the basis of the portion of the reporting period that was worked (e.g., a full-time position for three months would be equal to a 0.25 FTE job if the reporting period is one year).	Annual	Implementing agencies of the matching grant, entrepreneurship fund and TSEZA	Compiling reports on FTE jobs created	PEU at MOF	n.a.	n.a.
3	Number of beneficiaries placed on a wage-employment job after receiving ALMP services, divided by the total number of beneficiaries receiving ALMP services	Annual	NEO and private providers of ALMP services	MIS system and reports from private providers of ALMP services	PEU at MOF	n.a.	n.a.
Intermediate Indicators							
1.1	Professional staff (non-administrative staff) recruited in HCP	Annual	HCP administrative records	Reporting by HCP	HCP	n.a.	n.a.

Indicator Name (#)	Description (Clear definition etc.)	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
1.2	Private investment committed for the two PPP projects taken to market following the completion of the tendering processing as per DLR 1.3	Annual	HCP administrative records	Reporting by HCP	HCP	n.a.	n.a.
1.3	Twelve GOL (excluding the one already connected) are connected to Customs ICT systems for E-Single Window	Annual	HCC	Reporting by HCC	HCC	n.a.	n.a.
1.4	A risk management strategy is developed by HCC	Annual	HCC	Reporting by HCC	HCC	n.a.	n.a.
1.5	US$ amount of new private investment in fiber-optic cable	Annual	MOT	Broadband provider records	MOT	n.a.	n.a.
1.6	TSEZ Masterplan approved	Annual until achievement	TSEZA	Records from TSEZA	TSEZA	IVA certifies whether Masterplan correspond to definitions laid out in the POM	No
1.7	US$ amount of capital investment in operations in the TSEZ by firms located in the TSEZ	Annual	TSEZA	Records from TSEZA	TSEZA	n.a.	n.a.
1.8	US$ value of investments made by matching grant recipients and firms in priority VCs, including the initial matched investment and any further investments made over the lifetime of the Program	Annual	MOET and implementing agency records	Financial records of implementing agency	MOET, Implementing agency	n.a.	n.a.
1.9	US$ value of investment in businesses receiving entrepreneurship grants, from receipt of grant and access to other funding sources over the lifetime of the Program	Annual	MOET and Implementing agency	Reporting by implementing agency	Implementing agency	n.a.	n.a.

Indicator Name (#)	Description (Clear definition etc.)	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
2.1	Change in the number of FTE workers employed by firms locating in TSEZ, from the time a contract with TSEZ is signed to the end of the Program timeline	Annual	TSEZA	Reported by TSEZA	TSEZA	n.a.	n.a.
2.2	Change in the number of FTE workers employed by matching grant recipients from the time of application to the MG program to the end of the Program timeline	Annual	MOET and Implementing agency	Reported by MOET and implementing agency	Implementing agency	n.a.	n.a.
2.3	Change in the number FTE workers (including self-employed) in businesses receiving financial and non-financial services entrepreneurship grant (from the time of application to the EG program to the end of the Program timeline)	Annual	Service providers records	Reported by service providers	Service providers	n.a.	n.a.
2.4	Number of Syrian refugees who have been selected for temporary construction jobs in the TSEZ, in accordance with Lebanese laws and regulations. The formula used to convert jobs to labor-days is: 1 jobs * (365.25/7*5 – public holidays (i.e. 18 working days in Lebanon) – legally mandated leave days (i.e. 15 working days in Lebanon))	Annual	TSEZA	Reporting from TSEZA	TSEZA	IVA audits reports on lease agreements and conducts spot-checks	Yes
2.5	US$ amount of funds disbursed from the matching grant to selected beneficiaries	Annual	Implementing agency of the matching grant fund	Progress reports of the implementing agency of the matching grant fund	MOET	IVA audits reports from implementing agency	Yes
2.6	Number of entrepreneurs receiving financial and non-financial services from the Entrepreneurship Fund	Annual	Service providers records	Reports by service providers	Service providers	n.a.	n.a.

Indicator Name (#)	Description (Clear definition etc.)	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
2.7	Number of firms officially registered after receiving the grants and business development services from the Entrepreneurship Fund	Annual	Service providers records	Reports by service providers	Service providers	n.a.	n.a.
3.1	Number of selected Lebanese beneficiaries receiving ALMP services from the private providers competitively selected. This number will be disaggregated by age and gender	Annual	NEO	MIS system at NEO, collated by private providers	NEO	IVA audits reports from private providers of ALMP services, compiled by NEO and the MIS system	Yes
3.2	Number of selected Syrian refugees beneficiaries receiving vocational training in accordance with Lebanese laws and regulations	Annual	NEO	MIS system at NEO, collated by private training providers	NEO	IVA audits reports from private training providers, compiled by NEO and the MIS system	Yes
3.3	Number of Targeted Beneficiaries selected still wage-employed once the wage subsidies ends - i.e. from the time of the contract signature with an employer until the end of the subsidy period (12 months). Out of which, number of beneficiaries selected in any job one year after wage subsidy ends (i.e. at or after the 13th month in the program)	Annual	NEO	MIS at NEO, collated by private providers	NEO	n.a.	n.a.
3.4	Advocacy unit at the Ministry of Women's Affairs established with at least 2 staff (lead coordinator and support staff), operational with at least one campaign designed & launched and system established to receive feedback and questions from women with at least 40 requests for information received	Annual until achievement	OMSWA	OMSWA's progress reports, campaign publicly launched	OMSWA	n.a.	n.a.

Indicator Name (#)	Description (Clear definition etc.)	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
4	GRMs will be established in MOET, NEO, TSEZ and HCP to receive beneficiary feedback and citizen complaints on Program activities	Annual until achievement	MOET, NEO, TSEZ and HCP	Systems and processes established in those agencies	MOET, NEO, TSEZ and HCP	n.a.	n.a.

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Disbursement-Linked Indicator Matrix

Results area	DLI	At effectiveness (Prior results)	Year 1	Year 2	Year 3	Year 4	Year 5	Total (US$)
ENHANCING THE ENVIRONMENT FOR PRIVATE INVESTMENT	DLI 1: Operational PPP program	DLR 1.1: Three decrees addressing staffing, administrative and financial functions for HCP approved by COM.	DLR 1.2: Five feasibility studies based on Capital Investment Plan (CIP) and other projects completed and approved in accordance with PPP Law.		DLR 1.3: Two contracts for PPP projects, selected in accordance with the PPP Law, are signed between the private investors and the Government of Lebanon (GoL).			
	Allocation (US$)	**DLR 1.1: 10m**	**DLR 1.2: 20m (scalable)**		**DLR 1.3: 40m (scalable in two tranches)**			**70m**
	DLI 2: Financial Sector Development to improve lending to SMEs		DLR 2.1: Implementation Regulations for the Insolvency Law are approved by COM. DLR 2.2: Implementation Regulations for the Secured Transactions Law are approved by COM.	DLR 2.3: Movable Asset Registry is established and is operational.	DLR 2.4: Number of loans secured with movable assets registered at the Movable Asset Registry is equal to at least 300,000.			
	Allocation (US$)		**DLR 2.1: 5 m** **DLR 2.2: 5 m**	**DLR 2.3: 10m**	**DLR 2.4: 25m (scalable)**			**45m**
	DLI 3: Improved trade facilitation environment		DLR 3.1: A Customs Strategic Plan, incorporating a new organizational structure, the new Customs Law, a single window and modernized risk management system is approved by the CoM.		DLR 3.2: From the baseline of 59.17% (2018) Lebanon's Distance to Frontier (DTF) rating in Doing Business 'Trading Across Borders' indicator increases by an additional 5 percentage points.			
	Allocation (US$)		**DLR 3.1: 10m**		**DLR 3.2: 15m (scalable)**			**25m**

Results area	DLI	At effectiveness (Prior results)	Year 1	Year 2	Year 3	Year 4	Year 5	Total (US$)
CATALYZING JOB CREATION THROUGH TRADE AND INVESTMENT IN LAGGING REGIONS	DLI 4: Increased access to broadband internet in lagging regions		DLR 4.1: Decree establishing a new telecommunications licensing regime is approved by the COM.	DLR 4.2: Number of fixed and wireless broadband subscribers (other than mobile broadband subscribers) in Lagging Regions, generated by all internet service providers in Lebanon, is equal to at least 300,000				
	Allocation (US$)		**DLR 4.1: 20m**	**DLR 4.2: 30m (scalable)**				**50m**
	DLI 5: New investments established in TSEZ		DLR 5.1: TSEZ by-laws, regulations and masterplan are approved by the COM and are compliant with the recommendations outlined in the SEA, ESSA and POM.	DLR 5.2: Private developer-operator for the TSEZ is contracted by TSEZA, based on a competitive bidding process, in accordance with the PPP law.	DLR 5.3: Lease agreements signed between the private operator and the tenants of TSEZ, accounting for at least 60% of the TSEZ total area available for allocation to businesses in TSEZ.			
			DLR 5.4: Number of labor-days for Syrian refugees employed during the construction phases in TSEZ is equal to at least 225,000.					
	Allocation (US$)		**DLR 5.1: 25m**	**DLR 5.2: 15m**	**DLR 5.3: 15m (scalable)**			**65m**
			DLR 5.4: 10m (scalable)					
	DLI 6: Increased investments in targeted sectors through value chain development		DLR 6.1: Four (4) VCs selected and their VC Action Plans are approved by the VCC.					
				DLR 6.2: US$22 million in private investment, consistent with the approved VC Action Plans, generated under the matching grant fund.				
			DLR 6.1: 20m (scalable)					
	Allocation (US$)			**DLR 6.2: 20m (scalable)**				**40m**
CONNECTING WOMEN AND YOUTH TO JOBS	DLI 7: Improved labor market outcomes amongst Targeted Beneficiaries			DLR 7.1: 12,000 Lebanese Targeted Beneficiaries receive ALMP services. DLR 7.2: 3,000 Syrian refugee beneficiaries receive vocational training of ALMP in the sectors allowed by the Lebanese laws and regulations. DLR 7.3: 8,000 individual Lebanese Targeted Beneficiaries placed in formal sector employment.				
	Allocation (US$)			**DLR 7.1: 25m (scalable), DLR 7.2: 10m (scalable), DLR 7.3: 30m (scalable)**				**65m**
	DLI 8: Entrepreneurship opportunities created for women and youth		DLR 8.1: Contracts for Entrepreneurship Grant Fund Intermediaries are issued, up to $10,000,000.					
				DLR 8.2: At least 300 beneficiaries of the Entrepreneurship Fund leveraging additional private financing.				

Results area	DLI	At effectiveness (Prior results)	Year 1	Year 2	Year 3	Year 4	Year 5	Total (US$)
	Allocation (US$)		**DLR 8.1: 10m (scalable)**					
				DLR 8.2: 10m (scalable)				**20m**
	DLI 9: Gender-based policy making for increased women's economic empowerment supported			DLR 9.1: Eight gender-focused household and employer surveys are completed and results are published on OMSWA website				
					DLR 9.2: A gender-disaggregated statistics database is established and the gender indicators are published online	DLR9.3: A pilot based on technical study/assessment to increase access to childcare provision is launched by the OMSWA		
	Allocation (US$)			**DLR 9.1: 5m (scalable)**				
					DLR 9.3: 5m	**DLR 9.3: 10m**		**20m**
TOTAL BY YEAR*		**10**	**92**	**78**	**56**	**91**	**73**	**400m**
EST. FLOW BY YEAR (INCL 22.5% ADVANCE)		**100**	**92**	**78**	**56**	**74**	**0**	**400m**

* Annual payments are estimated given that many DLRs are scalable and will be paid upon achievement and not on annual basis per se.

DLI Verification Protocol Table

DLI	*Definition/ Description of achievement*	*Scalability of Disbursements (Yes/No)*	*Protocol to evaluate achievement of the DLI and data/result verification*		
			Data source/agency	*Verification Entity*	*Procedure*
Process for Verification of DLRs: The MOF requests Implementing Ministries and Agencies to give data to MOF within a 15-calendar day period of request. The IVA has a 60-calendar day period to review data and advise MOF of its due diligence, The MOF then submits IVA report and data to the World Bank for review and release of related DLR amount.					
DLI 1: Operational PPP program	DLR 1.1: Three decrees which address staffing, administrative and financial functions of HCP are approved by COM DLR 1.2: HCP contracts external advisory services to carry out PPP feasibility studies for projects in the CIP portfolio and other government projects; at least five of these are completed and approved by HCP in accordance with the PPP Law. These studies incorporate technical, commercial, and legal, environmental and social assessments of the viability of the project for PPP financing DLR 1.3: Two PPP contracts signed between GOL and private investors in accordance with PPP Law	DLR.1.1: No DLR1.2-1.3: Yes	HCP reporting, including submission of official documentation	Secretary General (SG) of the Presidency of the Council of Ministers (PCM)	DLR 1.1: The SG of the PCM, in consultations with the World Bank, reviews documentation to assess whether it conforms with policy defined by the GoL DLR1.2: Five feasibility studies based on Capital Investment Plan (CIP) and other projects completed and approved by HCP in accordance with PPP Law. DLR 1.3: IVA verifies contracts between the two parties have been legally signed.
DLI 2: Financial Sector Development to improve lending to SMEs	DLR 2.1: Implementation Regulations for the Insolvency Law are approved by COM DLR 2.2: Implementation Regulations for the Secured Transactions Law are approved by COM DLR 2.3: Movable Asset Registry established through establishment of electronic platform and having	DLR 2.1-2.3: No DLR 2.4: Yes	DLR 2.1-2.2: PCM submission of official documentation DLR 2.3: Registry host submits evidence that assets are registered in the Movable Asset Registry	IVA	DLR 2.1-2.2: IVA certifies whether documents transmitted correspond to definitions defined by the GoL and reproduced in the POM DLR 2.3: IVA reviews registry host documentation and conducts spot-check of movable asset registry

DLI	*Definition/ Description of achievement*	*Scalability of Disbursements (Yes/No)*	*Protocol to evaluate achievement of the DLI and data/result verification*		
			Data source/agency	*Verification Entity*	*Procedure*
	necessary arrangements (e.g. MOUs) established with banks to access the registry DLR 2.4: Number of loans extended by banks which are secured with movable assets registered at the movable asset registry reaches 300,000 over the duration of the Program		DLR 2.4: Registry host records		DLR 2.4: IVA reviews registry host records and conducts spot-checks of movable asset registry to validate its use.
DLI 3: Improved trade facilitation environment	DRL 3.1: Customs Strategic Plan, incorporating a new organizational structure, a new custom law, a single window and modernized risk management system is approved by the CoM. DLR 3.2: From the baseline of 59.17% (2018) Lebanon's Distance to Frontier (DTF) rating in Doing Business 'Trading Across Borders' indicator increases by an additional 5 percentage points	DLR 3.1: No DLR 3.2: Yes	Reporting by HCC	IVA	DLR 3.1: IVA certifies whether documents transmitted correspond to definitions laid out in the POM DLR 3.2: IVA reviews Doing Business report to determine if the DTF increases by the targeted 5 percentage points.
DLI 4: Increased access to broadband internet	DLR 4.1: A decree establishing new telecommunications licensing regime for broadband, which incorporates the principles of a class licensing regime, is approved by COM DLR 4.2: The number of fixed and wireless broadband subscribers (other than mobile broadband subscribers) generated by all internet service providers in Lebanon, is equal to at least 300,000, in areas outside of Beirut and Mount Lebanon over the duration of the Program	DLR 4.1: No DLR 4.2: Yes	MOT	IVA	DLR 4.1: IVA certifies whether the licensing regime transmitted corresponds to definitions defined by the GoL and reproduced in the POM DLR 4.2: IVA reviews records of MOT pertaining to the number of subscribers

DLI	*Definition/ Description of achievement*	*Scalability of Disbursements (Yes/No)*	*Protocol to evaluate achievement of the DLI and data/result verification*		
			Data source/agency	*Verification Entity*	*Procedure*
DLI 5: New investments established in TSEZ	DLR 5.1: TSEZ Masterplan, incorporating the requisite spatial and engineering plans as well as environmental and social requirements is approved by COM. Regulations governing the operation of TSEZ and the firms licensed to operate in TSEZ, including all relevant environmental and social standards are approved by COM DLR 5.2: A contract is signed between TSEZA and a private investor which will become the developer and operator of TSEZ for a specified period DLR 5.3: Lease agreements are signed between private investors (tenants) and the developer-operator that cumulatively cover at least 60% of the area in TSEZ that is available for tenants. DLR 5.4: At least 225,000 labor-days for Syrian refugees in construction works for the TSEZ over duration of the Program. The formula used to derive this number is: 1,000 jobs * (365.25/7*5 – public holidays (i.e. 18 working days in Lebanon) – legally mandated leave days (i.e. 15 working days in Lebanon))	DLR 5.1-5.2: No DLR 5.3-5.4: Yes	TSEZA records	IVA	DLR 5.1-5.2: IVA certifies whether Masterplan, regulation and contract with developer-operator correspond to definitions laid out in the POM DLR 5.3: IVA audits reports on lease agreements and conducts spot-checks DLR 5.4: IVA audits records of contractors carrying out construction on TSEZA and CDR database related to the project.
DLI 6: Increased investments in targeted sectors	DLR 6.1: 4 value chains are selected for development/analysis in the program and approved by a VC committee chaired by MOET;	DLR 6.1: Yes DLR 6.2: Yes	DLR 6.1: MOET DLR 6.2: matching grant fund	IVA	DLR 6.1: IVA reviews Action Plans and minutes of VC steering group meetings;

DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
			Data source/agency	Verification Entity	Procedure
through VC development	technical advisors contracted to support preparation of Action Plans; public-private value chain steering groups established for each value chain; and VC Action Plans prepared and approved by a VC committee chaired by MOET DLR 6.2: Funds disbursed from the matching grant fund leverage at least US$22m in matching investments from beneficiaries that are awarded grants. These investments and the award of the grants must be in accordance with the conditions set out in the POM and in line with the approved VC Action Plans		implementing agency		confirms through spot-checks with stakeholders DLR 6.2: IVA reviews financial records of implementing agency transmitted through MOET, and ascertains value of private matching investments
DLI 7: Improved labor market outcomes amongst women, youth and Syrian refugees	DLR 7.1: At least 12,000 Lebanese beneficiaries have registered with NEO and/or private employment services providers contracted by NEO for the program of ALMP services during the duration of the Program DLR 7.2: 3,000 Syrian refugees have registered with NEO and/or private employment services providers contracted by NEO for the provision of vocational training in accordance with Lebanese laws and regulations during the duration of the Program DLR 7.3: Of the registered Lebanese beneficiaries for the program of ALMP services, at least 8,000 have been placed in	DLR 7.1-7.3: Yes	DLR 7.1-7.3: NEO administrative records	IVA	DLR 7.1-7.3: IVA reviews records transmitted, and conducts spot checks with some beneficiaries reported to be registered and placed

DLI	*Definition/ Description of achievement*	*Scalability of Disbursements (Yes/No)*	*Protocol to evaluate achievement of the DLI and data/result verification*		
			Data source/agency	*Verification Entity*	*Procedure*
	employment with a firm or organization that is formally registered with GOL during the duration of the Program				
DLI 8: Entrepreneurship opportunities created for women and youth	DLR 8.1: Contracts for Entrepreneurship Grant Fund Intermediaries issued, up to $10m DLR 8.2: all least 300 beneficiaries of Entrepreneurship Fund receiving private sector financing, either from venture capital funds or financial institutions	DLR 8.1: Yes DLR 8.2: Yes	MOET and Implementing agencies' reports	IVA	DLRs 8.1 and 8.2: IVA reviews (i) implementing agent contracts signed with MOET; (ii) implementing agents records transmitted; (iii) records from established beneficiary database.
DLI 9: Gender-based policy making for increased women's economic empowerment supported	DLR9.1: Eight gender-focused household and employer surveys are completed and results are published on OMSWA website DLR 9.2: A gender- disaggregated statistics database is established and its gender indicators are published on OMSWA website. DLR9.3: A pilot based on a technical study/assessment to increase the access to childcare provision is launched by the OMSWA	DLR 9.1: Yes DLR 9.2: No DLR 9.3: No	OMSWA	IVA	DLR 9.1: IVA reviews results of the surveys published on OMSWA website DLR 9.2: IVA reviews that the database has been established and reviews results published on OMSWA website DLR9.3: The IVA will verify: (i) the initiation of a campaign to inform women and motivate them to apply to the pilot program; and (ii) the opening of the registration process

Bank Disbursement Table

#	DLI	Bank financing allocated to the DLI	Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
1	DLR 1.1: Three decrees addressing staffing, administrative and financial functions for HCP approved by the COM. DLR 1.2: Five feasibility studies based on Capital Investment Plan (CIP) and other projects completed and approved in accordance with the PPP Law DLR 1.3: Two contracts for PPP projects, selected in accordance with the PP Law, are signed between the private investors and the Borrower	DLR 1.1: $10m DLR 1.2: $20m DLR 1.3: $40m	DLR 1.1: December 31, 2023 DLR 1.2: December 31, 2023 DLR 1.3: December 31, 2023	DLR 1.1: n/a DLR: 1.2: one feasibility study DLR 1.2: one project signed between the private investors and the Borrower	DLR 1.1: n/a DLR 1.2: 5 feasibility studies DLR 1.3: two projects signed between the private investors and the Borrower	DLR 1.1: $10m disbursed upon achievement of yes/no target DLR 1.2: allocated financing disbursed in equal installments for each feasibility study completed up to a maximum of five DLR 1.3: allocated financing disbursed in equal installments for each PPP contract signed, up to a maximum of two
2	DLR 2.1: Implementation Regulations for the Insolvency Law are approved by COM DLR 2.2: Implementation Regulations for the Secured Transactions	DLR 2.1: $5m DLR 2.2: $5m DLR 2.3: $10m	DLR 2.1: December 31, 2023 DLR 2.2: December 31, 2023 DLR 2.3: December 31, 2023	DLR 2.1-2.3: n/a DLR 2.4: 100,000 loans secured with movable asset registered at the movable asset registry	DLR 2.1-2.3: n/a DLR 2.4: 300,000 loans secured with movable assets registered at the movable asset registry	DLR 2.1-2.3: full amount disbursed upon achievement of yes/no target DLR 2.4: allocated financing disbursed in three payments as follows: (i) a first payment of US$10million upon reaching the first 100,000 loans secured with movable assets registered at the movable asset

#	DLI	Bank financing allocated to the DLI	Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
	Law are approved by COM DLR 2.3: Movable asset registry established and is operational DLR 2.4: Number of loans secured with movable assets registered at the movable asset registry is equal to at least 300,000	DLR 2.4: $25m	DLR 2.4: December 31, 2023			registry; (ii) a second payment of US$10million upon reaching an additional 100,000 loans secured with movable assets registered at the movable asset registry; and (iii) a third and final payment of US$5 million upon reaching an additional 100,000 loans secured with movable assets registered at the movable asset registry
3	DLR 3.1: A Customs Strategic Plan, incorporating a new organizational structure, the new customs law, a single window and modernized risk management system is approved by the CoM DLR 3.2: From the baseline of 59.17% (2018) Lebanon's Distance to Frontier (DTF) rating in Doing Business 'Trading Across Borders' indicator increases by an	DRL 3.1: $10m DLR 3.2: $15m	DRL 3.1: December 31, 2023 DLR 3.2: December 31, 2023	DRL 3.1: n/a DLR 3.2: 61%	DRL 3.1: n/a DLR 3.2: 65%	DRL 3.1: full amount disbursed upon achievement of yes/no target DLR 3.2: allocated financing disbursed annually with publication of Doing Business report, based on following formula: 20% of allocated financing for each 1 percentage point increase in DTF from the baseline of 59.17%

#	DLI	Bank financing allocated to the DLI	Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
	additional 5 percentage points					
4	DLR 4.1: Decree establishing a new telecommunications licensing regime approved by the COM DLR 4.2: Number of fixed and wireless broadband subscribers (other than mobile broadband subscribers) in Lagging Regions, generated by all internet service providers in Lebanon, is equal to at least 300,000	DLR 4.1: $20m DLR 4.2: $30m	DLR 4.1: December 31, 2023 DLR 4.2: December 31, 2023	DLR 4.1: n/a DLR 4.2: 75,000	DLR 4.1: n/a DLR 4.2: 300,000	DLR 4.1: full amount disbursed upon achievement of yes/no target. DLR 4.2: allocated financing disbursed in four equal payments on reaching each 75,000 new subscribers up to the maximum of 300,000 from a baseline of 0
5	DLR 5.1: TSEZ bylaws, regulations and masterplan are approved by the COM and are compliant with the recommendations outlined in the SEA, ESSA and POM. DLR 5.2: Private developer-operator for the TSEZ is contracted by TSEZA, based on	DLR 5.1: $25m DLR 5.2: $15m DLR 5.3: $15m DLR 5.4: $10m	DLR 5.1: December 31, 2023 DLR 5.2: December 31, 2023 DLR 5.3: December 31, 2023 DLR 5.4: December 31, 2023	DLR 5.1-5.2: n/a DLR 5.3: 20% DLI: 5.4: 112,500	DLR 5.1-5.2: n/a DLR 5.3: 60% DLR 5.4: 225,000	DLR 5.1-5.2: full amount disbursed upon achievement of yes/no target DLR 5.3: allocated financing disbursed in 3 equal payments on reaching 20% of land area under lease agreement up to the maximum of 60% DLR 5.4: allocated financing disbursed in 2 equal installments for each 112,500 labor-days amongst Syrian refugees employed in accordance with Lebanese laws and

#	DLI	Bank financing allocated to the DLI	Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
	competitive bidding process, in accordance with PP Law DLR 5.3: Lease agreements signed between the private operator and the tenants of the TSEZ accounting for at least 60% of TSEZ total area available for allocation to businesses in TSEZ DLR 5.4: Number of labor days for Syrian refugees employed during the construction phases in TSEZ is equal to at least 225,000					regulations, up to a maximum of 225,000 from a baseline of zero
6	DLR 6.1: 4 VCs selected and their Action Plans are approved by the VCC DLR 6.2: US$22 million in private investment, consistent with the approved VC Action Plans, generated under the matching grant fund	DLR 6.1: $20m DLR 6.2: $20m	DLR 6.1: December 31, 2023 DLR 6.2: December 31, 2023	DLR 6.1: 1 completed DLR 6.2: US$5.5m	DLR 6.1: 4 completed DLR 6.2: US$22m	DLR 6.1: allocated financing disbursed in 4 equal payments for each Action Plan up to the maximum of 4 Action Plans DLR 6.2: allocated financing disbursed in 4 equal payments for each US$5.5m in matching investment up to the maximum of US$22m
7	DLR 7.1: 12,000 Lebanese targeted	DLR 7.1: $25m	DLR 7.1-7.3: December 31, 2023	DLR 7.1: 3,000 DLR 7.2: 1,500	DLR 7.1: 12,000 DLR 7.2: 3,000	DLR 7.1: allocated financing disbursed in 4 equal payments for

#	DLI	Bank financing allocated to the DLI	Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
	beneficiaries receive ALMP services DLR 7.2: 3,000 Syrian refugee beneficiariesreceive vocational training of ALMP in the sectors allowed by Lebanese laws and regulations. DLR 7.3: 8,000 individual Lebanese targeted beneficiaries placed in formal sector employment	DLR 7.2: $10m DLR 7.3: $30m		DLR 7.3: 2,000	DLR 7.3: 8,000	each 3,000 up to the maximum of 12,000 DLR 7.2: allocated financing disbursed in 2 equal payments for each 1,500 up to the maximum of 3,000 DLR 7.3: allocated financing disbursed in 4 equal payments for each 2,000 up to the maximum of 8,000
8	DLR8.1: Contracts for Entrepreneurship Grant Fund Intermediaries are contracted issued, up to $10m. DLR 8.2: at least 300 beneficiaries of the Entrepreneurship Fund leveraging additional private financing	DLR 8.1: $10m DLR 8.2: $10m	DLR 8.1: December 31, 2023 DLR 8.2: December 31, 2023	DLR 8.1: US$10m DLR 8.2: 100	DLR 8.1: US$10m DLR 8.2: 300	DLR 8.1: allocated financing disbursed in 4 equal payments for each US$2.5m contracted up to the maximum of US$10m DLR 8.2: allocated financing disbursed in 3 equal payments for each 100 entrepreneurs leveraging private financing
9	DLR9.1: Eight gender-focused household and employer surveys are completed and results are published on OMSWA website DLR 9.2: A gender-disaggregated	DLR 9.1: $5m DLR 9.2: $5m DLR 9.3: $10m	DLR 9.1: December 31, 2023 DLR 9.2: December 31, 2023 DLR 9.3: December 31, 2023	DLR 9.1: US$1.25 DLR 9.2: n/a DLR 9.3: n/a	DLR 9.1: US$5m DLR 9.2: n/a DLR 9.3: n/a	DLR 9.1: allocated financing disbursed in 4 equal payments for each 2 surveys up to the maximum of 8 DLR 9.1: full amount disbursed upon achievement of yes/no target

#	DLI	Bank financing allocated to the DLI	Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
	statistics database is established and the gender indicators are published online DLR9.3: A pilot based on a technical study/assessment to increase access to childcare provision is launched by the OMSWA					DLR 9.2: full amount disbursed upon achievement of yes/no target

Annex 4: Summary Technical Assessment

Further details, including a situational analysis and analytical underpinnings of each of the activities is provided in the separate full Technical Assessment.

Strategic Relevance

1. **The proposed Program addresses key development challenges of poverty, exclusion, and the associated social fragility**. Poverty and vulnerability in Lebanon is closely associated with limited opportunities for quality employment. Lack of access to jobs is particularly prevalent among youth, a situation that contributes to high levels of outmigration (particularly of more skilled youth) and social tensions. The Syrian crisis has significantly exacerbated these pre-existing problems by contributing to a sharp slowdown in the Lebanese economy while at the same time forcing massive flows of refugees into the Lebanese labor market. Given the skills profile of Syrian refugees and legal restrictions on work opportunities in Lebanon, the labor market impacts of competition from refugees is felt most acutely by youth and low skilled workers. The resulting social tensions threaten social and political stability, and contribute to an environment of uncertainty that hinders private sector investment. The Government of Lebanon (GOL) is addressing the crisis by creating large-scale, short-term (mainly construction sector) employment, through public investment, to both absorb Syrian refugees in accordance with Lebanese laws and regulations, and Lebanese lower skilled labor while also strengthening increasingly strained public services. The National Jobs Program (NJP) complements these measures by putting in place the building blocks for sustainable, private sector-led investment and job creation.

2. **Lagging regions, outside of Beirut and Mount Lebanon, are particularly in need of targeted interventions to support job creation**. While the (pre-crisis[38]) poverty rate in 16 percent in Beirut and 22 percent in Mount Lebanon, it reached 36 percent in North Lebanon and 38 percent in Bekaa. These regions are characterized by poor labor market outcomes – including low levels of female labor force participation, high youth unemployment, and reliance on self-employment in low productivity sectors. These problems stem both from an anemic private sector that fails to create quality jobs, and from weaker skills in the labor force – for example, in North Lebanon just eight percent of the self-employed and 31 percent of employees have tertiary education, compared with 22 percent and 43 percent, respectively, in Beirut. Moreover, lagging regions are bearing the brunt of the refugee crisis. For example, Bekaa accounts for only around 12 percent of Lebanon's population but hosts 36 percent of all registered refugees[39], while North Lebanon hosts one-quarter of all refugees. A national jobs Program that fails to target lagging regions specifically risks deepening exclusion and aggravating their existing social and economic vulnerabilities.

3. **The Program will support the GOL to make a fundamental shift in their approach to growth and job creation**. Longer-term thinking around investment and jobs, and recognition of the complementary roles of the public and private sector, marks a substantial change in approach in Lebanon. The Program will support the GOL NJP in three ways: (i) implementation of long-delayed reforms to support trade and investment in key job-creating sectors; (ii) provide a platform for the GOL to test out new initiatives and new ways of working, with a strong emphasis on private sector leadership and the government's role in correcting market distortions and government failures; (iii) support for enhanced coordination across ministries and agencies, incentivized by specific resources, programs, and results targets.

[38] Based on the 2011-12 Household Budget Survey
[39] Data on registered refugees from UNHCR as of November 2017

Technical Soundness

4. **The proposed Program aims to improve the implementation of the GOL's NJP by drawing on lessons from international experience on job creation.** The World Bank has a long record in supporting job creation. These engagements highlight four critical considerations: i) Lasting solutions to job creation fundamentally require a focus on unlocking barriers to private sector investment; ii) Addressing these constraints to private sector growth typically requires a combination of economywide policy reforms as well as targeted interventions in key job-creating sectors; iii) Interventions designed to address supply-side barriers in the labor market should be linked as closely as possible to demand-side conditions and needs; and iv) In most developing economies, and particularly in fragile, conflict and violence (FCV) contexts, creation of formal, waged employment is unlikely to be sufficient to address the jobs challenges in the short-to-medium term; as a result, interventions may also be required to facilitate sustainable self-employment and entrepreneurship.

5. **Lessons on working in FCV contexts as well as in lagging regions also informs the approach taken in the proposed Program.** Key success factors, identified from WBG's *Integrated Framework for Jobs in Fragile and Conflict Situations* as well as operational experiences in FCV contexts and lagging regions, that have informed the design of the Program are: i) ensuring a leadership role of the private sector as the catalyst for investment and job creation; ii) integrating several interventions but doing so in a targeted manner, without attempting to address all the development challenges in a single operation; iii) supporting and promoting rapid on-the-ground results at the onset of implementation to help ensure the sustainability of reforms and institutional improvements; iii) targeting interventions with externalities and avoiding enclaves; iv) targeting entry points around value chains, sectors, or geographic regions to limit the complexity of implementation, deliver results, and offer workable ways to guard against capture; and v) targeting activities that are jobs-intensive but also competitive and with potential to reach scale.

6. **Program design has been informed not only by global experiences but also by extensive analytical work carried out in close cooperation with stakeholders in Lebanon over the past several years.** This includes substantial work focused on jobs, including *Jobs for North Lebanon: Value Chains, Labor Markets, Skills and Investment Climate in Tripoli and the North* (2017), the *Lebanon, Good Jobs Needed: The Role of Macro, Investment, Education, Labor and Social Protection Policies (MILES)* report (2012), as well as the *Lebanon Systematic Country Diagnostic* (2016). Moreover, each of the individual activities being supported through the Program has been informed by recent and ongoing diagnostic and advisory support provided by the WBG. Details are provided in the subsections that follow, but among the key reports informing Program design are: *Priority Reforms for the Government of Lebanon* (2017); *Financial Sector Assessment Program* (2013); *Lebanon PPP Readiness Diagnostic* (August 2017); *Lebanon Economic Opportunities* (forthcoming); *Tripoli SEZ market analysis and Feasibility Assessment* (January 2018); *Access to Finance – Demand and Supply Side Assessments* (December 2017); *Gender Diagnostic to better understand women's constraints to employment* (forthcoming).

7. **The Program has been designed to focus on a subset of priority reform actions that can have high impact on expanding economic opportunities in the short-to-medium term**. Table 11 summarizes key national constraints and the selectivity of the Program. It shows that Program is designed to address many of the binding constraints in Lebanon, but focuses specifically on those that unlock capital to finance job-creating growth, increase competition to support inclusive private sector investment, and promote growth and job creation in tradable sectors where Lebanon can be competitive. The Program does not directly address some long-standing constraints, including macro-economic distortions, political uncertainty, corruption, and access to electricity. This does not mean they are not considered priorities, but rather: i) they face a highly challenging political economy and will require long-term engagement; and, ii) to varying degrees the WBG and/or the GOL is working to address them through other programs, strategies,

and actions (as per Table 11 below). In the meantime, and given the FCV context, the Program will focus on supporting actions that can deliver private sector growth and job creation in the medium term.

Table 11: Scope and Selectivity of the Program

Overarching constraints	Nested constraints (identified in SCD)	National Jobs PforR	Gaps filled by Government programs, strategies, and actions
Confessional governance Regional security	**Governance and Institutions:** Will to implement new reforms and to improve quality of public institutions and government processes	Support to pass and implement policy reforms proposed including: • PPP law * • Customs strategy and related e-government reforms • Financial sector reform * • NEO and MOET Capacity Building	
	ICT – Infrastructure deficiencies *	• ICT sectoral focus under Value Chains (VC) program • Support to Broadband Internet Development, and Improving ICT infrastructure *	Capital Investment Program (CIP)
	Energy, Environment and Water, Transport *	N/A	-Current WB portfolio/pipeline - Capital Investment Program (CIP) WBG is currently engaged with the GOL on energy reforms which is considered a high priority agenda
	Macroeconomic and fiscal environment * Unequal economic development across Lebanon, and inefficient and unproductive public financial management system, and macro-fiscal framework with large vulnerabilities.	• Program targets lagging regions • Cross cutting MFD approach to alleviate fiscal burden.	CIP Reform Agenda
	Business Climate * Weak business environment (including access to finance) and lack of diversity in economy mainly focused on real estate and tourism, relatively high import and export costs, bad infrastructure and cumbersome procedures..	• Supporting growth of firms along AGR and ICT value chains through matching grants * • Improve lending to SMEs and strengthen start-ups * • Trade facilitation environment improved through operationalizing AEO program* • Promoting competition in broadband through harmonized licensing regimes (addressing existing monopoly) * • Attracting new investments to the Tripoli Special Economic Zone under best practice model *	Existing IFC engagements in starting business, advisory to develop commercial bank lending (e.g. to women)
	Education *	N/A	The GOL is working on defining a TVET strategy with support from ILO and UNICEF
	Foundation: Data availability and access to information Lack of strong statistical base and lack of access to information (including gender-disaggregated)	• Gender-focused labor market surveys • SME observatory • Impact evaluation	

** Indicates actions included in the White Paper on Priority Reforms for the Government of Lebanon*

8. **A key design feature is integration of both supply and demand side interventions that aim to make clear progress on job creation in the short-to-medium term and kick-start the implementation of reforms that will ensure long-term sustainability**. Specifically, the WBG-financed activities aim to support the NJP through: i) improving the investment environment through implementation of targeted, foundational policy reforms; ii) catalyzing trade and investment through targeted interventions in high priority sectors; and iii) improving access to jobs for women and youth through improved employment services and entrepreneurship development.

9. **The Program is designed to work within existing government agencies and includes specific capacity building to strengthen processes and systems, as well as to facilitate improved coordination across ministries and agencies**. The Program introduces mechanisms and approaches for increasing private sector engagement and participation in critical intervention areas, including sectoral support (values chains), delivery of employment services, and support for entrepreneurs. A detailed Technical Assessment is available as a background document to the Program Appraisal Document. This includes a situational assessment for each of the proposed programs. The sections below highlight the lessons applied in the design of the Program as well as the theory of change underlying the proposed initiatives and programs.

Results Area 1: Enhancing the Environment for Private Investment

Lessons applied in design

10. **Internal coherence and leverage: the selection of policy implementation domains and of DLIs in Results Area 1 was designed explicitly to provide policy leverage to Program activities in Results Areas 2 and 3**. Sectoral programs in Results Area 2 targeting the agribusiness sector is expected to benefit directly from the underlying reforms in trade facilitation supported through Results Area 1. Similarly, supporting SMEs in both these sectors as well as the support for women and youth entrepreneurs in Results Area 3 will be supported through the access to finance reforms in Results Area 1.

11. **Addressing the FCV context**. Recognizing the challenges to implementing reforms in an FCV context, and the need to show progress on-the-ground, Results Area 1 has been designed to:

- ***take advantage of low hanging fruit*** and to validate early reformers in an aim to reap demonstration effects;
- ***using DLIs to incentivize implementation***. Given implementation risk is higher and the risk of reversals more acute. DLIs initially focus on demonstrable measures of operationalization, before targeting outcome-based DLIs by the end of the Program.

Theory of change and expected impact

12. **Actions in Results Area 1 target mainly government failures and opportunities to create economywide spillovers that lead to job creation, including through both productivity and demonstration effects**:

- **Public Private Partnerships (PPPs)**. By building GOL capacity to prepare PPP projects, it is expected that additional investments will take place that the GOL would otherwise not have been able to finance given resource constraints. These investments are expected to have large spillover effects, driving improved productivity and leading to additional investment and hiring.
- **Access to finance**. Implementation of Secured Transactions and Insolvency laws is expected to increase the flow of credit to constrained firms, raising investment levels and employment. The effect is expected to be particularly supportive of women-owned businesses and firms in lagging regions, where collateral requirements can be disproportionate obstacles.
- **Trade facilitation**. Inefficient regulation and facilitation of exports and imports represents a government failure and actions designed to improve trade facilitation – including through the implementation of risk-based systems including the launch of an authorized economic operation (AEO) regime, the development of e-payments facilities, adoption of a new customs law – are expected to the lower the cost of importing and exporting. This is expected to lead to: (i) increased trade participation at the extensive margin (new exporters and importers): (ii) increased trade volumes among incumbent exporters; (iii) greater investment and hiring, and; (iv) increased wage levels over time given the strong evidence linking trade participation with higher productivity.

Results Area 2: Catalyzing Job Creation through Trade and Investment in Lagging Regions

Lessons applied in design

13. **Building local capacity.** Lessons learned from World Bank experiences implementing value chain programs highlight the importance of capacity building of government officials in order to institutionalize the program. In addition, Program design takes on the lesson of embedding a comprehensive process of public-private dialogue (PPD) into the program.

14. **Support for the Tripoli SEZ aims to leverage technical expertise to embed institutional and operational best practices**. The Program reflects the World Bank and IFC's extensive experience with

SEZ investment and technical assistance around the Middle East and globally. In this case, there has substantial TA support to the TSEZ well in advance of the Program, including development of the market assessment and feasibility study, and support for design of the licensing and regulatory regime.

15. **Design of the matching grant facility also reflects extensive World Bank experience**. More than 100 matching grant schemes have been implemented by the World Bank over more than two decades. While the contexts vary tremendously (objectives, size, country, etc), significant lessons have been learned about how to design and implement them effectively[40]. Design of the matching grant reflects these lessons, including: i) targeting specific market failures; ii) identifying a targeted group of beneficiaries; iii) ensuring support for business development services; and iv) use of an independent fund manager.

Theory of change and expected impact

16. **Interventions in Results Area 2 address information and coordination failures, and internalize discovery costs that lead to underinvestment**. These actions support job creation through the channel of increased firm investment, output, and exports, as well as increasing wages. Following is a brief summary of the intervention logic and theory of change around the main activities in Results Area 2:

- **Telecommunications**. A public monopoly in most segments of the telecoms sector represents a government failure and the exercise of market power - depressing service quality and non-competitive pricing. Enacting a transparent, 'level playing field' licensing regime for broadband service providers is expected to facilitate new entrants in the sector, who will invest and compete to lower the price and improve the quality of broadband. The lower price of broadband lowers production cost for businesses and leads to more investment at the extensive (new entrants) and the intensive margin (new investments from incumbents). This can generate more hiring and increased wages (due to improved productivity).
- **Tripoli SEZ.** Support for development of the SEZ is expected to contribute to investment and job creation both by overcoming government failures that hinder investment as well through demonstration effects. In the context of Lebanon's fragile political economy, the 'first-best' solution of economywide reforms of the binding constraints to export-oriented investment are unrealistic to achieve within a reasonable timeframe. The SEZ instrument offers a possibility to overcome these constraints within a targeted geographical area. This is expected to facilitate greater investment in targeted, job-creating sectors (export-oriented, productive sectors). Successful results from reforms piloted in the TSEZ are expected to help overcome resistance to national roll-out of investment climate improvements.
- **Value chain support program and associated matching grant facility**. Targeted technical assistance to selected agribusiness, ICT and potentially other value chains will help overcome market and government failures that lead to underinvestment. Action Plans developed under the Program will help address an identified problem of lack of access to information about export market opportunities and needs and address government regulatory and public-private coordination failures that prevent effective action to take advantage of market opportunities. In these cases, the use of catalytic public funds, in the form of a matching grant targeting Lebanese firms and cooperatives, can help lower costs and risks and encourage "first-mover" type actions. The matching grant facility, in combination with the coordinated technical support, are designed to overcome these barriers and contribute to higher investment exports.

[40] World Bank Group (2016) "How to Make Grants a Better Match for Private Sector Development", Competitive Industries and Innovation Program. Washington, DC, World Bank Group.

Results Area 3: Connecting Women and Youth to Jobs

Lessons applied in design

17. **Active Labor Market Programs (ALMP).** The majority of youth employment programs implemented worldwide to date have focused on "supply side", e.g. supporting individuals (e.g. training, counseling, job-search assistance or other services). A recent meta-analysis[41] of youth-focused interventions showed that only one third of evaluated programs have had a significant positive impact on employment outcomes and earnings. Even those with positive outcomes had limited impacts given their small scale/coverage. The design of this Results Area seeks to incorporate learnings on the features that have proven to have positive impacts on labor market outcomes, including:

- **Integrated interventions**: youth are likely to face multiple constraints affecting their likelihood of getting a job and the associated earnings. Thus, the design of the ALMP intervention provides for a package of services, including counseling, job-search techniques, training in soft and technical skills, monitoring, etc.
- **Profiling system***:* the program uses sophisticated profiling to identify individual factors that represent a risk in the labor market, and assign appropriate services. This allows for a better understanding and response to the constraints faced by individuals, and thus directs them to the services that best fit the challenge they face and their needs.
- **Strong monitoring systems***:* a monitoring system that continuously tracks beneficiaries' performance during the Program increases the likelihood that they complete and/or reach better results and avoid unintended behavior from providers selected. Such system aims both to ensure the interventions is delivering expected results, but also to obtain feedback on whether adjustments are needed both in the composition and intensity of services.
- **Incentives for private sector providers***:* The design and delivery of ALMPs will be implemented solely by the private sector and paid upon performance, which appear to perform better than joint public-private implementation or sole implementation by the government, traditionally not paid by performance. The rationale may be that such providers are better positioned to respond to the needs of both employers and job seekers, especially if they are awarded based on results reached.

18. **Women and youth entrepreneurship**. Design of the entrepreneurship grant for women and youth takes into account lessons learned globally, while also considering Lebanon's specific context. Four design considerations, in particular, are worth noting:

- **Wholesale approach**: Rather than distributing the entire program funding through a single grant program manager, the entrepreneurship grants will be delivered through a range of selected providers – mainly non-governmental organizations (NGOs), private fund managers, accelerators and incubators. These grant managers will be selected based on a call for proposals and allocated a funding amount to disburse against a set of criteria. This wholesale approach expected to allow for: i) much greater diversity in approaches and targets (some fund managers may propose to have specific programs targeting women only, or youth, or a specific sector or location); and ii) market players who are well established on-the-ground and have knowledge of local market opportunities and conditions.
- **Competitive, business-plan driven grant disbursement**: Grants will not be disbursed on a first-come, first-serve basis but through competitive calls for proposals.
- **Strong technical assistance component**: Funding will be accompanied with strong technical support, including provision of training and BDS support to grantees.

[41] Kluve. J, Puerto. S, Robalino. D, Romero. J.R, Rother. F, Stöterau. J, Weidenkaff. F, Witte. W. 2016. Do Youth Employment Programs Improve Labor Market Outcomes? A Systematic Review.

19. **Gender.** Based on a gender diagnostic undertaken as preparatory work to the Program, a number of options were discussed to "genderize" the following initiatives and programs of the Program: (i) Entrepreneurship Fund (RA3); (ii) ALMP (RA3); and (iii) value chain development (RA2):

- **Entrepreneurship Fund:** *Getting women entrepreneurs involved through having a call for proposals targeted towards women.* The rational is that women tend to shy away from competition, especially when they know they would be competing against men. While application process would be different for men and women, all applications can then be reviewed and scored by the same reviewing committee, and ideas assessed in a gender neutral/blind way. This strategy is shown internationally to successfully increase the number of women applicants. For example, this had great results as part of the YouWiN! Project in Nigeria[42].
- **ALMPs:** *Link service providers selected to place beneficiaries on wage-employment jobs to firms who have internal policies attractive to women* (e.g. flexible working arrangements). This could also allow assessment of the impact of positive internal policies on application rates and preferences for the jobs advertised (e.g. for example: to some beneficiaries of those services providers, disclose these policies and not to others).
- **Value chain:** *When adopting a value chain approach, consideration needs to be given – together with other demographic factors – as to potential for women's employment and to ensure that women-run cooperatives to be eligible and encouraged to apply to the matching grant fund.* While conducting value chain mapping and analysis, it is important to: (i) investigate where women work, i.e. in which value chains and at what level in each value chain; (ii) make available services tailored to women so they are in a better position to apply for funds from the matching grant fund.
- **Childcare:** The findings of the diagnostic shows that if childcare was more accessible, of higher quality and more affordable, more women would use the childcare facilities and go back to work in Lebanon. However, a detailed feasibility study has to be conducted in Lebanon and a pilot implemented/evaluated to determine the most relevant model for the country.

Theory of change and expected impact

20. **Interventions in Results Area 3 aim to address information asymmetries and externalities related to scale economies**. These actions are expected to support job creation and increased earnings through self-employment, help ensure that job creation is biased toward the most socially optimal beneficiaries, and raise productivity of jobs. Following is a brief summary of the intervention logic and theory of change around the main activities:

- **Active Labor Market Program**. Modernizing Lebanon's ALMP program to ensure improved registration, profiling, and matching is expected to broker the information gap between jobseekers and employers and facilitate better labor market matches. This, in turn, is expected to lead to improved labor productivity (and higher wages) as well having social externalities, in that previously under-represented jobseekers would be more likely to gain employment.
- **Wage subsidy for first-time jobseekers**. Employers are particularly hesitant to hire first-time job seekers, since they have asymmetric information on the applicants' quality[43]. Offering a targeted and time-bound wage subsidy lowers the cost of hiring a first-time job seeker, and allows employers to observe quality. Placement services help direct job seekers toward jobs for which they are best suited. The placement provides the young workers with on-the-job training. Because of these three

[42] https://www.kaltura.com/index.php/extwidget/preview/partner_id/619672/uiconf_id/34338361/entry_id/1_ulidrjhw/embed/auto?&flashvars%5bstreamerType%5d=auto

[43] This problem is worsened by rigid laws governing formal employment and insufficient signaling from educational qualifications

factors, the workers are expected to be retained or find another job after the placement than they would have been had they continued their job search for the same duration.

- **Women and youth entrepreneurship.** Lenders face asymmetric information in funding startups, because of the cost of ascertaining the quality of business plans in the context of a fragmented market (given the small size of investment opportunities, transaction costs of reviewing business plans and making beneficiary-specific risk assessments are prohibitive). The situation is exacerbated as women and youth are less likely to be in a position to post collateral to support a loan. The entrepreneurship grant eliminates capital acquisition costs, significantly lowering the costs of starting a business. This is expected to result in higher success in business start-ups for women and youth in lagging regions. In addition, support for training and business development services, alongside credit, is expected to contribute to a higher success rate in the start-ups, resulting in greater levels of enterprise survival and growth.

Program Expenditure Framework

21. **Program budget structure and flow of funds**. The Program budget will follow the standard budget categories and processes as organized by MOF, with relevant Ministries and agencies allocated funding as per agreed annual budgets. To account for each agencies' share of the Program implementation, additional budget lines within their yearly budget will be opened to reflect the yearly contribution to the Program. Any additional activities over those figuring in the approved 2017 Budget, will be captured separately in the Program expenditure framework and they need to be reflected into the future budgets. As is the case with all WBG-implemented projects in Lebanon, there is significant risk that administrative processes may delay funds transfer from the Treasury account at MOF to the Program bank account and project designated accounts, mainly due to non-compliance of the latter to send timely requests in form and substance as required by MOF.

22. **Program expenditures are expected to be US$400 million based on a US$695 million overall expenditure framework for the 5-year period of the NJP.** Budgets consist of salaries and wages, purchases of goods and services, as well as infrastructure development, equipment purchase and maintenance.

23. **Private investment will enter the expenditure framework through a few large investors linked directly to Program-financed agencies**. The largest private investment included in the Program expenditure framework is the expected US$110 million in investment in TSEZ. This investment is expected to be made by a single private investor[44], which will be contracted by TSEZA to develop and operate TSEZ. The investor will make investments in on-site infrastructure (e.g. land plots, factory buildings, etc.) and will be operating under the terms of the contract with TSEZA and the laws and regulations governing TSEZ. The second private investment included in the expenditure framework is the expected US$20 million that will come from private DSPs who will invest in fiber connecting from OGERO Central Offices to subscribers. These DSPs will be licensed by MOT and will operate under the terms established by the class license regime supported by the Program (DLI4).

Use of program funds. The Program will fund specific activities designed to support private-sector led growth and facilitate improved labor market outcomes. This will include activities directly carried out by Ministries and Agencies as well as some that are contracted to the private and NGO sector, including delivery of the matching grant, entrepreneurship support program, and ALMP services. Ministries and agencies that will receive Program funds include: MOET, MOT, NEO (agency of MOL), the HCC, the HCP, TSEZA (including through CDR), and the OMSWA. As implementing agencies, the budget allocations for the activities that will be conducted by MOET and Customs will be embedded within the

[44] While this is expected to be a single investor it is possible it could be broken into two or more contracts.

current budget lines as reported by the MOF, with additional activities also accounted for within their budgets. The rest of the agencies receive a budget line under article 14 of the budget structure as a contribution. Annual expenditure requirements by responsible Ministry/agency is show in Table 12.

Table 12: Expenditure requirements (US$ m) by responsible agency and year

	2019	2020	2021	2022	2023	TOTAL
HCP	17	26	26	26	26	120
POM (BdL)	2	1	1	-		4
MOT	30	30	30	30	-	120
HCC (Customs Authority)	9	30	40	21	10	110
MOET	9	12	15	15	8	59
TSEZA (CDR)	29	15	8	9	8	69
MOL (NEO)	3	13	17	17	17	67
OMSWA	0	0	1	1	0	4
OMSFAC	0	0	0	0	0	1
Overall unallocated	1	1	1	1	1	6
PEU	1	1	1	1	1	5
Subtotal - public	103	128	141	121	72	565
*Private investment**	*27*	*21*	*26*	*26*	*30*	*130*
TOTAL	130	149	167	147	102	695

** Private sector investment estimated at US$110 million for TSEZ and US$20 million for MOT between 2019 and 2023.*

24. **DLI disbursements are designed to finance future results.** DLI disbursements are intended to ensure responsible Ministries / agencies have access to the funding they need to deliver the results, while establishing an incentive to meet those commitments. Thus, DLI disbursements are expected to be largest in the early years while remaining steady into the final year of the Program (Table 13).

Table 13: Expected flow of public expenditures and disbursements by year (US$ m)

	At effectiveness	2019	2020	2021	2022	2023	TOTAL
Expected public-sector Program expenditures		103	128	141	121	72	565
Expected DLI disbursements	10	92	78	56	91	73	400
Expected DLI disbursements incl advance (22.5%)	100	92	78	56	74	0	400
Cumulative public expenditure		103	231	372	493	565	
Cumulative disbursement	100	192	270	326	400	400	

25. **A 22.5 percent advance will be requested to ensure sufficient funding to enable rapid implementation toward achieving Program results**. Table 14 provides an overview of the additional expenditure requirements for implementation of the Program in 2019 and 2020 in each responsible Ministry/agency. It covers only those Program expenditures that are beyond what has already been agreed between these agencies and MOF (as per 2018 budgets), including new projects and programs (e.g. matching and entrepreneurship grants, ALMPs, Customs Strategic Plan rollout, broadband rollout, TSEZ,

etc.) as well as expansions to existing units (e.g. HCP, OMSWA) required to deliver on results of the Program. The logic is that an advance should help ensure these additional costs are covered over the first 18 months of the Program (except for large capital expenditures in TSEZ and MOT, for which a 24-months advance is assumed to be required given the need to tender well ahead of time). As shown in

26. Table 14, these costs are expected to be US$100 million. Disbursement on results achieved prior to Program effectiveness are expected to be US$10 million, leaving an additional US$90 million in financing required to cover additional expenditures over the first 18 months of the Program.

Table 14: Additional expenditures (beyond current budgets) required at Program outset (US$ m)

	2019	**2020**	**Total required (18 months)**	**Explanation**
HCP	17	13	30	Additional budget over 2018
POM (BdL)		3	3	New Program budget
HCC (Customs Authority)	20	10	30	Customs Strategic Plan and implementation budget
MOET	2	5	7	VC program set up and seeding of two grant funds
TSEZA (CDR)	15	8	23	Site preparation budget
MOL (NEO)	2	1	3	MIS systems costs and ALMP set-up
OMSWA	0	2	2	New unit
PEU	1	1	2	Program execution
TOTAL	**58**	**43**	**100**	

27. **Program financial sustainability and funding predictability**. Given the high level of instability in the country and the wider region, and the Lebanon's high debt level, the Program is certainly not immune against exogenous shocks. On the other hand, even over the period of 12 years prior to 2017 when the GOL failed to pass a budget law, funding allocations to ministries and to government programs has remained relatively predictable. Grants and subsidies introduced in the Program are budgeted at around US$89 million over the 5-year period of the Program. While there are no guarantees that financing will be maintained following the completion of Program, it should be noted that these are all initiated as pilot programs, which will receive rigorous impact evaluation to assess their relative return. It will be up to the GOL to determine whether they justify further funding following the completion of the Program. In addition, the design of these programs structured them in such a way as to minimize the creation of ongoing fiscal liabilities (e.g. external contracting of fund management on time-bound, performance-based contracts).

28. **Budget execution.** A review of budget allocation and expenditures across agencies responsible for delivering on the results of the Program indicates improving capacity, although some risks are apparent. In general, a high rate of allocated budgets is usually carried over for the next year, to allow for the existing committed/contracted activities to be implemented. The review of the budget allocations, over the past six years for the Ministry of Economy and Trade shows an overall improvement in the Ministry's ability to execute its budget to reach an average rate of 60 percent over the past six years. The Customs administration has a greater ability to execute its budgets with around 75 percent execution rate. NEO, which receives its budget as a contribution line item within Ministry of Labor's Budget, has been increasingly able to execute its budget over the past three years. HCP and TSEZA receive their budgets as contribution line items within the Office of Prime Minister's Budget. Both of these agencies have a shorter track record and will require capacity building to enable them to effectively delivery on substantially increased budgets. In particular, a significant increase is envisioned to the HCP budget over the forthcoming five years, further to the enactment of the PPP law and the key role that the HCP will play in developing CIP and other projects for private investment. This provides for the needed scale-up of operations during 2018 in terms of increases

in core staffing and appropriation of funds for the procurement of feasibility studies and transaction advisors. Below is a review of historical budget execution in the key responsible agencies and Ministries, followed by detailed tables.

- Customs: Customs administration has shown an ability to execute its budgets with around 75 percent execution rate. A high rate of allocated budgets is usually carried over for the next year, to allow for the existing committed/contracted activities to be implemented.
- MOET: MOET shows an overall improvement in the Ministry's ability to execute its budget to reach an average rate of 60 percent over the past 6 years.
- NEO: NEO receives its budget as a contribution line item within Ministry of Labor's Budget. It has been increasingly able to execute its budget over three years. Starting just 31 percent execution in 2014, it reached 79 percent by 2016.
- HCP: HCP receives its budget as contribution line items within the Office of Prime Minister's Budget, negotiated with the OPM and MOF. HCP has not been operationally very active until recently. Thus, budget execution between 2014 and 2016 shows allocated budgets for recurrent costs (salaries and running costs), and an allocated budget foreseeing the possibility of initiating operations of the PPP program pursuant to the passage of the law. The unspent committed allocation in these three years has been carried over to the following year. With the law in place and GOL's urgency to move forward with the PPP program, particularly to fund parts of the CIP, HCP should be able to receive and spend its annual budget going forward.
- TSEZA: TSEZA receives its budget as contribution line items within the Office of Prime Minister's Budget, negotiated with the OPM and MOF. TSEZA is a relatively new institution where a board was appointed only in 2015. In the past two years most of the work conducted has been related to regulatory and zone preparation set ups.

Table 15: Historical budget execution by key Program implementing agencies (overleaf)

Institutions	Years	Budget (beginning of year)	Final Budget	% of additional credit	% of final budget Committed	% of final budget Spent	committed to be revolved (open credit for next year)	uncommitted to be revolved	Uncommitted to be cancelled
Customs									
	2011	36,379,652.4	49,234,944.6	35%	88%	84%	5%	1%	11%
	2012	23,722,685.2	45,933,090.9	94%	82%	67%	16%	1%	17%
	2013	42,890,341.4	57,569,692.4	34%	77%	69%	7%	0%	23%
	2014	42,890,341.4	52,594,835.5	23%	87%	81%	6%	0%	13%
	2015	16,109,915.8	44,017,282.0	173%	137%	1%	24%	8%	107%
	2016	56,775,493.8	62,266,414.5	10%	77%	67%	11%	0%	22%
NEO									
	2014	1,960,597.01	1,960,597.01	-	100%	30.96%	69%	0%	
	2015	1,960,597.01	3,314,191.71	69%	41%	40.84%	0%	0%	
	2016	1,960,597.01	2,096,236.82	7%	79%	78.96%	0%	0%	
HCP									
	2014	663,349.92	30,277,446.10	44.64%	100%	4%	96%		
	2015	2,164,510.78	31,237,479.27	13.43 %	95%	1%	95%	-	5%
	2016	2,164,510.78	31,734,991.71	13.66%	95%	1%	94%		
TSEZA									
	2014	2,799,867.33	5,599,734.66	100%	100%		100%		-
	2015	2,799,867.33	8,399,601.99	200 %	75%	25%	50%		25%
	2016	3,290,215.59	7,490,016.58	128 %	65%	9%	56%		
MOET									
	2011	6,151,111.11	7,537,351.91	23%	72%	70%	23%	1%	5%
	2012	4,649,001.66	44,484,963.85	857%	43%	43%	59%	43%	43%
	2013	7,045,355.89	8,086,384.08	15%	68%	67%	32%	2%	0%
	2014	6,149,833.50	7,618,855.06	24%	72%	69%	28%	4%	0%
	2015	6,665,919.73	65,063,451.41	876%	86%	86%	14%	1%	0%
	2016	7,931,028.99	41,266,031.84	420%	86%	15%	14%	71%	0%

Results Framework and M&E

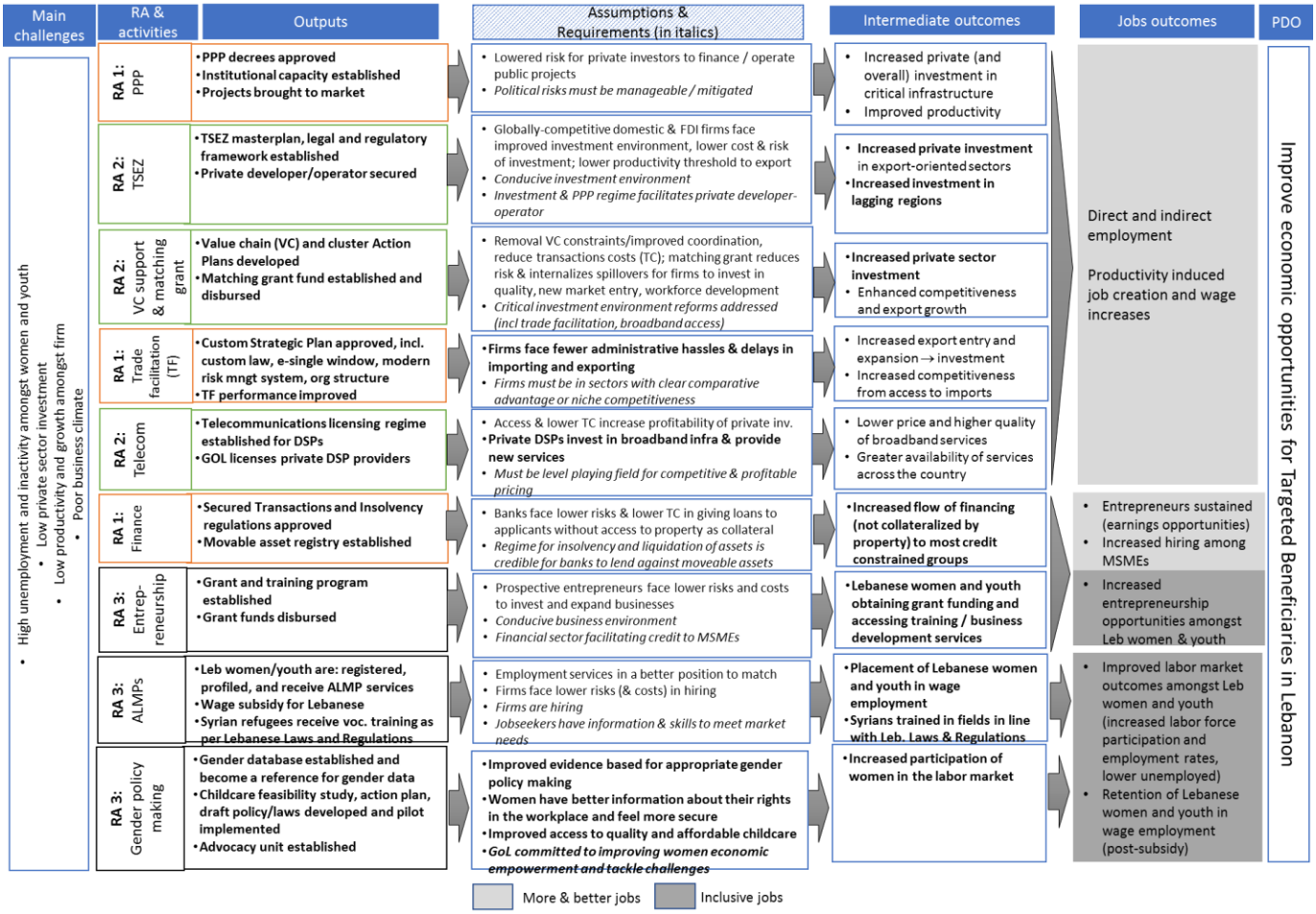
29. **Program performance will be monitored based on the Program results framework and DLI reporting requirements.** Monitoring plays a crucial role in (i) ascertaining progress toward DLIs, and (ii) tracking broader results. The WBG will provide GOL Ministries and agencies participating in the NJP with technical assistance to furnish a blueprint of necessary information systems. The MOF, in its role overseeing the Program, will assume the overall responsibility for ensuring that implementing agencies establish the necessary capacity. An independent auditor will be retained to verify reported results.

30. **Strengthening M&E capacity**. Technical assistance will be provided to ensure that implementing agencies have sufficient capacity for M&E, including basic data collection. Capacity building will ensure that monitoring results of the NJP strengthens the GOL's overall capacity in tracking economic activity. In addition to building capacity of units and individual staff, the Program will also support the establishment of institutions and analytical products that will be critical to supporting M&E. This includes establishing an SME Observatory, which will help establish the data and analytical base to better understand the MSME sector.

31. **DLIs and component DLRs are integrated directly into the results chain, supporting Program monitoring**. Figure 3 illustrates the relationship between the Results Areas, and DLIs across the result chain – it shows that DLRs consist of both outputs (particularly those that come in the early stages of the Program) and intermediate outcomes, which come later in the program and include higher-level DLIs.

32. **An impact evaluation program is embedded into monitoring and evaluation of the Program**. Impact evaluation of the NJP's actions can (i) assess the effectiveness of jobs programs in a labor market under considerable stress, and (ii) compare the effectiveness and cost-efficiency of different support modalities in a single consistent framework. Approximately US$600,000 in trust fund resources have been secured to fund robust impact evaluation from the Jobs Multi-Donor Trust Fund (parent Trust Fund number TF072322). Randomized controlled trials are envisaged to generate convincing evidence on the performance of the entrepreneurship grant and ALMP components. High quality administrative data available from the MOF will allow for a high-quality non-experimental evaluation of activities including support to the TSEZ (synthetic control group), and the value chains and broadband access components (difference in difference approaches with pre-trends).

Figure 3: Overview of relationship between the result indicators and DLIs in the results chain



Note: Bold text indicates DLRs

Program Governance Structures and Institutional Arrangements

33. **Implementing Agencies**. Given the cross-cutting nature of the jobs agenda, a relatively large number of agencies will be involved in implementing the Program. Table 16 summarizes the responsible agencies by Results Area and specific activity. Implementation staff will be appointed and capacitated for implementation of activities that are new, and where the implementing agency does not have existing capacity to implement.

Table 16: Implementing agencies in each Results Area

Results Area	Activity	Implementing agency (partners)
RA1: Enhancing the Environment for Private Investment	Development of PPP program	HCP
	Financial sector development	PCM (BdL/MOET)
	Telecommunications development	MOT
	Customs reforms and trade facilitation	HCC (MOF-customs administration/MOET)
RA 2: Catalyzing Job Creation through Trade and	Targeted value chain development	MOET
	Matching grants	MOET (Kafalat)
	Tripoli Special Economic Zone development	TSEZA (CDR)

Results Area	Activity	Implementing agency (partners)
Investment in Lagging Regions		
RA3: Connecting Women and Youth to Jobs	Strengthening and modernizing active labor market programs	NEO
	First-time jobseekers program	NEO
	Entrepreneurship program	MOET
	Improving gender-based policy making for increased women's economic empowerment	OMSWA

34. **Program Executing Unit (PEU)**. A Program Executing Unit (PEU) will be established within three months of effectiveness and maintained at the Ministry of Finance (MOF) throughout the implementation of the Program. The PEU functions as the secretariat of the Coordinating Committee (see below) and is responsible for: (i) the overall management, coordination, reporting, monitoring, and evaluation of Program implementation, including Program fiduciary, social, and environmental management; (ii) hiring and interfacing with the IVA; (iii) carrying out Annual Performance Assessment; (iv) carrying out the technical audits; (v) facilitating financial audits for the Program, all in accordance with the Program Operational Manual (POM). In addition, the PEU will carry-out inter-ministerial and inter-agency coordination on the Program policy and technical agenda. The PEU will include project management staff and specialists (M&E, environmental and social). Including the costs of the IVA, the PEU is expected to have a budget of approximately US$5 million over the five-year Program period.

35. **Inter-Ministerial Coordinating Committee (CC)**. Coordination at the policy level will be ensured by the NJP CC to be established within six months of the effectiveness of the Program The committee will be chaired the Minister of Finance, with participation from all ministries and agencies that are participating in the Program, including: including: Ministry of Finance; Prime Minister's Office; Ministry of Economy and Trade; Ministry of Labor; Ministry of Telecommunications; Ministry of Industry; Higher Council for Customs; High Council for Privatization and PPP; TSEZA; Office of the Ministry of State for Women's Affairs; and Banque du Liban. The CC will provide strategic guidance and direction and facilitate coordination across different departments, agencies and levels of government involved. It will review and finalize recommendation reports and plans developed as part of the different Results Areas and DLIs, monitor progress of the Program on a quarterly basis. The CC will also endorse annual plans for the Program's M&E activities.

36. **Private Sector Advisory Board (PSAB).** A PSAB will be established, within four months of the effectiveness of the Program, to provide guidance to the PEU and CC on Program progress and private sector feedback on key policy and program activities. Membership would include representatives from the principal Chambers of Commerce from Beirut and main cities in the lagging regions, plus other identified members to be selected by the PEU in consultation with CC members. The PSAB will be launched based on the mandate and membership to be agreed upon at the first meeting of the CC. A key aspect of this mandate would be to act as a "sounding board" for new interventions or policies that would emerge from the learning and experience of this Program.

37. **Value Chain Committee (VCC). The VCCs will be established, within six months of the effectiveness of the Program, A VCC will be established for each value chain under the program.** The VCC, chaired and appointed by MOET, will comprise members of the public and private sectors who are relevant to a given VC and agree to take on an active responsibility in the preparation and approval of the VC Action Plans. The mandate of the VCC will be set out in the POM.

38. **Readiness and first-year implementation plans.** It is recognized that delivery of the Program requires actions across a wide range of government actors. It is also recognized that effectiveness of project implementation with several GOL ministries has been less than adequate, while other ministries and agencies that will need to deliver on this Program have limited experience in working with the WBG or other development partners on similar types of activities. Therefore, ensuring timely and effective implementation will require substantial upfront planning as well as capacity building. In addition, to reduce implementation complexity at the outset, Program activities and selection of DLIs have been designed to minimize the requirement for cross-ministerial coordination (i.e. delivery against DLIs are kept largely within the control of individual ministries).

Economic Evaluation

39. **The rationale for public provision of financing rests on both government and market failures, as well as the demonstration effects and network externalities of program pilots**. The Program is designed to address a wide range of government and market failures that have constrained private sector investment, job creation, access to jobs for youth and women, and efficient functioning of labor markets in Lebanon. Moreover, the program pilots a number of new approaches to facilitating private sector and workforce development – these pilots are expected to provide significant demonstration effects that justify public financing. Details on the specific government and market failures, and the nature of the expected demonstration effects related to each area of intervention are provided in the earlier section of this technical annex. Broadly, the set of policy reforms in Results Area 1 target mainly government failures and actions with significant economywide spillovers, including through both productivity effects due to network externalities and to demonstration effects. Interventions in Results Area 2 are focused on addressing information and coordination failures in vertical sectors (and, in the case of TSEZ, government failures), and internalizing discovery costs related to exporting and quality enhancement. Finally, interventions in Results Area 3 aim to address information asymmetries and externalities related to scale economies.

40. **The economic analysis focuses on jobs and earnings as the primary channel for the Program's economic impact**. Following the logic of the results chain and the PDO indicators, the economic analysis derives benefits mainly through the labor channel – via the earnings from additional employment as well as increased earnings through higher quality employment (including both more productive existing jobs, and a shift from lower quality self-employment to higher quality self-employment and formal wage employment). The analysis traces these labor benefits mainly through increased private sector value added, which in turn derives from increased investment and exports. For some Program Results Areas, additional benefits accrue from increased revenue flows to the GOL resulting from taxes on increased value added[45].

41. **Impact estimates are derived independently from published empirical relationships between program actions and job creation, as well as from a computable general equilibrium (CGE) model of the Lebanese economy.** Existing econometric work has linked program actions (for instance, the establishment of a collateral registry, or matching grants) either directly to jobs outcomes, or to other outcomes such as growth in investment or output that have well-defined relationship to employment growth. The analysis uses such published relationships to impute the expected impact of Program actions. Secondly, it considers job demand results from a CGE model into which shocks are introduced that proxy the Program's actions. In most instances, shocks are exogenous increases in investment in relevant sectors, in some cases (e.g. broadband) with productivity effects. The CGE is a dynamic eight-sector model of the economy with a disaggregated labor market structure. It is informed by 2011 household survey data and a

[45] Note that significant tax flows to the GOL also accrue from the labor earnings stream (both from direct income taxes as well as consumption taxes). However, because the full additional wage for labor is included as a benefit stream, including the tax portion of these wages would result in double counting.

2009 social accounting matrix. One of its closures is a wage-employment curve that captures the high reservation wages in Lebanon.

42. **The economic benefits of the Program are assessed independently for each action but are interlinked and will reinforce on another.** Each of the main activities of the Program are assessed for job creation and, subsequently, economic impact – organized by Results Area below. However, it is expected that many of the interventions will raise the economic returns of other interventions. For example, the integrated demand and supply side interventions in Results Areas 2 and 3 are expected to reinforce one another and raise the returns of each individual initiative. Similarly, the telecom investments and reforms as well as trade facilitation reforms from Results Area 1 should augment economic benefits arising from value chain initiatives in ICT and agribusiness from Results Area 2. These Program-level additionalities are not captured in the economic analysis presented below.

43. **The Program is expected to create more than 52,000 permanent jobs and close to 12,000 temporary construction jobs over a fifteen-year time period.** [46] This aggregate number is based on combining CGE results with econometric results for the DLIs where no CGE estimates are available (SME lending and TSEZ). The overall GOL investment per permanent job is US$12,506 (US$10,235 including temporary jobs). This compares well with regional benchmarks – for example Robalino (2018) estimates around US$30,000[47] in investment is required to create one direct job in Tunisia. It also compares well with benchmark costs in evaluations of programs supporting jobs, for instance, US$24,037 in the Nigerian YouWiN! business plan program (McKenzie, 2017)[48]. Previous estimates on the cost to create a construction job in Lebanon range from around US$10,000 for road construction to more than US$60,000 for building and electrical construction[49]. Details on permanent job creation across DLIs is provided in Table 17. Expectations on job creation for Targeted Beneficiaries is provided previously in Table 9.

Table 17: Job creation estimates by DLI (permanent additional jobs across the project horizon)

	Jobs	Model source
DLI 1: PPP	21,872	CGE
DLI 2: Credit infrastructure	2,291	Econometric
DLI 3: Trade facilitation	3,234	CGE
DLI 4: Broadband	8,419	CGE
DLI 5: TSEZ	7,950	Econometric
DLI 6: Value chain investments	6,672	CGE
DLI 7: ALMP	n/a	n/a
DLI 8: Entrepreneurship grants	1,779	CGE
DLI 9: Gender-based policy	n/a	n/a
Total	**52,217**	

44. **In addition, construction activities under the program are expected create around 11,600 temporary jobs, alongside an additional 1,700 temporary job opportunities for recipients of the temporary wage subsidy.** While most Program components will result in some construction activity, three

[46] A 'permanent' job is defined as one that is created due to a change in the economy that lasts (all else equal). For instance, productivity increases (e.g. in the case of broadband access), increases in capital stock (e.g. value chains), or efficiency gains (e.g. customs, collateral registry). By contrast, a job is considered 'temporary' if it is created due to changes in the economy that do not last, for instance, a demand shock in the construction sector that may create jobs for some years.

[47] https://blogs.worldbank.org/jobs/how-much-does-it-cost-create-job

[48] Adjusting by the ratio of GDP p.c. between Lebanon and Nigeria. Note that this was for an entrepreneurship program.

[49] World Bank (2013) Infrastructure and employment creation in the Middle East and North Africa

actions in particular are expected to generate significant construction employment: PPP, broadband, and the TSEZ. The economic analysis models these temporary jobs as separate from jobs created through other investment or efficiency gains. Modeling assumptions and results are described in detail below. Table 18 summarizes results, assuming that temporary jobs last for one year of full-time work.

Table 18: Temporary construction jobs by relevant DLI

	Temporary jobs	% of total
DLI 1: PPP	5,318	46%
DLI 4: Broadband	2,359	20%
DLI 6: TSEZ	3,907	34%
Total	**11,584**	

45. **It is expected that Targeted Beneficiaries will each access at least 20 percent of jobs created.** The CGE estimates suggest that the Program is expected to create at least 7,900 permanent jobs for women and for youth each[50]. Additional opportunities are likely to arise in the Program components that could not be modeled with the CGE, including jobs placement, the TSEZ, employment from resulting from additional investment facilitated by the credit infrastructure reforms and movable assets registry. These estimates amount to about 20 percent of all jobs for each of these groups (women, youth, refugees). They are conservative in that they are based on current employment patterns in the economy, and do not take into account efforts to promote access to jobs for the priority groups, in particular under DLIs 7 and 8.

46. **Estimates of job creation are sensitive to assumptions, but the main results shown here lie in the center of a broad range of alternative estimates.** The Program consists of many actions to create jobs, and modeling impacts involves a multitude of assumptions on parameters, described in detail for each action, below. The analysis shows that the headline estimate of about 11,600 construction jobs is close to the median estimate across the broad range of assumptions (11,200 jobs). The 95 percent range is about 7,000-16,000. The range of assumptions considered suggests greater uncertainty over the number of permanent jobs created, with a 95 percent range of about 7,000-27,500. Yet, within this range, the headline estimate of 12,623 jobs is somewhat conservative, and below the median of about 16,000.

47. **Net present value of investments is high in the Program actions that can be modeled as investment projects.** The economic analysis includes full net present value (NPV) calculations for those actions that can be modeled as investment projects. This excludes actions with a strong policy reform element under Results Areas 1 and 2 for which it is hard to predict leveraged private investment. NPV accounts for both public and private project expenditure. It is derived from the number of direct jobs predicted by the econometric approach; it excludes indirect and induced jobs, and will therefore tend to understate benefits. For the actions modeled here, NPV is high when all social returns are counted – including profits arising to firms. It is worth noting that for the matching grant and entrepreneurship grant components, discounted net returns are positive even when only considering the value of wages. For the placement component, cost outweighs wage benefits, but it is worth recalling that the model looks at placement as generating temporary jobs, and does not attempt to value employment and productivity impacts farther into the future, or account for the social externalities associated with promoting jobs for the beneficiaries targeted by the DLI. Social returns remain highly positive (Table 19). To explicitly show

[50] As noted in the text, these figures only account for jobs totals modelled through the CGE. As such, while they do not represent 20 percent of the 52,000 jobs figure quoted in paragraph 42, they do account for 20 approximately 20 percent of the jobs created across the activities modelled in the CGE.

returns to the Government's investments alone, Table 20 shows economic rates of return for the same actions when counting only wages (net of the opportunity cost of labor) or wages and tax revenue as benefits. It reflects high returns to public investments in the matching grant fund and the TSEZ, and sound returns to the entrepreneurship grant fund. As noted, economic returns to the placement program are negative without considering the social externalities of promoting access to jobs for women and youth.

Table 19: Net present value of investments (excludes DLIs with policy outputs)

	Net present value of benefits less expenditures		
	Total social returns	Direct jobs only	Direct jobs and tax revenue
DLI 5: VC and MG	$163,154,148	$154,355	$18,084,333
DLI 6: TSEZ	$81,590,000		
DLI 7: ALMP	$54,019,678	$(40,209,501)	$ (29,844,291)
DLI 8: Entrepreneurship grants	$48,745,694	$48,745,694	$290,895

48. **The GOL can expect strong returns to its investment in terms of wage benefits and taxes.** To explicitly show returns to the Government's investment alone, Table 20 presents economic rates of return obtained when considering only public spending. Returns to public investments to public investment are high in the matching grant fund and the TSEZ even when only wages (net of opportunity cost) are counted as benefits. When the calculation includes new tax revenue, rates of return are very high for these two actions, and are substantial for the entrepreneurship fund. As noted, economic returns to the placement program are negative without considering the social externalities of promoting access to jobs for women and youth.

Table 20: Economic rates of return on public investment (excludes DLIs with policy outputs)

	Economic rates of return	
	Wages only - public investment	Wages + tax - public investment
DLI 5: VC and MG	28%	56%
DLI 6: TSEZ	27%	43%
DLI 7: Placement	n/a	n/a
DLI 8: Entrepreneurship grants	5%	15%

49. **World Bank value added**. In addition to the WBG's prospective role in bridging the financing gap required to deliver on the NJP, the WBG provides the technical breadth and depth needed to address the complexities of a job creation program in a comprehensive way. Specifically, WBG has can leverage both supply and demand side technical expertise in a coordinated way, to support design and delivery not only of private sector-driven job creation interventions, but also the critical underlying policies that are required to enable them to be effective. In part through the close involvement of the IFC, WBG also has the capability to maximize the potential private sector investment contribution to key aspects of the Program, ensuring both greater financing leverage and more efficient use of public funds.

Annex 5: Summary Fiduciary Systems Assessment

This section is the summary of the Fiduciary Systems Assessment (FSA). Further details are provided in the separate full Fiduciary Systems Assessment.

1. The Bank fiduciary team conducted the assessment as per the Bank's policy "Program-for-Results Financing" (July 2015), as well as per the directives of the guidance note on PforR fiduciary assessments (June 30, 2017), in close collaboration with the Bank technical team, through analysis of available documents and working sessions with the main stakeholders. The FSA considers whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program's institutional arrangements, financial management and procurement systems, and governance systems.

2. A fiduciary risk assessment was conducted as well based on current knowledge of Lebanon public procurement and financial management systems together with reviews of existing analytical and diagnostic work; published information and reports. As part of this assessment, the Bank fiduciary team met with representatives of the Ministry of Finance (MOF), and the Directors of concerned departments (Directorate of Budget, Directorate of Debt, Directorate of Public Accounting, Directorate of Treasury including cash management), Customs Directorate, the Central Inspection/ Central Tender Board (CTB), Court of Account (COA), Ministry of Economy and Trade, Ministry of Labor (MoL), the Ministry of Telecommunications, the Prime Minister Office, the HCP, Office of Minister of State for Women's Affairs (OMSWA),, Office of Minister of State for the Fight against corruption (OMSFAC), and the different concerned state-owned-enterprises (SOE) of the program: National Employment Office (NEO), Tripoli Special Economic Zone Authority (TSEZA), the Council of Reconstruction and Development (CDR), and OGERO authority.

Conclusions

3. The **Program has an overall "Substantial" fiduciary risk rating that will require implementation of appropriate mitigation measures.** A reasonable assurance is then provided that the Program financing proceeds will be used for intended purposes, support its implementation, and to achieve its desired results**.**

4. **The assessment identified the following main risks:** (i) complex Program with several agencies including state-owned enterprises (SOE) are involved in the implementation, (ii) implementing agencies do not receive their share of the Program financing within their respective yearly budget, (iii) delays in payments reviews, processing and payments that are centrally managed by MOF, (iv) delays in funds transfers to entities' bank accounts (NEO, TSEZA, HCP, OMSWA, OMSFAC), (v) limited effectiveness of controls within the SOEs as well as within other implementing agencies, (vi) limited capacity of the CoA to carry out audit over the Program, (vii) weak central inspection and non-existence of internal audit function with the Lebanese public financial management framework, (viii) SOEs operations are following individual procurement regulations, (ix) weak monitoring and procurement oversight, (x) inconsistent quality of technical specifications, and weak capacity for contract management and administration; (xi) cumbersome procurement processing; (xii) lack of independent complaint mechanisms; (xiii) weak automation of contract cycle to produce and monitor performance indicators; (xiv) ghost workers and patronage recruitment of consultants within the implementing agencies.

5. **The risk mitigating measures proposed are the following**: (i) the implementation details for fiduciary arrangements will be set out in the Program Operational Manual, (ii) the yearly Budget of each implementing agency will include all budget lines covered by the Program, clearly also delineating where these budget lines are financing entirely new activities (e.g. Matching and Entrepreneurship grants, ALMP

activities); (iii) the payments will be centralized through Treasury account at MOF following the country systems processes; (iv) the loan agreement will reflect the need to have the payments regarding the Program be given a priority in processing; (v) the loan agreement to explicitly state the timeline for funds transfers from Treasury to individual agencies' bank accounts (NEO, TSEZA, HCP, OMSWA, OMSFAC); (vi) an independent external auditor will be hired to carry out the audit of the Program with ToRs agreed by the Bank; (vii) technical audit(s) to verify fiduciary processing abiding by the principals of public procurement and financial management (economy, efficiency, effectiveness, transparency, and accountability) for selected high risk entities such as NEO and MOET; (viii) technical assistance for development and revision of technical specifications; (ix) systematic consolidation of procurement processing and contract management; (x) creation/nomination of an independent complaint unit; (xi) usage of automation to collect procurement data adequate for performance analysis; (xii) publication of annual procurement plans, procurement notices and contract awards; (xiii) technical auditors to verify the eligibility selection and qualifications of recruitment of staff and consultants under the Program; and (xiv) MOF to ensure adequate system in place for Program periodic reporting, as well as assume the role of coordination on the Program implementation, achievement of DLIs and their verification through IVA, external audit report timely submission, as well as the technical audits resolution of findings.

6. **Procurement exclusions**. It is foreseen that no exclusion will be observed since all individual contracts under this Program are deemed to be estimated below the Operations Procurement Review Committee thresholds following values: (i) works US$75,000,000 equivalent; (ii) goods US$50,000,000 equivalent; (iii) non-consulting services US$50,000,000 equivalent; and (iv) consulting services US$20,000,000 equivalent.

7. **Application of the Anticorruption Guidelines**. The World Bank's Anticorruption Guidelines will be applicable to the Program as a whole. Specific requirements of the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing are the following:

- Sharing information regarding all allegations of fraud and corruption in connection with the Program, investigating all credible allegations received; reporting to the World Bank on actions taken, and cooperating in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program.
- Procurement entities monitoring and abiding by the World Bank's list of debarred/suspended firms.

Scope

8. The Program's objective is to improve economic opportunities for Targeted Beneficiaries in Lebanon. The proposed operation will support the government program to create sustainable, quality jobs, over the short to medium term (1-5 years).

9. The FSA covered the various partners of the Program. The Program is implemented by public entities with different profiles: (i) ministries (MOET), MOF, (ii) HCP, OMSFAC, and OMSWA (all housed under the prime minister), and (ii) State-Owned-Enterprises (NEO, CDR, Customs, TSEZA, OGERO).

Public financial Management Cycle

General Overview:

10. **The expenditures to be incurred under the Program will form part of the national budget systems of the Government ministries and concerned agencies**. The Program will be subject to Government's Public Financial Management (PFM) arrangements, which have been assessed through

various analytical pieces[51]. A summary of applicable PFM systems, rules, procedures and oversight mechanisms is described in the following paragraphs.

11. The **public financial management (PFM) system in Lebanon is based on the Constitution, and the Public Accounting Law (PAL).** There is an established legal and regulatory framework. This framework complies with the principle of separation of powers (legislative, executive and judicial) and the roles and responsibilities of the institutions are clear. The legal framework for PFM is underpinned by a series of established procedures for payroll controls, non-salary expenditure controls and public procurement. At present, there is no unified Budget System Law (BSL) in Lebanon to lay out the requirements of the annual budget process and implementation of the annual budget law. The main pillars for budget preparation and execution are the following: (i) legislative framework (Constitution, Parliament Internal Regulations, Public Accountancy and Procurement Law), and; (ii) institutional setup (Central tender board, Central inspection, and Court of accounts). Many implementing Decrees and Ministerial decisions were issued complementing the laws.

a. ***The Constitution.*** The Lebanese Constitution dedicates a chapter to financial issues and contains "normative" provisions that govern general tax issues and other budget issues.
b. ***The Parliament Internal Regulations***. The Parliament Internal Regulations of October 18, 1994 regulate the role of the Parliament in the budgeting process and reflect the financial principles set forth in the Constitution.
c. ***The Public Accountancy Law***. The Public Accountancy Law (PAL) issued by Decree No. 14.969 of 30 January 1963, constitutes the main legal text that deals with budget preparation and execution. The PAL is a not an organic law (as opposed to a Budget Organic Law, generally used in civil law countries). It can be updated each year through the annual budget laws.
d. ***Public Procurement.*** The Public Accounting Law of 1963 supplemented by several Decrees constitutes the legal foundation of Lebanon's organizational and institutional framework for procurement. In concert with the Decree of 1959 on Tender Regulations, the current system has remained entirely centralized, with the Central Tender Board (CTB) of the Central Inspection in charge of public procurement. The Audit Organization Act added the Court of Account (CoA), giving it prior administrative control over all large contract transactions. Regulatory framework for procurement contains loopholes that provide opportunities for some public entities and SOE to follow their own procurement rules.
e. ***The Central Tender Board (CTB).*** The country's procurement system is highly centralized around the CTB of the Office of Central Inspections that reports to the Prime Minister. CTB promotes efficiency of the public procurement system in accordance with the principles of publicity and transparency, free and fair competition, equality, and non-discrimination. It exercises ex-ante control over public procurement procedures. Under a proposed public procurement law, CTB will be responsible for developing and maintaining procurement standard documents, including contracts templates and standardized templates for advertisement, evaluation and amendments; maintaining a portal for publishing advertisements, and contract awards; and developing procurement data base and indicators. Also, under the Central Inspection, CTB will be entitled to deal with public procurement complaints not resolved by implementing entities.
f. ***The Central Inspection (CI)*** undertakes government-wide inspections and reports directly to the Presidency of Council of Ministers to whom it is administratively linked. It has a broad scope of entities subject to its investigation, including extra-budgetary entities, public autonomous agencies, and municipalities. Within the CI, a specific technical department for

[51] Recent assessments include the 2011 Public Expenditure and Financial Accountability (PEFA) assessment and the procurement Country Procurement Assessment Report of 1994 and subsequent Operational Procurement Review of 2006

each sector performs related inspection. The function and scope of intervention is mainly on a post basis that is more focused on a periodic Program that includes competencies and performance of civil servants as well based on allegations and complaints submitted.

g. ***The Court of Accounts (CoA) exercises control over the implementation of the budget*** and other public funds and activities in accordance with its constitutional mandate and legislation. CoA's main role is to control the reliability and truthfulness of the financial statements of budget-funded organizations as well as the legality, efficiency, effectiveness and economy of the management of public funds and activities; and to provide Parliament with reliable information thereof. The COA is responsible for checking the use of public funds by Government entities and its compliance with existing laws and regulations and for prosecuting all Government employees accused of violating laws and regulations governing the administration of public funds. At present, the COA exercises mostly ex-ante controls (by issuing visas) on expenditures above a defined threshold, consuming more than 80 percent of its capacity and resources, thus leaving it in a very limited involvement in the independent ex-post-control. The CoA undertakes prior reviews of procurement processing as a whole (including review of bidding documents, bids submitted, and evaluation). COA also exercises post review on contract execution as well on contracts that were above the prior review thresholds. The COA is administratively connected to the Prime Minister.

12. **Planning and Budgeting.** The assessment confirms that with the proposed risk mitigating measures, the Government of Lebanon's budget systems are adequate for the Program.

13. **Adequacy of budgets**:

a. The Lebanese Parliament failed to approve the budget since 2006 within the time frame fixed by the Constitution, due mainly to political considerations in the aftermath of 2006 events. As a result, there was no formally approved budget until the month of November of this year, where the Budget of year 2017 was ratified by Parliament after unprecedented political consensus.

b. In the absence of approved budgets since 2006 and up till 2016, Government expenditures were incurred based on the "one- twelfth rule", pursuant to which the Government is authorized to spend monthly one- twelfth of the last approved Budget (i.e., the 2005 Budget), and that is in accordance with the PAL Decree 14.969, and in other words there was neither an original budget law nor a budget execution law.

c. The law requires a detailed presentation of the budget and supplementary information to facilitate the Parliament understanding and control of the budget process. Tools and instruments, such as the budget classification, were developed, and new amendments are suggested for the utilization of the GFS.

d. Overall there is no proper budgetary translation of national and sector policies in Lebanon, with the drafting of Program budgets for all ministries and institutions, and introduction of Medium Term Expenditure Frameworks (MTEF) for sectors with strategies in place.

e. The proposed Program will be included in the annual budget of the government under the respective ministries and agencies as well as in the State-Owned enterprises (SOEs)' budgets, starting FY 2019 and up to 2024 (the Program period). The **budgets of respective ministries and Independent Government Public Units should include budget line items to reflect the Program activities expenditures**. Even if the yearly budgets are not ratified by government due to lack of political consensus, the additional budget lines that are identified for the additional activities, to be carried out by each of the agencies, will be clearly spelled out in the loan agreement, which will be ratified by government and issued as a law that supersedes all other laws. Therefore, those additional lines will be binding to be provided to implementing agencies even if no budget laws are voted.

f. **To account for each agency's share of the Program implementation, additional budget lines within their yearly budget will be opened to reflect the yearly contribution to the Program**. The Program expenditure framework is developed based on the approved budget 2017 for the different entities involved in implementation as well as the last three years close of accounts. Nevertheless, any additional activities over those figuring in the Budget, should be captured separately in the Program expenditure framework and they need to be reflected into the future budgets (2019-2020 and onwards) during the Program life as needed since the Program is not expected to be ratified until year 2018 and thus effective starting Budget 2019. Accordingly, any additional budget lines corresponding to meet the Program objectives will be approved within the upcoming budgets during the Program life. To ensure that the Budgets of each of these institutions reflect the proper amount of budget lines in addition to the needed additional lines, the expenditure framework has identified what will be covered on a yearly basis and what will be carried out as activities, thus as expenditures per year and per agency to ensure they are properly accounted for and integrated in the yearly budgets. **To mitigate the risk of improper allocations, and thus unavailability of the corresponding budget within the yearly budget of the Program implementation, <u>the loan agreement for the Program identifies all budget lines and the additional ones per agency and estimate a corresponding amount during the five years of implementation</u>**.

14. Procurement planning is linked to the available budget and to the objective needs of end-users, and procurement of goods and works are consolidated, as appropriate, for economy of scale. By law, except SOEs, each department or agency draws up an annual schedule that details contracts and their dates of procurement. The plan is published in the Official Gazette. Any modification of the annual plan requires approval of CTB and is subject to a new publication. However, the law flexibility provides exemptions from applying the Lebanese legal framework during implementation of projects financed by external financiers and development partners, provided it is so stated in the Loan Agreement signed with the government.

15. Procurement Profile of the Program. This assessment concludes on the Substantial procurement arrangement, however procurement activities and volumes envisaged under the Program remain below the exclusion threshold of the Operations Procurement Review Committee. No contract exclusion will be observed since all individual contracts under this Program are deemed estimated below the following value: (i) works US$75,000,000 equivalent; (ii) goods US$50,000,000 equivalent; (iii) non-consulting services US$50,000,000 equivalent; and (iv) consulting services US$20,000,000 equivalent. The activities envisaged under the Program are the following:

a. Works.
   i. TSEZA will commission CDR to build the infrastructure of the zone for an estimated amount of US$45 million.
   ii. OGERO will be tasked to further deploy Fiber to the Cabinets (FTTC) and Fiber to the Home (FTTH). Two contracts of less than US$50 million and US$75 million each will focus on regions outside of Mount Lebanon and Beirut and are self-contained contracts.
b. Goods and ITC equipment and software.
   i. NEO: Design and development of MIS system, specialized profiling software and adjacent services, design and development of a grievances and redress mechanism and adjacent services.
   ii. MOET: Design and implementation of an MIS system for the program, digital platform and database for the SME Observatory, and purchase of related ITC equipment.
   iii. Customs Directorate: Improvement of hardware performance and software to increase automation efficiency and risk management.
c. Consultancies:

i. NEO: Design and implementation of national awareness/communication campaigns, provision of active market programs, and Consultant to provide Technical audit.
ii. MOET: Consulting services are needed for selection of: (i) Consultants for the Design and implementation of national awareness communication campaigns to launch matching and entrepreneurship grant funds; (ii) an implementing agent for the matching grant Fund; (iii) intermediaries for the implementation of the entrepreneurship grants and business plan training; (iv) surveys for the value chain analysis, and; (v) technical assistance for SME observatory.
iii. HCP: advisory services for feasibility studies and preparation of technical specifications.
iv. OGERO: Design and Supervision contracts of the infrastructure deployment.
v. OMSWA: surveys, technical advisory to regulations and monitoring.
vi. OMSFAC: regulation and deployment of services covering anti-corruption agenda.

d. Non-procurement activities:
   i. NEO: expenditures related to implementation support staff and wage subsidies of placed project beneficiaries in jobs and other services aimed at placement.

16. **Budget Execution.** the assessment confirms that with the proposed risk mitigating measures, the Government of Lebanon's budget systems are adequate for the Program.

- The Ministry of Finance is the main hub for budget execution.
- While Ministries are the spending agents, as per the Public Accounting Law articles, they are responsible to trigger and follow up on budget execution.

17. **Treasury management and Flow of Funds:** There exists significant risk affecting the flow of funds in the administrative process that may delay funds transfer from the Treasury account at MOF to Program bank account and project designated accounts within the Lebanon portfolio for World Bank financed projects mainly due to non-compliance of the implementing agencies to send timely requests in form and substance as required by MOF. This has been a continuous issue in Lebanon portfolio that the Bank team has been trying to minimize through workshops and round tables gathering key actors from Treasury, Debt, Cash management, Budget and Expenditures departments at MOF along with the different implementing agencies of World Bank- financed projects as well as with the budget controllers of the public entities. The new guidance note on loans issued by MOF and approved by relevant control bodies such as CoA, has simplified that process of transfers and has reduced delays in the availability of flow of funds. For the current Program the below will be observed:

1. The line ministries such as the MOET and Customs (directorate of MOF), will not have any funds transfer as they do not possess any bank accounts as per the Lebanese legal framework. As discussed above, line ministries expenditures are processed and paid centrally by MOF.
2. As for other agencies, such as **NEO, TSEZA, OMSWA, OMSFAC and HCP** that have a financial autonomy, and accordingly manage their own flow of funds, budgeting, accounting and reporting, the MOF will transfer their share of the program financing to their respective bank account based on the 2007 budget allocation benchmark and the additional amounts detailed in the loan agreement. **However, <u>to ensure that these entities receive their funds on a timely manner, the loan agreement spells out timeline for these transfers from Treasury to be respected by MOF (biannual)</u>. Any delays in funds transfers may delay the implementation of activities execution and thus the DLIs achievement, and accordingly the financing flowing in to the Program.**
   - For TSEZ, the implementation corresponding to its share of the Program, to be reflected in its yearly budget during the Program life, and will be executed by CDR which has the capacity to carry out infrastructure works. Therefore, **the funds will need to be transferred by MOF directly to TSEZA's bank account. TSEZA will prepare a "decree of allocation of the total amount and "transfer of credit" so it can transfer the funds to CDR. The decree should state (i) the earmarking of the total amount**

(US$45 million) to CDR to execute the related works as well as the supervision consultancy, and (ii) the funds to be transferred to CDR's bank account. The decree will be issued by the Council of Ministers on a yearly basis for the transfer of funds.

- **In addition, to mitigate further that risk, proposed mechanisms for accounting for DLI's achievement are designed to ensure that financing that occurs is carefully designed to match with the Program needs for all agencies on a yearly basis**. It is proposed to have MOF directly handles flow of funds through a thorough coordination among the directorates of Debt, Budget, expenditures, and Treasury, as well as with the implementing agencies. Thus, MOF will have Program funds flow into the Treasury account (Account 36-Loans) upon all DLI's achievements. MOF has the capacity to control the coordination of flow of funds, to monitor the Program expenditures, to consolidate the Program flow of funds in a matching manner to the costs associated. This will be carefully reflected and spelled out through having the DLIs financing matching the costs per a given year to ensure appropriate accounting, recording, and reporting of activities and expenditures.

18. **Accounting, recording and reporting**. In general, within the Lebanese administration, the accounting and reporting follow the PAL, the following is a summary of the main issues within each of the entities concerned in the Program implementation:

19. **MOF:** Despite the quality of the available procedures and tools such as budget and accounting classifications, improving the quality and quantity of statistical and management of information production is hampered by the lack of an integrated information system that centralizes and integrates fiscal data. Such a system would improve the quality and/or availability of in-year administrative accounts, monthly and quarterly reports on government financial transactions, cash statements, and treasury cash balances. The system would also make it easier to monitor payments, as well as help improve the quality of internal controls and budget execution reports, and reduce the time required to produce annual financial statements and year's-end balance sheets. **For the purpose of the Program implementation, the MoF will establish, within the Project Executing Unit an expenditure accounting and management IT system for the overall Program, that can be financed out of Program funds. This financial management information system will ensure timely and accurate recording of the Program's overall actual expenditures by entity, and the actual disbursements on a yearly basis. This will serve to ensure an adequate annual reconciliation for the Program financing and expenditures versus overall program expenditures. This will provide the required data for reporting purposes to the World Bank**.

20. **CDR**: is a public financially autonomous institution endowed with extended jurisdiction in order to accelerate reconstruction and building works related to public institutions and infrastructure. CDR has a strong organization and financial structure that characterizes its control environment.

1. Segregation of duties and responsibilities such as invoice processing, accounting duties and the issuance of payments are well observed in the day to day transactions and are defined in the Financial Law that has been published in the official gazette on March 19, 1980.
2. CDR has also a procedures manual which includes detail specifications on the internal control and audit procedures applied by the office of government commissioner. This manual includes the automated functions implemented by the JD-Edwards system that has started operation in back in 2008. The system is capable to record and generate the required reporting by project. **Accordingly, the reporting on infrastructure works to be carried out for TSEZA, will be adequately developed using the information system of CDR.**

21. **SOE and autonomous agencies:** This includes NEO, HCP, OMSWA, OMSFAC and TSEZA. They will be following their own procedures which are almost similar and defined within Financial System internal regulations. In general, all decisions are processed internally with the need of the clearance of the

Custodian Authority above determined thresholds. The regulations cover the method of procurement, awarding conditions, and termination of contracts but are silent on complaint, and settlement of disputes. CoA is to exercise post-reviews as seen pertinent.

1. **NEO:** is a SOE that has financial autonomy and that has its budget shown as a line item within the overall budget of the Ministry of Labor. Every year, the MoL formally requests the transfer of funds corresponding to NEO's approved budget to the latter's bank account. The recording and accounting follows the concept of "commitment", and "liquidation". These are processed through a government commitment controller, as well as an accountant with the entity that ensure budget availability, and eligibility of expenditures, as well as recording for yearly reporting of close of accounts. **Nevertheless, since this Program will entail significant additional load in terms of activities and transactions, there is a need to have NEO hire additional staff that supports the existing personnel in fiduciary matters including procurement, reporting as well as monitoring.**
2. **HCP:** HCP follows the concept of commitment and liquidation similar to NEO. The entity manages its own bank account and has both an accountant for recording, as well as a budget controller to ensure eligibility and availability of budget for activities carried out by the entity. The HCP will have the Program reflected in its yearly budget over five years, and will be substantially increased to meet the demand of the Program and accordingly the achievement of the results and the DLIs. **Therefore, additional dedicated fiduciary staff will need to be hired as part of the HCP team to ensure adequate execution, monitoring and reporting of the Program expenditures.** This fiduciary team additions will ensure that appropriate reporting is timely prepared and submitted to the MOF for consolidation purposes to meet the World Bank annual reporting and reconciliation requirement. **In addition, the POM will detail the accounting and reporting arrangements, to ensure satisfactory reporting of the Program's expenditures implementation. Note that any recruitment of staff within HCP will be governed by the hiring decree that details that process, and that constitute a DLR** (DLR 1.1 Three decrees addressing staffing, administrative and financial functions for HCP approved by the COM.).
3. OGERO: is a special agency created by LAW 21/72, that has financial and administrative autonomy and has its budget shown as a line item within the overall budget of the Ministry of Telecom. Every year, the MOT formally requests the transfer of funds corresponding to OGEROs approved budget to the latter's bank account. The recording and accounting follows the concept of "commitment", and "liquidation". These are processed through a government commitment controller, as well as accountants with the entity that ensure budget availability, and eligibility of expenditures, as well as recording for yearly reporting of close of accounts. The reporting is submitted in a timely manner to the OGERO Board of directors, to MOF, MOT, parliamentarian committee on telecom, as well as the COA.

22. **Line ministries: (MOET, MOT):** they are the spending agents as per the PAL. They are responsible to trigger and follow up on budget execution including accounting and reporting. The line ministry accountant and budget controllers are in charge of making the budget reservation requests. The line ministry receives the goods and services needed, and initiates the payment request to be sent to Treasury at MOF (central payments). The MOET, being a line ministry, will have the Program reflected in its yearly budget over five years, which will be substantially increased to meet the demand of the Program and accordingly the achievement of the results and the DLIs. **Therefore, additional dedicated fiduciary staff will need to be hired as part of the ministries team to ensure adequate execution, monitoring and reporting of the Program expenditures.** This fiduciary team additions will ensure that appropriate reporting is timely prepared and submitted to the MOF for consolidation purposes to meet the World Bank annual reporting and reconciliation requirement. The team will work with the technical auditor hired to

facilitate the audit as per the agreed terms of reference with the World Bank (Refer to the Internal controls section). **In addition, the POM will detail the accounting and reporting arrangements, to ensure satisfactory reporting of the Program's expenditures implementation.**

Procurement procedures and Processes

23. **Implementation by Ministries:** By law, the ministries will process the procurement of activities below LBP100 million (equivalent to US$67,000) and will commission CTB for activities above that ceiling. The COA will exercise prior reviews of all contracts above the threshold of LBP75 million for goods and works (equivalent to US$50,000) and LBP25 million for services (equivalent to US$17,000).

24. **Implementation by SOE:** The SOE will be following their own procedures which are almost similar and defined within Financial System internal regulations. All procurement decisions are processed internally without the need of the clearance of the Custodian Authority. The regulations cover the internal thresholds for decision making (Head of board versus board), list the method of procurement, awarding conditions, and termination of contracts but are silent on complaint, and settlement of disputes. The contract termination right is the single right of the employer. COA is to exercise post-reviews as seen pertinent.

25. **Regulatory role:** Currently, the public procurement system doesn't have a Regulatory unit. Under the Program, in a transition manner of applying the new procurement law, and in alignment with the current effort of reforming public procurement, CTB will play its regulatory role in developing the public procurement standard documents, including contracts template, and other standardized templates for advertisement, evaluation and amendments. In close collaboration with other administrative agencies (OMSAR), **CTB will be availing its portal for publishing agencies yearly public procurement plans, advertisements, and contract awards; and for developing public procurement data base and performance indicators**.

26. **Procurement complaints:** Currently, the country doesn't have a proper independent procurement complaint mechanism. However, complaints of an administrative nature are referred to the Central Inspection (CI) and of a criminal nature to the State Council. Under the Program, and in alignment with the new procurement law, within the CI, **CTB is proposed to take the lead in addressing public procurement complaints** that will be forwarded to CI by the agencies and/or the complainants and COA for PPP complaints. CI will revise the complaint and monitor its resolution. If the complaint is not satisfactorily handled, it will be forwarded to COA, which decision will be binding. In addition, public who may have complaints relating to the Program can also approach the Lebanese Advocacy and Legal Advice Center (LALAC), which is a citizen initiative to fight corruption.

27. **Contract administration** is the responsibility of the implementing agencies, respectively. While CDR, OGERO, and NEO are assessed to be reasonably satisfactorily equipped, the assessment concludes that MOET, OMSWA and OMSFAC may need technical support in managing contracts administratively (Cost and time overrun) and technically (acceptance of deliverables).

28. **Settlement of disputes:** Any dispute in respect of which amicable settlement has not been reached within 60 days, shall be finally settled as per following procedure:

- where the Contractor is a national of Lebanon or a company established in accordance with the laws of Lebanon, the dispute shall be submitted to the competent Lebanese Court in accordance with Lebanese Law or set by Arbitration in accordance with Law No. 440 dated 29/7/2002: (i) Arbitration shall be heard by an Arbitral Tribunal of three (3) arbitrators, (ii) Each Party to the Contract shall appoint one arbitrator within thirty (30) days from the Notice of Arbitration by one Party to the other, (iii) The two appointed arbitrators shall then jointly appoint a third arbitrator as Chairman of the Arbitral Tribunal, (iv) The place of arbitration shall be Beirut, Lebanon, (iv)

The language of Arbitration shall be the English language, (v) The Applicable law shall be the Lebanese Law, (vi) The Award of Arbitration shall be final and binding.

- where the Contractor is not a national of Lebanon or a non-Lebanese company, the dispute shall be finally settled under the UNCITRAL rules. According to the law No. 440 dated 29/7/2002, the validity of this clause is subject to the issuing of a decree by the Council of Ministers authorizing the Client to go to arbitration for the settlement of disputes. In the absence of such decree the disputes between the parties shall be deferred to the competent Lebanese Courts."

29. **Internal controls.** The Program is complex by nature and by design as jobs creation involves the contribution of several entities and ministries as mentioned throughout the document. The Public Financial Management (PFM) system in Lebanon is based on the Constitution, and the Public Accounting Law (PAL), therefore The PAL regulates accounting and reporting of public funds. Budgetary organizations are required to maintain their accounting records in accordance with the Act, and based on the accounting standards, the chart of accounts, and the instructions by the MOF. It regulates the scope and execution of financial management and control, as well as the principles of and requirements to the financial management and control systems in public sector organizations.

30. Budget expenditure execution and internal controls defined by the PAL were assessed by the 2011 PEFA report (unpublished) as being excessively complex and including many redundancies. Most duplications and redundant controls are defined by the PAL and required from the various operators in the expenditure cycle.

31. At line ministries, internal controls were identified at each stage of the process as follows:

- commitment stage: controls of commitments by both the commitment controller, directly affiliated to the MOF, and the Court of Audit, in contradiction with a basic INTOSAI principle preventing external auditors from being involved ex ante in executive tasks.
- verification (liquidation) stage: controls of verification (liquidation) by the Directorate of Expenditures (MOF) of tasks already achieved and checked by line ministries; and
- disbursement and payment stages: similar tasks and/or controls operated successively by both the Directorate of Expenditure and Directorate of Treasury due in part to the principle of separation of authorization and payment.

32. **Mitigation at line implementing ministries:** The Program entails substantial risky operations at MOET: (i) a matching grant program of US$20 million, and (ii) entrepreneurship grant fund of US$10 million. The two types of Grants will be given to beneficiaries according to certain eligibility criteria. **To mitigate the risk of misuse of funds, the eligibility criteria, along with the process of approvals, and disbursements will be fully detailed in the POM, as well a technical auditor with TORs agreed with the Bank will be carrying out technical audit over the Program implementation at MOET.**

33. For the remaining entities (HCP, OMSWA, OMSFAC, NEO, and CDR), while the commitment controller still resides at each entity and is affiliated to MOF, the remaining liquidation, and payment stages are carried internally and not through MOF. They follow their respective internal financial bylaws and regulations, which are assessed to lack strong corporate governance structure and thus increases the risk of misuse of funds for the Program.

34. **Mitigation at remaining agencies:**

- **HCP:** Program activities will be carried out through its internal processes of approvals and control. The Program entails a substantial increase in the activities to be carried out by this entity including (i) advisory services of US$195 million, and (ii) staff consultants of US$18

million. The control over advisory services are observed through their respective approval by the Higher Council of ministerial committee composed of four ministers (MOL, MOJ, MOF, and MOET), and chaired by Prime Minister. As for the recruitment of staff, a decree is planned to be issued under DLR2 which details the full process of recruitment of staff, including criteria, qualifications, education, experience, approval, etc.

- **NEO**: being a SOE, the entity has financial autonomy, and the internal controls processes are detailed in its internal financial regulations, as mentioned throughout the document. Nevertheless, the Program requires the entity to carry out activities with Substantial risk of misuse of funds: (i) ALMP of US$21 million consisting of hiring NGOs to advise on finding jobs, etc, and (ii) Reimbursements of US$34.8 million to employers of NSSF payments on first time job seekers. **To mitigate the risk of misuse of funds, detailed processes and procedures, with segregation of duties including approval, recording, and payments will need to be described and elaborated in the POM**, and **a technical auditor will be hired with ToRs agreed with the Bank to carry out a technical audit on a yearly basis**.
- **CDR:** it will carry out the infrastructure activities related to TSEZ as detailed in earlier sections, CDR has satisfactory financial management performance of World Bank financed projects implementation. The latest Fiduciary assessments of CDR internal controls concluded the adequacy of its internal controls processes although they are in some instances redundant and lengthy.
- **OGERO:** The institution has an internal audit function headed by a director that has the required qualification and expertise to lead that unit. He reports to the GM/chairman of Ogero, and conducts annual audit reports based on risk and special requests. In addition, Ogero is also controlled by the central inspection (CI). As indicated in the document, the program will cover the procurement of fiber optics **only** which are assessed under the procurement sections. The entity carries an independent external audit by a private firm. Nevertheless, the last audit report that was issued dates back to 2008. Delays are observed in the hiring process, and Ogero is planning to catch upon the delays by contracting external auditors to carry every three years altogether.

35. **In summary,** a Program operational manual will be developed that will include a Fiduciary Chapter. The fiduciary chapter will address fiduciary processes and procedures related to the Program and will assign responsibilities and roles taking into consideration the segregation of duties principle in terms of authorization, recording, payments, custody of assets and reconciliation. It will detail the coordination role of the MOF as well, in terms of reporting, flow of funds, the verification mechanisms for achievement of DLIs as well as the external audit of the program and the reconciliation to the expenditure framework. **The POM will need to be adopted no later than three months after Program effectiveness. It will provide the essential guidance to effectively and efficiently managing the Program.**

36. **Control over Recruitment/ payroll of civil servants**: the recruitment of civil servants in all line ministries, public institutions and municipalities is done through the civil service board (CSB), an independent and autonomous institution that reports to the Prime Ministry Office. However, the HCP does not go through this hiring process and a new staffing decree will be issued. The CSB receives the request to fill the vacancies from the concerned entities, accordingly it organizes exams that are announced on their website. The examinees who meet the professional and academic qualifications and pass the exams, are selected for approval by the Council of Ministers. As for the government payroll payment process, it is fully automated in conjunction with the BDL and the commercial banks and is being managed centrally by MOF. Each civil servant has a distinct identification number. To note that the public administration is understaffed and several needed vacancies are not filled up and this is applicable to all agencies involved in this program. For example, Ogero has not been assigned any new civil servant since 1997 despite its

declared needs. To fill that human resources gap, the public institutions such as NEO, and Ogero (not line ministries) hire temporary consultants/workers. This is covered by their own budget (if it is allowed and approved by MOF), and payments to these go through the internal cycle of payroll control and payment within the entity. This Program will require the hiring of staff/consultants to support the implementation of activities, therefore, to ensure proper controls over the selection process, that the necessary skills are attracted, and the risk of patronage recruitment is mitigated, **the terms of reference of the technical auditors assigned will need to be expanded to provide assurance on the hiring of consultants as per the criteria, qualifications, as well as their attendance and carrying out their responsibilities within the program**.

37. **Internal Audit.** Internal Audit (IA) is not a function observed across the public administration in Lebanon as it does not exist within the legal framework. There has been little tangible progress in reforming internal audit. Past and more recent assessments continued to rate the internal audit dimension at the lowest possible score. This is due to a lack of a sound legislative base for internal control and audit and the absence of international standards for internal audit. Like many other countries in MENA and other regions, Lebanon still struggles to differentiate between "*internal control*" and "*internal audit*", thereby affecting the government's perceptions of the appropriate roles and functioning of the various internal control and internal audit processes. Several initiatives were conducted to initiating an internal audit function on a pilot basis within the MOF through World Bank financed projects, the latest of which the "Financial Management Reform 2" project which indeed has succeeded to raise awareness on the importance of this function and its distinction from the Central inspection and the internal controls. In addition, the new project entitled "Strengthening Fiscal Governance" (P165324) has a component on IA implementation in accordance with the international good practices and standards, which will have a strong impact on the overall fiduciary environment of the country in general and may be expanded as tangible progress is witnessed at the level of implementation of this function at the MOF. **To mitigate the risk of non-existence of this function until then (SFG), technical audits will be carried out for substantial risk activities as detailed above.**

38. **Anti-Corruption and Governance (ACG).** Lebanon has a defined legal framework against fraud and corruption. According to the Penal Code, both the act of giving and receiving a bribe are crimes. Legal entities as well as individuals are liable for bribery according to Article 210 of the Penal Code. It also prohibits the acceptance of gifts or benefits by private sector employees in order to reveal confidential information or act with the intent to harm the company.

39. **In January 2017 and after several years of delays, the Lebanese Parliament ratified the access to information law**. The law prescribes that virtually all government entities need to publish key documents showing indicators of each office's performance, such as an annual report, orders and decisions, and office expenditures.

40. **In 2013, a decree was issued by OMSAR for the establishment of an anti-corruption commission.** The anti-corruption commission would develop a national anti-corruption strategy, however and due to political gridlock, the establishment of the commission has been delayed on several occasions. In December 2016 and upon the formation of a new government, a new Ministry was created, the State Ministry for the Fight Against Corruption. This new ministry has developed a strategy against corruption. The strategy has been submitted for discussion at the Council of Ministers in late 2017. Once approved it will need to be discussed in parliament and then ratified in order to become law.

41. **Ministry of Finance and Ministry of Economy Hotlines**: each of these ministries has established a hotline for complaints that can be reached directly by any citizen wishing to file an official complaint. It

is also possible to register a complaint online through their respective websites. Both ministries ensure anonymity for each complainant.

42. **Assessment of Fraud and Corruption Risks for the Program.** Based on the assessment of fiduciary risks for the program, the main corresponding Fraud and Corruption risks for this operation are the following: (i) collusion and fraud during procurement; and (ii) misappropriation of funds. In addition, possible risks exist in the diversion of Program funds from their intended purposes. Based on the assessment, the overall F&C risks appear as "high" prior to mitigation measures. The Program intends to put in place a set of measures as described below to address the fraud and corruption risks that may arise in the Program.

43. **Strengthening the Program Oversight Framework**: The Program will be coordinated by the Ministry of Finance (MOF). The Program is subject to the oversight of existing system of public sector oversight in Lebanon that includes the external audit by the Court of Accounts (CoA, the Supreme Audit Institution), the inspection by the Central Inspection (CI), and the Central Tender Board (CTB). Independent external audits on an annual basis are an important instrument for ensuring oversight as well as to enforce public sector accountability. However due to the capacity constraints of the CoA and to the fact that it exercises ex-ante controls on expenditures above a defined threshold and currently does very little ex-post control. The Program intends to supplement the COA's oversight with "Program specific" audit arrangements through a contracted independent audit firm, who will review the Program activities and expenditures periodically and provide a report to MOF. The audit firm will be procured by MOF based on the TOR to be reviewed and agreed upon with the Bank. The audit will be comprehensive and will include all agencies involved in the implementation of the program. The COA undertakes prior reviews of procurement processing (including review of bidding documents, bids submitted, and evaluation) as well as post review on contract execution. The Program intends to strengthen the capacities of COA in procurement review through targeted technical assistance and capacity support.

44. **Financial Reporting:** MOF will be responsible in generating periodical financial to monitor the activities of the program. The reports will show financial data linked by budget line and by implementing agency. MOF will be able to generate these reports based on the data linked to the payment cycle. These reports will be critical in the monitoring and oversight of the activities, which are widely dispersed and may be the subject to forgery and fraud. MOF will coordinate with all agencies to receive accurate and timely data and will be providing the World Bank with quarterly reports on the progress.

45. **Strengthening Transparency**: All Program documents will be uploaded into the Program website to be created in MOF. The Program website will have up-to-date information on the operational and financial aspects of the Program and will be accessible to the general public. As part of the outreach activities of the Program, information will be shared with the National Network for the Right of Access to Information, which is a is a multi-sectoral group formed upon the initiative of the Lebanese Parliamentarians against Corruption (LebPAC), the Lebanese Transparency Association[52] (LTA) and Association pour la Défense des Droits et des Libertés (ADDL), in collaboration with the American Bar Association (ABA) Rule of Law Initiative in Lebanon. The e- Portal maintained by the Central Tender Board (CTB) will upload all the documents relating to public procurement and contract management relating to the Program. MOF and Central Inspection (housing CTB) will collaborate in case of any complaint related to public procurement and will inform the World Bank accordingly. The Program will

[52] The Lebanese Transparency Association is a non-profit organization aimed at promoting transparency and deterring corruption in the public and private sector. http://www.transparency-lebanon.org/

support the OMSFAC to strengthen its capacity in carrying out its mandate in fighting corruption for the Program through the development of effective mechanisms and methodologies. The OMSFAC will be responsible for handling any case or allegations of fraud and corruption for the Program, investigate, monitor and follow up on its resolution according to agreed arrangements with the Bank.

46. **Grievance and Procurement Complaints Handling**: The assessment found that the systems and processes for handling grievances and complaints are minimal. Any procurement complaints relating to the Program will be submitted to the implementing agencies who will forward the procurement complaint, if not already resolved; for public procurement complaints they will be referred to the Central Inspection (CI)/CTB and for PPP complaints to COA. The administrative complaints will be referred to the CI, i.e. for complaints of an administrative nature and to the State Council where the complaints are of a criminal nature. As part of improving the existing system of grievance resolution, it is recommended that a more systematic grievance resolution system be put in place for the Program. The CI will keep a registry of all public procurement complaints, through the CTB portal, while HCP will keep a registry of PPP complaints on its website. All procurement complaints will be shared with MOF and the WB. The mechanisms of complaints related to procurement and its processes is detailed in the procurement section of the FSA and subsequent PAP.

47. **Specific complaints relating to Procurement.** In addition, public who may have complaints relating to the Program can also approach the Lebanese Advocacy and Legal Advice Center (LALAC), which is a citizen initiative to fight corruption.

48. **Application of the World Bank Anti-corruption Guidelines for PforR Operations**

- *Investigation of Complaints*: The Bank team assessed and found that the strengthened complaints handling system after incorporating the changes described in the previous section is acceptable for the purposes of the Program. It was discussed and agreed with the Central Inspection/CTB and MOF that if complaints are received relating to the Program, the World Bank will be kept informed of the progress and outcome of the investigation process. It was also agreed that the findings and conclusions of the investigative process will be shared with the Bank on a timely manner. In addition, the Program will support OMSFAC to handle any case of fraud or corruption within the Program. OMSFAC will detect, investigate, monitor, prevent corruption as well as recommend appropriate actions to be taken and ensure follow up. To achieve that, a methodology will be developed for OMSFAC, and staff will be appointed/hired with relevant skills and expertise to carry out that function, and will receive the necessary training in that perspective.

- *Debarment of Contractors*: in accordance with the ACG guidelines for PforR operations the Program will take steps to ensure that "any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension". At the conclusion of the procurement process for each contract and prior to the award of the contract, each municipality will convey the details of the contract in a specific format that will include the names and details of the contractor as well as relevant particulars relating to the contract. The implementing agencies will verify the names of the contractor against the World Bank's list of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program. The implementing agencies will maintain a master list of contractors awarded contracts under the Program and will periodically compare the list with the Bank's list of debarred/suspended contractors to ensure compliance.

49. **Auditing.** The Court of Accounts, Lebanon's Supreme Audit Institution is responsible for checking the use of public funds by Government entities and its compliance with existing laws and regulations and for prosecuting all Government employees accused of violating laws and regulations governing the

administration of public funds**.** The Court of Accounts deals mostly with ex-ante controls (more than 80 percent of its capacity) and little of ex-post control tasks thus much less so in delivering on its mandate of auditor of the annual financial statements. While this situation is justified by a de facto lack of submission of annual public accounts (under preparation for a while by MOF), there is a need to act on a legal ground to revise the law and delegate the prior review to an inspection unit in MOF. Meanwhile, the Court of Accounts is involved in conducting in-depth ex-post procurement review. Several initiatives for SAIPMF was carried out to assess the performance of the COA, but this exercise had no real strong commitment from the COA leadership. Therefore, it failed to receive adequate technical assistance that could have tackled its main weaknesses and accordingly built its capacity towards a stronger audit institution with mandate that aligns with international good practices as well as with the International Organization of Supreme Audit Institutions (INTOSAI). **Therefore, it is proposed that an independent private external auditor will be contracted by MOF to undertake annual financial statements' audits of the Program**. This audit will include all Program financing. In addition to this annual external audit, and since the internal audit function within the Lebanese legal framework is nonexistent and will not be adequately developed until the coming years within the SFG project, a World Bank financed project, **the external auditor will need to carry out agreed upon procedures and submit quarterly reviews on the Program implementation**. **Detailed terms of reference will be elaborated to address the exposure of the limited internal audit capacity at the beginning of the Program effectiveness** until a team is well in place within the MOF, equipped with internal audit manuals, trained on international standards to carry out the internal audit function effectively and efficiently. **This external audit arrangement will be reflected in the Program Action Plan.**

50. **Procurement and Financial Management Capacity.** The respective capacity building initiatives will be supported through pertinent Government's allocation of required budget and non-financial resources, together with technical assistance, if needed, from Development Partners. This assessment observes that no contract exclusion will be observed.

51. **Staffing**: The assessment concludes on availability of procurement and financial management civil servants. However, enhancement to skills and resources is needed for activities under the Program. The following needs to be insured:

- **Program Executing Unit**: Within MOF, the PEU will ensure (i) the overall management, coordination, reporting, monitoring and evaluation of Program implementation, including fiduciary, social and environment management, (ii) hiring and interfacing with IVA, (iii) hiring of external audit to carry out the annual audit of the Program Financial statements, all in accordance with the Program Operational Manual (POM). This is of essence to allow proper budget planning and timely financial allocations for the respective agencies, including transfer of funds, achievement and verification of DLIs, periodic reporting of the Program implementation progress, reconciliation of Program expenditures with respect to WB financing, and timely submission of yearly Program external audit reports. It is expected that appropriate and qualified civil servants/ consultants will be allocated to that unit.
- **Implementing agencies**: Skilled procurement officers and financial managements professionals should be allocated or hired to implement the agreed necessary fiduciary arrangements with due regards to procurement and financial management principles.

Program Systems and Capacity Improvements.

52. The below describes the fiduciary arrangements for the Program with respect to procurement and financial management.

53. **Procurement arrangement conclusions.** Despite the limitations of the procurement system, the Program activities are not sophisticated by nature and some of them were already initiated under previous Bank's funds (specifically, NEO and CDR). Therefore, the Program will:

- Implement via the entities per their mandates and regulations, after outsourcing a technical audit to monitor procurement soundness, as well as technical assistance to ensure human resources for procurement processing and contract management.
- For public procurement, use the Central Inspection (CI)/CTB portal for posting annual procurement plans, procurement notices, and publishing contract awards. A reasonable 10 days stand-still period (between contract recommendation to award and contract signing) is to be observed to provide a window for the bidders to file procurement complaints.
- For PPP, the HCP will be publishing on its website all procurement notices and contract awards.
- For public procurement, use the CI as the central unit for procurement complaints that are not satisfactorily resolved by the pertinent implementing agency. A log of complaints and their resolution will be maintained and published by CI. The COA will exercise the post review and the CTB will exercise its proposed regulatory role (in accordance with the draft procurement law).
- For PPP, use the Court of Account (COA) for procurement complaints that are not satisfactorily resolved by HCP, and a log of complaints will be maintained.
- Arbitration and mediation to settle contractual disputes will follow Lebanese regulations.

54. **Financial management conclusions**: Program implementation requires substantial follow up and coordination. More specifically:

- MOF as the coordinating entity entails: (i) monitoring of DLI achievement; (ii) periodic reporting of implementing entities on Program expenditures; (iii) timely flow of funds and yearly external audit report submission to the Bank; (iv) coordination on technical auditor's findings and application of recommendations and resolution of findings and irregularities.
- Strengthening of implementing agency capacity through the hiring/appointment of additional professionals with the required skills to implement the activities for results achievement. This will be verified as part of the technical auditor terms of reference.
- Yearly budget to reflect the required activities to be conducted for each agency to achieve its DLIs. This will be agreed upon by negotiations and reflected in the loan agreement.
- Flow of funds is key, and the timeliness of allocation by MOF to respective public institutions (HCP, NEO, TSEZA, OMSWA, OMSFAC) is critical to Program success.
- MOF will need to establish a reporting mechanism for the: (i) coordination, monitoring, and reporting consolidation of the program implementation; (ii) flow of funds and contract management, and; (iii) external Program audit report submission to the Bank in a timely manner (not later than six months at the end of each fiscal year).

Annex 6: Summary Environmental and Social Systems Assessment

This section is the summary of the Environmental and Social Systems Assessment (ESSA). Further details are provided in the separate full Environmental and Social Systems Assessment.

Environmental Systems Assessment

1. **The Program will provide an enabling environment for investments that would create jobs and improve market competitiveness**. The majority of the Program interventions would be small scale (such as entrepreneurship support up to US$15,000) or medium scale (such as matching grants US$10,000-250,000 to firms and cooperatives in value chains). There will be also relatively large-scale infrastructure investments such as a priority PPP infrastructure project(s), investments in broadband infrastructure, and the establishment of the Tripoli Special Economic Zone (TSEZ).

Expected environmental effects by Results Area

2. **Under Results Area 1, activities will support the technical design and contracting of two PPP investments.** The exact projects benefitting from PforR financing under the PPP component are not defined at this stage, however, the High Council for Privatization for PPP (HCP) is considering support to infrastructure investments in transport, water supply and sanitation, energy, telecommunications, and solid and hazardous waste management. Some of these investments will not qualify for support under the Program as they could be associated with significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. To ensure no such projects are supported, the HCP will screen investments against the Program environmental and social exclusion criteria. The independent verification agency (IVA) will ensure that screening has taken place.

3. **Examples of PPP investments that could be eligible for Program financing include improvement of two existing airports, sewerage infrastructure and small wastewater treatment plants, and telecommunication data centers and infrastructure**. The construction of such infrastructure is typically associated with some temporary environmental impacts and risks such as dust emissions, noise, emissions from construction vehicles and machinery, disposal of construction waste, disturbance to traffic, and health and safety risks. Such impacts/risks could be prevented/minimized by implementing adequate environmental mitigation measures during construction. During operation, impacts/risks will differ according to the type of investments (e.g. airports improvements would lead to higher traffic of passengers and waste generation; wastewater infrastructure will be associated with effluent and sludge management issues; buried telecommunication infrastructure will cause limited dust/noise during maintenance and repair). Impacts related to those infrastructure works will be identified through the environmental assessment instrument that will be prepared as part of the national system.

4. **Furthermore, under Results Area 1, activities to support an enhanced business environment will facilitate establishing new SMEs,** which could involve establishing new industrial facilities or expanding existing ones. Such facilities will generate different types of waste (solid waste, wastewater discharges, and air emissions) that varies according to the type and scale of the facility. It is expected that impacts and risks of such facilities would be minor, but support to some activities could also lead to moderate or substantial risks. Such impacts will be identified and mitigated Such impacts will be identified and mitigated through SMEs preparing environmental assessments in compliance with national system requirements

5. **Under Results Area 2, there are also environmental risks under activities supporting the telecommunications sector and the Tripoli Special Economic Zone (TSEZ).** The risks and impacts of the broadband infrastructure will mainly take place during construction and maintenance activities (dust,

noise, emissions from machinery, construction waste management, health and safety aspects and impacts on traffic). As mentioned above, such impacts could be mitigated by the timely adoption of adequate mitigation measures.

6. **The TSEZ will include infrastructure works and industrial/commercial facilities, therefore impacts related to construction and to the development of industrial zones as described above are expected.** However, in the case of the TSEZ, infrastructure and facilities will be concentrated within a limited geographic area (55 ha), so the cumulative impacts and risks would be relatively higher. Currently the Tripoli Special Economic Zone Agency (TSEZA) is preparing a masterplan and a Strategic Environmental Assessment (SEA), as required by Decree 8213/2012. The scope of the SEA includes identifying different environmental aspects focusing on assessing the cumulative impacts of the development on the local environment and infrastructure. The SEA has already commenced prior to the masterplan so that early environmental and social findings would inform the masterplan. Those early findings are included in a baseline report already prepared and it identified a number of issues that should be respected during development of the masterplan including:

a) The zoning of the TSEZ should consider the impacts of a neighboring solid waste disposal site. Adequate fencing and setback should be considered. Activities of processing and storage of edible products should be as far as possible from this site.

b) The drainage network of TSEZ should separate clean storm water from wastewater so as not to discharge shock loads to the receiving wastewater treatment plant. The TSEZ facilities should abide with influent standards set by the WWTP and should provide pre-treatment if necessary.

c) The masterplan should include an integrated approach to waste management including source separation for municipal, recyclable and special wastes for separate collection of products. The masterplan should recommend treatment and disposal options.

d) Power demand to be calculated so that suitable power alternatives are addressed, including connection to the city grid and maximizing the use of solar energy so as to minimize the need/capacity of power generators that would be procured.

7. **The SEA recommendations will be put in place during the preparation of TSEZ environmental regulations and standards.** The SEA will inform the masterplan on: eligible and noneligible investments (all investments with high environmental and social risk will be screened out), development limitations according to the assimilative capacity of the local environment and planning requirements of the zone.

8. **Under Results Area 2 there will be investments in value chains in selected sectors**, with a focus on agribusiness and ICT services. The exact interventions are not currently identified and will be identified during implementation after consultations with the private sector. Examples for the matching grants that could be provided to cooperatives and firms may include improving storage of agriculture products, supporting climate resilient agriculture activities, supporting Eco-Labeling for agriculture products, supporting ICT service coverage, providing training to the hospitality SMEs. The environmental impacts of typical agriculture project that involves farming activities are related to unregulated use of irrigation water, which may lead to impacts on water resources, and unregulated use of pesticides, which could include use of banned pesticides. The typical impacts of such interventions are minor to moderate (matching grants will be in the range from US$10,000 to US$250,000) and will be subject to the environmental assessment instrument identified by the national system in case of agroindustry investments, and will be subject to licensed irrigation and use of registered pesticides for small farming activities that are not subject to environmental assessment Decree. Screening out of interventions of high environmental and social significance will be also applied.

9. **Under Results Area 3, workers and entrepreneurs will be qualified and placed in the labor market, therefore the impacts will be mainly related to Occupational Health (OHS) risks correspondent to the type of employment.** OHS risks could be significantly minimized if workers are aware of such risks and could effectively mitigate those risks by following adequate measures. Such measures are included as part of the training requirements for those workers as further detailed below.

10. **The Program will also have some environmental benefits such as:**

a) Supporting firms in agribusiness value chains (Results Area 2) to raise environmental standards and certify compliance with global standards, including obtaining Eco-Labeling, which will potentially lead to reducing the use of agrochemicals. There could be also some value chains supporting climate resilience including new seeds varieties and techniques that could reduce water and chemicals use.

b) Providing training on OHS as a requirement of the training program for improving the skills of the labor under Results Area 3, so that general OHS awareness and knowledge is built in the Program supported areas. The objective is to make sure that beneficiaries under this Results Area will be trained on minimizing OHS risks related to their field of expertise.

Assessment of Existing Environmental System

11. **The environmental regulatory system in Lebanon is comprehensive and covers different environmental aspects related to the Program interventions**. The environmental expertise in the country is very strong and the registered environmental consultancy firms have good capacity. Civil society and environmental NGOs are also very active, and the media has strong interest in environmental issues. However, the monitoring and enforcement are lacking due to the limited manpower available to implementing agencies and the spread of unregulated/unlicensed activities. The following aspects of the environmental system have been assessed:

- Environmental Assessment: Regulated by Law 444/2002 and Decrees 8633/2012 [for environmental impact assessment (EIA)], Decree 8213/2012 (for SEA), Decree 8471/2012 (for environmental compliance) and several Ministerial Decisions that regulate the process. The Law requires that project proponents in public and private sectors should carry out EIA for any project that is likely to cause negative impacts on the environment, and the EIA Decree clarifies which projects are subject to an EIA, and to which level of details, according to a screening system provided in the Annexes of the Decree. The Lebanese EIA system is comparable with international systems (such as the World Bank Operational Policies (OPs) and European Union Directives. The main gap of the system is that there is no requirement for consultation/disclosure for projects of the moderate risk category.

- Standards for ambient environment and pollutants emissions: Generally, the environmental quality standards are comparable with the Environmental Health and Safety (EHS) Guidelines of the World Bank Group (WBG). Some of the standard limits are closer to the interim targets, rather than the guideline figures; however, such differences are not expected to have considerable impacts with regards to the Program interventions.

- Occupational Health and Safety: The laws and regulations cover different aspects of OHS, however the system suffers from different weakness in terms of monitoring and inspection which lack sufficient manpower, at the level of the Ministry of Labor (MOL), systematic guidance and checklists and planning and targeting of priority areas. The OHS system shall be improved through measures to improve the capacity of MOL, and to improve awareness and provide training to workers benefiting from the Program. Those measures are part of the Program design in Results Area 3.

- Natural habitats: The legal framework for protection of natural habitats is quite comprehensive, and protected areas are provided with means for preservation. However, the main threats to natural habitats are unregulated developments and activities (such as unregulated hunting and informal

developments). A strong civil society and improved political stability mitigates against such threats and reduces the risks of unregulated/unlicensed activities.

- Physical Cultural Resources (PCRs): The legal framework is comprehensive and provides adequate protection to registered and known PCRs. The challenge would be from unregulated developments, especially regarding unknown PCRs which would be mitigated by adopting proper chance find procedures.

- Agriculture and irrigation: The use of water for irrigation is subject to Law 221/2000, where abstraction of irrigation water from rivers and groundwater is not allowed without license from the Ministry of Energy and Water. For the use of pesticides, Ministry of Agriculture has a registry of permissible pesticides, that are not banned due to their toxicity, and according to Decision 546/1 no packaging, selling or distribution of pesticides is allowed except after being registered and analyzed. The unregulated irrigation (especially from groundwater) and the use of unregistered pesticides are the main gaps in the environmental system related to farming.

- Compliance with Environmental Regulations: Decree 8471/2012 requires industrial establishments to obtain an Environmental Compliance Certificate (ECC), and a deadline was given to industries under different risk categories to reach full compliance by 2020. The compliance system was further improved by establishing a specialized department of environmental prosecutors and judges by Law 251/2014. However, it is still believed that there still important gaps in actual enforcement of environmental standards especially at the level of relatively small-scale facilities. It is expected that gradual improvements will occur as the above grace periods approach.

Social Systems Assessment

12. **Overall social risks are moderate.** Moderate risks are associated with Results Areas 1 and 2. Under Results Area 1, support to PPPs will include technical assessments, tendering, and contracting of two pilot projects. Under Results Area 2, these risks are associated with labor risks in the TSEZ. All other activities have low or no directly attributable social risks.

13. **Cumulative social impacts of this Program are expected to be positive.** In particular, the Program addresses key constraints to increasing employment in Lebanon through support to policy development, support to firms and sectors with high potential for job creation, and by directly supporting vulnerable groups including women, youth and refugees. The Program will benefit these groups by decreasing unemployment and promoting entrepreneurship, activities which are expected to have repercussions on local communities in lagging regions. These activities will directly reduce the vulnerability of these social groups and could also have indirect impacts on social cohesion. Activities to support the business environment and financial sector will also promote transparency in the sector, thereby also increasing the ability of Lebanese of all backgrounds to benefit from private sector development.

Expected Program Social Impacts by Results Area

14. **Results Area 1 – This Results Area largely supports the implementation of reform actions. Distributional impacts of this Results Area are likely to be positive**, as they reduce barriers to trade through customs reforms, increase access to credit for Micro, Small and Medium Enterprises (MSMEs) and women through financial sector reforms, and support expanded private sector and public private partnership (PPP) investment in economic infrastructure. Reforms can contribute to greater investment in critical public and social infrastructure. The reforms intend both to provide a foundation for the private sector to thrive while also opening up these sectors to a broader range of actors. In fact, reforms that increase access to credit for MSMEs and women clearly intend to make the Lebanese private sector more inclusive.

15. **Moderate social risks under Results Area 1 are related to PPP investments.** One of the Disbursement Linked Results (DLRs) expected under this Results Area will support two PPPs being contracted. High risk PPP investments will be screened out, but projects having moderate social risks, including risks such as land acquisition and labor influx will be eligible for support. Land acquisition and/or livelihoods impacts, *if any*, are expected to affect less than 100 people in total per PPP investment. Labor influx is not expected to be significant, as most possible PPPs either do not create large numbers of jobs during construction, create very short-term jobs during construction that are unlikely to attract workers from faraway communities, or are expected to hire only local workers. Social risks such as these, and any others that are identified will be managed by building the capacity of the HCP, the implementing agency for these activities, on social and environmental risk management, and by putting in place measures, outlined in the program operational manual (POM), to address any gaps between the Lebanese legal framework for land acquisition and the core principles outlined under the Bank Policy Program for Results Financing. The HCP will hire specialist consultants to assess social risk for every PPP project in their portfolio and will have a social specialist (half-time) to follow up on the implementation of social risk management measures recommended by specialist consultants. The HCP will also have a Grievance Redress Mechanism (GRM) to collect and respond to grievances and feedback from citizens.

16. **Results Area 2 – This Results Area supports a broad range of activities, including implementation of reforms, infrastructure investments, matching grants, and technical capacity building**. Activities to support the expansion of the broadband network will have low levels of social risk. These activities will not require land acquisition and are not expected to have permanent impacts. Temporary livelihood impacts on informal vendors are possible but not expected. If such impacts were to be identified, vendors would receive assistance to relocate temporarily their businesses. Under this Results Area, the most important (yet moderate) social risks are related to labor rights and conditions in the TSEZ.

17. **The TSEZ is expected to provide jobs to Lebanese and Syrian refugee workers during its construction and operational phases, in accordance with Lebanese laws and regulations,** and can also hire other foreign skilled workers if there is such a need. The risks arise from the limited capacity of the Ministry of Labor and TSEZA to monitor labor conditions. However, the TSEZA, with technical advice from the Bank, will be developing bylaws and regulations that establish labor regulations that protect workers as per the recommendations outlined in the ESSA. The TSEZ Masterplan will also be drafted in line with this ESSA. These measures for monitoring of labor conditions that will be outlined in the POM, and the requirement for TSEZA to include a social specialist tasked with monitoring labor conditions, mitigate against labor risks in the TSEZ. In addition, the TSEZ will set up a GRM to collect and respond to grievances from workers in the zone, contractors, tenants, and any citizen that wants to provide feedback.

18. **The TSEZ is expected to employ approximately 8,000 individuals when it is fully functioning.** Although this could result in labor influx, the Program has chosen to support the TSEZ precisely because it would largely create employment in Tripoli. Lebanese and Syrians already living in Tripoli are expected to make up the work force for the TSEZ, with skilled foreigners being hired as needed. Although there is no data on the exact number of foreigners or Lebanese and Syrian workers expected to arrive to work in the TSEZ from outside of Tripoli, the risks related to labor influx are considered to be moderate. This is because the metropolitan area of Tripoli has a population of over 1 million people and the city could easily accommodate workers coming from outside. However, the POM will establish a mechanism to monitor for negative labor influx impacts and all workers, whether local or foreign, will be required to sign a code of conduct outlining their expected behavior inside the zone and when relating to nearby communities. The TSEZA social specialist will also hold regular meetings with communities surrounding the TSEZ to make sure that the TSEZA has information on potential negative impacts related to labor influx.

19. **Value chain support programs have moderate to low social risks.** The level of risk is related to the vulnerability of workers that specific value chains may attract. Agribusiness value chains, for example,

have been chosen because of their potential for job creation among the vulnerable, including refugees. However, vulnerable individuals are also more easily hired into jobs and businesses with poor working conditions and can also more easily become victims of human trafficking. To prevent supporting businesses that benefit from these practices and to encourage better labor practices and protection of vulnerable people in the supported sectors, the Ministry of Economy and Trade (MOET) will screen for labor and social risks and will consider ineligible any businesses where working conditions for vulnerable individuals do not meet good practice standards on payment of fair wages, working hours, abiding by the minimum age to work, or other criteria as outlined in the POM. Matching grants supporting value chains will require that businesses commit to upholding key standards on social and labor risk management, as outlined in the POM, and a MOET staff member will be assigned to monitor for social risks during implementation. A simple GRM, consisting of a widely publicized hotline and an address to send written complaints, will also be put in place. This GRM will also take grievances from entrepreneurship support activities.

20. **Value chain support programs are also expected to have positive social impacts.** Public-private dialogue forums will help establish dialogue between government institutions and the private sector, contributing to improved social exchange. Matching grants will be provided to support Lebanese cooperatives and firms operating in lagging regions, where Syrian influx is greatest and social tensions between refugees and host communities are highest.

21. **Results Area 3 – This Results Area is expected to have positive impacts on the employment of Lebanese women and youth and Syrian refugees**. By design, these activities promote social inclusion. Because the activities focus on those affected by the Syrian crisis, there is also an expectation that they would foster social cohesion. In particular, by helping Lebanese citizens get jobs, there is a chance of reducing grievances that these individuals may have due to the perception that Syrians are taking their jobs. By helping Syrians get jobs, in accordance with Lebanese laws and regulations, the Program will also help prevent a lost generation among the Syrian population and help prevent grievances. However, for the impacts on social cohesion and social inclusion to materialize, the Program will need to be transparent about its criteria for targeting and targeting needs to be carried out effectively. If targeting is not carried out transparently, there is a small risk that divisions between social groups would be exacerbated. A GRM will also be out in place in NEO to address grievances related to these activities.

Assessment of the Existing Social Risk Management System

22. **Three aspects of Lebanon's social risk management system are described in the document, as they are most relevant to Program-supported investments**.

- Land acquisition and resettlement. Lebanese legislation provides clear guidance for land acquisition and resettlement. Expropriation is guided by Expropriation Law No. 58 which indicates the State may expropriate rights only when it is to be declared in the public interest, and against payment of a prior and equitable compensation. The Tenancy Law states that where expropriation causes loss of tenancy, expropriation commissions divide awards between landlords and tenants according to the economic value of the tenancy, enabling tenants to secure alternative housing by rental or down payment for purchase. There are several gaps when it comes to land acquisition systems in Lebanon and the Core Principles outlined in the Bank Policy Program for Results Financing. There is no requirement to consult affected people before expropriation or resettlement, yet there is no prohibition to holding such consultations, and these sometimes take place. Under Lebanese legislation, compensation is determined by an Expropriation Commission based on prevailing market rates and not on the full replacement cost of assets. The Lebanese law of expropriation only compensates those with legal rights. However, mechanisms exist that protect various forms of customary rights made on a case by case basis to the Expropriation Commission. In practice, since squatters cannot be evicted without an order from the governor, resettlement is most often done through amicable negotiation, by agreeing

on a level of compensation or inducement that will encourage voluntary departure. People are compensated for lost livelihoods but do not receive assistance for restoring their sources of livelihood.

- Rights of the forcibly displaced. Lebanon has not ratified the 1951 United Nations (UN) Convention on Refugees and has not adopted any domestic legislation specifically addressing the rights of refugees. Not being legally recognized as refugees means that legally they are treated in the same way as are any other foreign nationals. However, there is a Memorandum of Understanding (MOU) signed between the Government of Lebanon and the UN High Commissioner for Human Rights (UNHCR) that provides a mechanism for the "issuing of temporary residence permits to asylum seekers." The domestic legislation that governs refugees in Lebanon is the Law Regulating the Entry and Stay of Foreigners in Lebanon and their Exit from the Country, which was enacted in 1962 (1962 Law). The relevant provisions of this law are articles 26, 31, and 32.[53] In practice the country accepts Syrians fleeing from the war and considers them 'displaced persons.' The Government also respects the customary international law principle of nonrefoulement, and under human rights law, not to return anyone to a place where they would face a real risk of persecution, torture or other ill- treatment, or a threat to life.[54]

- Labor laws. The 1946 Labor code is the key legislation outlining labor rights. The labor code requires that workers have contracts, requires payment of a minimum wage, overtime, provides for paid leave, establishes maximum work hours, and minimum age for work. The code also forbids discrimination in the workplace. Refugees are limited to working in certain sectors as per Decision No. 1/218. Decision no. 1/49 stipulates that the number of foreign workers (regardless of nationality) per company must not exceed 1 foreigner per 10 Lebanese workers. The main weaknesses of the Lebanese labor system are in the implementation of the laws and international agreements that are in place and especially the capacity of the Ministry of Labor (MOL) to carry out supervision activities.

- Grievance redress. Complaints about government activities are usually handled by specific government institutions. For this Program, it is relevant to note that the Ministry of Environment has five means to make environmental complaints. In the case of social complaints, the hotline at the Ministry of Labor, was recently upgraded to become available for all workers 24/7. There is also the General Directorate of General Security hotline, which was established in 2014, and is available 24/7 in Arabic. The General Directorate of General Security's hotline is expected to receive questions and complaints about a variety of topics, but relevant to this program, is expected to handle reports about human trafficking. The weakness in grievance redress mechanisms in the country is that they are often not widely trusted or used, and when complaints are received, they are often not recorded or reported on.

- TSEZ law. The TSEZ laws and regulations are of special importance for the Program. The TSEZ Law establishes certain exceptions to requirements to follow the national labor legislation. In particular, the Law states that minimum wage regulations can be superseded in the TSEZ by contractual arrangements between workers and employers, and that workers and employees would be exempt from all Social Security Provisions. In addition, the Law states that workers shall receive 'health benefit plans that are comparable or superior to those provided by the National Security Fund." The TSEZ bylaws and regulations, however, have not yet been fully developed, and will be developed as part of this Program. This is an opportunity to ensure such bylaws and regulations are best practice in Lebanon. The TSEZA has committed to following the guidance on strengthening these laws provided in this document, including strengthening contractual arrangements to ensure that working conditions,

[53] Library of Congress (2016). *Refugee Law and Policy: Lebanon.* Available at https://www.loc.gov/law/help/refugee-law/lebanon.php
[54] Ibid.

including wages and benefits, provide workers with at least as much protection as does the national legislation.

23. **In general, and with the exceptions noted above, the legislation that is in place supports social risk management.** However, implementation of legislation, and in particular labor laws, need to be strengthened for these systems to be considered strong. Capacity building measures for implementation of the national legislation and strengthening of institutional systems are described in the recommendations section.

Eligibility of Program Investments

24. **The interventions of the Program should not cause significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people.** All such interventions should be screened out from all Program investments. As a general rule, all interventions included in Annex I of Decree 8633/2012 or those interventions in Annex II that area located in sensitive areas (natural protectorate – habitats of endangered species – wetlands – natural shores of the sea, rivers and springs) will be excluded. Interventions that require physical displacement or economic displacement of more than 100 people (per intervention, at the activity level) will also be excluded. Physical or economic displacement will be screened out completely in all activities not implemented by the MOT or HCP. All activities requiring land acquisition would be excluded with the exception of land acquisition required for PPP investments. In addition, MOET's support to value chains will exclude all support to businesses that do not meet the conditions for adequately managing social risks and having good labor practices, as defined in the POM. As TSEZ will have cumulative impacts, a screening form, following the requirements of the Bank Policy Program for Results Financing was prepared at an early stage of the Program preparation, and it was concluded that if high-risk industries[55] are excluded the investment in TSEZ is eligible for financing under the Program.

25. **During the Program implementation**, if any activity that is not included in Decree 8633/2012 lists, or included in Annex I list but the correspondent implementing agency believes that the location and scale of this activity do not fall under the exclusion definition of the PforR policy, a screening report, evaluating project activities and location against the exclusion criteria, should be prepared and approved by the IVA before counting this investment within the results of the correspondent DLI. Although included in Annex II of Decree 8633/2012, all tobacco related manufacturing and trading should be excluded from the Program interventions due to their serious health impacts on end users.

Recommendations

26. **The recommended measures are included in the Program DLIs, the PAP legal covenants and the Technical Assistance provided to the Program as follows.**

<u>DLIs:</u>

27. **Environmental and social measures will be part of the verification of achievement of DLRs and DLIs.** In particular:

- DLI 5: TSEZ laws, regulations and bylaws will be prepared and issued following the recommendations in this ESSA and agreed upon in the POM. This will include: developing best practice bylaws and regulations on labor (including OHS, labor influx, labor conditions, and labor rights) that provide at

[55] Those industries are included in Annex 1 of Decree 8633 (EIA Decree) and includes certain types of industries in the food (example: sugar industry), paper (examples: pulping), leather (example: tanneries), oil (example: refineries), chemicals (example: chemical fertilizers), metals (example: iron and steel), building materials (example: gypsum) and transportation machinery (example: car manufacturing).

least as much protection to workers as the national legislation, and also protects surrounding communities from the impacts of labor influx; clear environmental regulations and bylaws that screen out activities with significant impacts on the environment, as defined in this document; provides for a fully staffed Environmental Department at the TSEZA that includes at least one full time Senior Environmental Specialist and one full time Senior Social Specialist (with an expertise on labor); includes audit/enforcement protocols. The achievement of this DLI will depend on the adequacy of those regulations in addressing the environmental and social issues raised by the SEA and the adequacy of the institutional framework for managing those issues. This will be evaluated by the IVA and the Bank team will make sure that those measures are effectively implemented.

- DLI 7: To mitigate against OHS and other labor-related risks that workers trained under Results Area 3 could face depending on the industry they are trained for, RA 3 will include OHS and labor rights training. The IVA will make sure that this is included as part of the achievement of DLI7.

- The Bank team will review the terms of reference and minimum qualifications of the IVA to make sure the above two tasks are effectively implemented.

Program Action Plan (PAP) legal covenants:

28. **The PAP includes measures to ensure recommendations in this ESSA are applied in the implementation of the Program**:

- Measures to ensure that the recommended institutional setup for management environmental and social issues is in place.

- A requirement to adopt a POM, cleared by the Bank, that will outline the activities, processes and standards that will need to be met for environmental and social risk management. The POM will include sections on the selection of program investments, minimum standards for social and environmental risk management and supervision, reporting on social and environmental risk management at the implementing agency and Program level, mechanisms for disclosure, consultation and grievance redress, and specific screening forms and risk management plans.

- More specifically, the POM will include the following measures to address **environmental risks:**

  – Procedures for applying the exclusion criteria for high risk projects including PPP projects, SMEs and investments in value chains and TSEZ. For PPP projects the HCP will apply the screening criteria for the selected PPP investment. TSEZ will do the same during the licensing of TSEZ investments, where high-risk industries will be excluded. For other Program interventions (value chains and matching grants) the PEU will carry out the screening of investments. This will include a process for applying the exclusion criteria for projects involving social and labor risks that cannot be adequately mitigated, or where the implementing agencies do not have the capacity to mitigate risks. The definition of such projects will also be included in the POM. Screening instruments for different implementing agencies will be included as annexes.

  – No new project under Results Areas 1 and 2 (such as PPP projects, beneficiaries receiving matching grants), subject to environmental assessment per Decree 8633/2012, should be approved by the implementing agency except after the approval of the Ministry of Environment (MOE) on the environmental assessment instrument. Approved instruments should be disclosed at the website of the correspondent implementing agency of Program, noting that project description details, that could affect competitiveness of project proponent, could be excluded. For small farming projects (under matching grants) that are not subject to environmental assessment per Decree 8633/2012, the beneficiary should only use licensed source of irrigation and registered pesticides. Copies from

irrigation license and pesticides invoices from registered distributors should be submitted to the implementing agency as part of the application requirements.

- Existing projects/facilities, to be supported under Results Area 1 and 2 (such as beneficiaries receiving matching grants), that are subject to ECC (Categories 2 and 3 of Decree 5243/2001) should have a valid ECC from MOE to be eligible for Program support. Also, Category 2 and 3 facilities that started operation through the Program support (after having an approved IEE) should obtain ECC after one year of operation. The ECC will include OHS aspects as part of the compliance requirements.

- Existing facilities, to be supported under Results Area 1 and 2, not subject to ECC should be committed to apply MOE conditions relevant to their type of industry. For small farming projects (under matching grants) that are not subject to ECC Decree, the beneficiary should only use licensed source of irrigation and registered pesticides. Copies of irrigation license and pesticides invoices from registered distributors should be submitted to the implementing agency as part of application requirements. Technical assistance will be provided for improving environmental compliance of program beneficiaries.

- All construction contracts should have a condition for adequate protection of PCR chance finds and prompt notification to the implementing agency of these finds and any cutting of trees during site clearance should be permitted by Ministry of Agriculture with adequate compensatory measures.

29. The POM will include the following measures for managing **social risks** in the following implementing agencies:

<u>PEU</u>

- The TOR for the social specialist.
- Requirements for aggregating reports on social risks.
- Accountability and reporting mechanism for social risk management at the Program level.

<u>HCP</u>

- Processes for screening for social risks, including processes for identifying and managing any potential labor (including labor influx) issues related to PPPs.
- Processes for land acquisition and livelihood restoration that are acceptable for the two PPPs contracted as part of the Program and recommended for all HCP activities.
- The TOR for the social specialist.
- A description of the implementing mechanism for the HCP's GRM.
- Requirements for reporting on social risks.

<u>MOT</u>

- Processes for screening for social risks and in particular temporary or permanent livelihood impacts related to the expansion of the broadband network.
- Processes for consultation and livelihood restoration that are acceptable to address any potential livelihood impacts.
- The TOR for the social consultant.
- A description of the implementing mechanism for the MOT's GRM.
- Requirements for reporting on social risks.

<u>TSEZ</u>

- Minimum criteria for worker rights to be established and clarified in the TSEZ bylaws and regulations. These minimum criteria will provide worker protections at least as good as those provided by the national legislation on labor.
- Draft text to be included in contractor and tenant contracts establishing minimum working

conditions required in the TSEZ.

- Processes for monitoring working conditions in the TSEZ and for addressing contractors and tenants that do not provide proper working conditions to their workers.
- Guidelines for assessing and mitigating against any negative impacts of labor influx. A labor influx management plan will also be part of the POM and will include a worker code of conduct.
- The TOR for the social consultant.
- A description of the implementing mechanism for the TSEZ's GRM.
- Requirements for reporting on social risks.

MOET

- Minimum labor conditions and social risk management capacity expected for cooperatives and firms supported under the value chain support program.
- Processes for screening for social risks and labor conditions during the proposal evaluation process, including a screening form.
- Draft text to be included in matching grant contracts requiring that supporting cooperatives and firms maintain adequate worker protections and report on any social or labor risks identified.
- Process for targeting and communications mechanisms for potential beneficiaries (both for value chain support program and entrepreneurship)
- A description of the implementing mechanism for MOET's GRM.
- Requirements for reporting on social risks.

NEO

- Description of capacities that trainees are expected to acquire on OHS and labor rights.
- Process for targeting and communications mechanisms for potential beneficiaries
- A description of the implementing mechanism for NEO's GRM.
- Requirements for reporting on social risks.

Technical Assistance

30. As part of its implementation support, the World Bank will provide technical assistance to the agencies implementing the Program, including:

- Capacity building to support Program beneficiary to comply with environmental, social and OHS requirements, and provide capacity building to MOL to improve their process of ensuring the Labor Code is followed. This could take different forms, such as training and providing relevant consultancy assignments. The details of this will be agreed with MOE and MOL according to the need during the implementation of the technical assistance.

- MOET and NEO will receive technical assistance on beneficiary targeting and communications with beneficiaries.

- All agencies putting in place GRMs will receive technical assistance to put these in place.

Institutional structure for environmental and social management

31. **Each of the implementing agencies will be responsible for implementing the above measures in their correspondent Results Area:**

- **PEU**: One full time Environmental Specialist and one half-time Social Specialist will oversee the social and environmental performance of the Program-supported activities in the PEU. The Terms of Reference (TORs) for these individuals will be developed in the POM. The PEU will also oversee and

provide support for the implementation of different measures by different implementing agencies (except HCP and TSEZ). S/he will ensure that Initial Environmental Examinations (IEEs) and ECCs, if any, include measures for minimizing risks on OHS, natural habitats and Physical Cultural Resources (PCRs). S/he will also ensure that construction contracts for all works includes the Environmental Management Plan (EMP) measures in IEEs and chance finds procedures of PCRs. The environmental specialist should conduct frequent field visits to projects to ensure that environmental measures are implemented on ground as documented in Environmental Assessment (EA) instruments. The PEU's social specialist will have expertise on social risk management and worker protections. The specialist will make sure that contracts and grants being issued by all relevant implementing agencies include measures to protect workers and that Program investments are monitored to ensure compliance with national labor legislation. The specialist will also work with implementing agencies to help acquire permits for non-Lebanese nationals.

- **The HCP:** The HCP will hire at least one full time Environmental Specialist and at least one part-time Social Specialist to manage environmental and social risks within its whole portfolio. While these individuals are expected to manage risks related to the two PPPs that will be contracted as part of the Program, these individuals are also expected to mainstream and supervise social and environmental risk management throughout the HCPs portfolio.
- **The TSEZA:** The TSEZA will have an Environmental and Social Risk Management Unit that will monitor these risks in the TSEZ. The Unit will include at least one full-time Senior Environmental Specialist who will monitor the environmental performance of tenants and make sure they comply with the environmental standards of the zone. The Unit will also include at least one full-time Senior Social Specialist who will monitor social risk management in the zone, both during its construction phase and during operations. The Senior Social Specialist will have expertise on labor monitoring and labor rights and will also be responsible for managing the GRM in the Authority and for monitoring the impacts of labor influx. The Senior Social Specialist is expected to lead regular consultations with tenants, contractors, workers, and surrounding communities, and to report on all aspects of his/her work.
- **MOT**: Activities implemented by the MOT are not expected to require full time social or environmental expertise. To ensure that the expansion of the broadband network does not negatively impact individuals, permanently or temporarily, the MOT will contract a person with environmental and social screening expertise to screen for impacts before construction works start. If any impacts are identified, including temporary impacts, the MOT will hire a consultant to develop a plan to mitigate against such impacts following the core principles of the guidance provided in the Bank Policy Program for Results Financing. The screening mechanism will be described in the POM. In addition, the MOT will assign a staff member to lead on the implementation of a GRM and report on grievances.
- **MOET**: Activities implemented by the MOET are not expected to require full time social or environmental expertise. To ensure that activities supporting value chains do not inadvertently support cooperatives and firms with poor history of social risk management or poor labor conditions, a screening mechanism will be included in the proposal process for grants/matching grants that are part of this activity. The screening mechanism will be described in the POM. In addition, the MOET will assign a staff member to lead on the implementation of a GRM and report on grievances.
- **NEO**: Activities implemented by the MOET are not expected to require full time social or environmental expertise. TA will be provided to help NEO develop and put in place mechanisms within its programs to manage communications with beneficiaries, have clear and fair targeting of beneficiaries, and to have mechanisms to include the vulnerable. NEO will assign a staff member to operate a GRM and report on the grievances received and resolved, as per guidance in the POM. NEO will also be providing Targeted Beneficiaries training on labor rights and will be coordinating with OHS Department of MOL to provide OHS training.

- **IVA:** The IVA will be responsible for ensuring that results have been achieved as per the standards of the Bank. In the case of DLRs 1.2 and 5.1, the IVA will only determine that these results have been met if they meet the social and environmental standards as outlined in this ESSA, in the SEA and in the POM.

Public Consultations

32. **Consultations to present the main findings of the ESSA were conducted on the 26th and 27th of February 2018**. The objective was to present the key gaps and recommendations of each of the environmental and the social assessments. For the best representation of beneficiaries and stakeholders, the consultations were held over three sessions; two sessions were conducted in Beirut and included (i)government/implementing agencies, and (ii) national civil society representing environmental and social NGOs, and Targeted Beneficiaries. The third session took place in Tripoli to include key stakeholders representing civil society, international and local organizations and local governance.

33. **Prior to the consultations, the draft ESSA was shared with invited delegates giving them the time to review before the consultation meetings**. During the consultations, the team presented the overall program, and the findings of the Economic and the Social assessments conducted. In addition to consultation meetings the Draft ESSA was disclosed at the Bank External Website.

34. **Many of the comments received during the consultations were related to the Program design and its monitoring during implementation**. There were also many environmental and social comments related to different aspects of the system. The team took note of all the comments and took them into consideration in the Program documents including in this ESSA. Minutes of these consultations can be found in the Annex.

35. **The draft ESSA was also posted for consultations in the World Bank's global site and on the World Bank's Lebanon country office site**. No comments were received.

Annex 7: Systematic Operations Risk Rating (SORT)

Systematic Operations Risk-Rating Tool (SORT)	
Risk Category	**Rating (H, S, M, L)**
Political and Governance	High
Macroeconomic	Substantial
Sector Strategies and Policies	Substantial
Technical Design of Project or Program	Substantial
Institutional Capacity for Implementation and Sustainability	High
Fiduciary	Substantial
Environment and Social	Substantial
Stakeholders	Substantial
OVERALL	**High**

Annex 8: Program Action Plan

Action Description	DLI*	Legally binding	Due Date	Responsible Party	Completion Measurement**
Program coordination and implementation					
POM completed, including a Fiduciary Chapter and measures outlined in the ESSA.	☐	Y	3 months after effectiveness	MOF as lead and coordinating with each implementing agencies responsible for its section of the POM	POM, with details on all operational aspects, completed
PEU established at MOF	☐	Y	3 months after effectiveness	MOF	PEU established and staffed
Training and capacity building on fiduciary, environmental and social issues and M&E system established	☐	N	Within 6 months of effectiveness	PEU	Training plan developed in POM and all PEU and implementation staff trained.
Private Sector Advisory Board (PSAB) established	☐	Y	4 months after effectiveness	MOET	Public Private Advisory Board established by coordinating committee
Results Area 1: Enhancing the environment for private investment					
The HCP unit appoints additional staff/consultants to cover core technical positions, including environmental and social safeguard positions, as per the POM.	☐	Y	9 months after effectiveness	HCP	Staff records
Results Area 2: Catalyzing job creation through trade and investment in lagging regions					
Reference offer prepared for OGERO (including terms of access to OGERO's essential facilities, pricing)	☐	N	12 months after effectiveness	MOT	Reference offer is made public.
TSEZ Masterplan completed	☒	N	6 months after effectiveness	TSEZA, CDR	Masterplan approved by COM s
TSEZ hires environmental and social safeguards expertise.	☐	Y	12 months after effectiveness.	TSEZA	Staff appointed.

Action Description	DLI*	Legally binding	Due Date	Responsible Party	Completion Measurement**
SME Observatory designed and established (Implementation action plan including finalization of governance and steering committee, annual work plan, staffing plan, reporting)	☐	N	18 months after effectiveness	MOET	SME Observatory strategy and action plan approved by MOET; required budget approved and staff appointed
Matching grant operations manual completed	☐	Y	3 months after effectiveness	MOET	Operations manual completed and incorporated into POM
Value Chains Committee (VCC) established	☐	Y	6 months after effectiveness	MOET	VCC established
VC program designed, VC selected	☐	N	8 months after effectiveness	MOET	Pilot VC selected and approved by MOET
SME database and the digital platform developed and training conducted	☐	N	24 months after effectiveness	MOET	Database developed, Platform available online and approved by MOET, training completed
Results Area 3: Connecting women and youth to jobs					
Eligibility criteria and prioritization system defined and agreed by the Government to select beneficiaries of ALMP services	☐	Y	3 months after effectiveness	NEO	Criteria and mechanism defined in the POM
Design of the wage subsidy financial mechanism (agree on either reimbursement or waiver to employers)	☐	Y	3 months after effectiveness	NEO with NSSF	MOU signed between NEO and NSSF
New Management Information Systems (MIS) for registration and profiling designed and implemented, NEO staff training completed	☐	N	6 months after effectiveness	NEO	MIS developed and link for registration available. Training plan developed and number of NEO staff trained on the different topics
Competitive selection and performance-based contracting of private/NGO providers of ALMP services	☐	Y	12 months after effectiveness	NEO	Contracts with ALMP private providers negotiated and signed
Implementation staff/consultants hired	☐	N	3 months after effectiveness	NEO	Staff/consultants appointed as required by the POM

Action Description	DLI*	Legally binding	Due Date	Responsible Party	Completion Measurement**
at MOL (NEO) to implement activities					
Implementation staff/consultants hired at MOET to implement activities	☐	N	3 months after effectiveness	MOET	Staff/consultants appointed as required by the POM
Entrepreneurship fund operations manual completed	☐	Y	3 months after effectiveness	MOET	Operations manual completed and incorporated into POM
Launch the call for proposals for implementing agent of the entrepreneurship fund	☐	N	6 months after effectiveness, with further calls as required after 12 months	MOET	Call for proposals launched through defined public channels (e.g. newspaper, online, etc.)
Implementation staff/consultant recruited	☐	N	3 months after effectiveness	OMSWA	
Recruit experts for the development of the childcare assessment and design of the pilot	☐	N	6 months after effectiveness	OMSWA	Contract signed
Procuring the necessary IT equipment (hardware and software) to establish the database	☐	N	12 months after effectiveness	OMSWA	System designed and developed;
Fiduciary					
Publication on portals: annual procurement plan, procurement notices, recommendation to award and contract awards	☐	N	During implementation	Implementing agencies	CTB portal (for public procurement) and HCP portal (for PPP) populated with procurement data
Procurement complaints resolution prior to contract award	☐	N	During implementation	Implementing agencies	100% complaints addressed
Functioning central complaint system	☐	Y	6 months after effectiveness	Central Inspection/CTB (for public procurement) and CoA (for PPP)	System in place
Strengthening, where needed, Fiduciary Capacity	☐	N	Year 1	PEU and other implementing agencies	Needed capacity in place
Independent external audit to audit the Program	☐	N	Yearly	PEU at MOF	Yearly audit report submission

Action Description	DLI*	Legally binding	Due Date	Responsible Party	Completion Measurement**
Timeline for flow of funds to implementing agencies when applicable (bi-annual)	☐	N	Yearly	MOF	Corresponding financing is transferred timely.
Technical auditor(s) hired to audit high risk programs specifically the ALMP, Entrepreneurship Fund and, Matching Grant Fund and the hiring of consultants (processes and criteria)	☐	N	Yearly	PEU in coordination with the respective implementing agencies	Technical auditor(s') reports submission
Environmental and Social					
Providing adequate capacity and processes to manage environmental and social aspects as recommended in the ESSA, as set out in the POM	☐	Y	Yearly	Applicable implementing agencies	(i) qualified staff/consultants assigned (ii) safeguards aspects are managed and reported by the implementing agencies

Annex 9: Implementation Support Plan

1. **Strategy and Approach for Implementation Support:** The innovative approach of the NJP, the specific nature of the Program activities, the requirement for coordination across a wide range of implementing agencies, the existing capacity of these agencies, and the Program risk profile require intensive implementation support, particularly in the initial stages of Program implementation. The WBG implementation support plan was designed based on the risks that may arise from these, and the lessons learned from past operations in the country and programs of similar nature globally. The implementation support plan will mainly focus on implementing the risk mitigation measures identified in the Systematic Operations Risk-Rating Tool (SORT) in the following areas: (a) technical design and institutional capacity; (b) stakeholders risk; (c) coordination between key implementing partners; and (d) fiduciary risk.

2. **Core World Bank Group support:** Key World Bank Group team members involved in implementation support will be based in Washington, D.C. and in the Lebanon country office to ensure timely, efficient, and effective implementation support. The core team is expected to conduct periodic, formal implementation support missions during the first year of implementation. After the first year, the periodicity of the implementation support missions is expected to be reduced for the rest of the project, assuming that implementation progress is on track. The core team will closely monitor the Program implementation to promote coordination; detect and address possible issues that could lead to implementation slowdown or gridlock; and prevent any duplication of efforts by ensuring clear division of roles between the implementing units, levels, and partners.

3. **Additional capacity-building support (parallel technical assistance funding).** Beyond core WBG implementation support, the GOL together with the WBG will seek additional funds for parallel technical assistance to provide capacity building and technical assistance in specialized areas.

Key Areas for Implementation Support

4. Customs (Results Area 1): The HCC has requested World Bank technical support for the development of the new Customs Strategic Plan.

5. **Telecommunications (Results Area 2):** The Ministry of Telecommunications has requested World Bank technical support for designing the new licensing regime.

6. **Value chain support Program development (Results Area 2):** Through both the Bank core team and the capacity building parallel technical assistance Program, capacity building for demand driven competitiveness of targeted sectors will be provided, through support programs targeted at value chains. This would include PPD facilitation, value chain development analysis and strategy development, and ongoing support for implementation of policy reforms and sector-wide initiatives to raise competitiveness.

7. **Matching grant and entrepreneurship grants (Results Areas 2 and 3):** The Program team will offer technical support to teams implementing the grant fund programs. This support will be provided mainly upfront in terms of Program design, preparation of TORs for independent grant fund managers, and initial management oversight of fund managers.

8. **Tripoli Special Economic Zone (Results Area 2)**. The Program team will offer technical support to TSEZA to complete a number of technical analyses critical for the timely and quality implementation of the economic zone, notably in supporting the development of the regulatory and licensing regime, including issues related to labor and environmental standards.

9. **Employment services (Results Area 3)**: The WBG will offer operational and technical support to NEO for the successful implementation of the activities in this Results Area. The TTL and technical staff supporting the government on this area are based in Beirut and are therefore expected to maintain close communication, cooperation and coordination with the client as well as with different stakeholders involved in this area of work (ALMP provision, profiling, wage subsidy, etc). Such a decentralized implementation support model will ensure timely, efficient and effective inputs to the client and fulfill project needs. A strong partnership between the country-based Bank team, the different government departments and other development partners is being established due to previous operations. In addition, ad-hoc experienced staff and experts on a given topic (e.g. profiling, performance based contracting, wage subsidy, etc.) could be included in implementation support mission to provide technical advice and guidance. Throughout its support, the Bank team will: (i) provide technical advice on the program design and implementation as well as on preparation of TORs for private providers of ALMP services; (ii) ensure coherence between the project action plan and actual project activities; (iii) assess progress in the achievement of results defined for a given year and adjust project interventions for the next year based on success/failures in project implementation; (iv) reassess project risks and mitigation measures; and, (v) determine if any adjustments are needed in the project design to ensure that the objectives of this Results Area are met. The implementation staff at NEO will produce quarterly progress reports for the Bank's review, allowing the Bank's team to identify possible bottlenecks and propose corrective measures.

10. **Fiduciary requirements.** The Program will require procurement and FM implementation support during the first year due to the limited capacity of the implementation agencies. Details are provided in the Fiduciary Systems Assessment (Annex 5).

11. **Environmental and social safeguards.** Technical assistance will be provided to the PEU and to agencies implementing key activities in the Program, as well as to MOL. Details are provided in the ESSA.

12. **Communication.** Adequate support will be provided for the design and implementation of a strong communication and outreach strategy to facilitate two-way information dissemination about the Program and its objective, and ensure engagement of a wide range of stakeholders. An inclusive stakeholder engagement plan will be developed to ensure inclusion of women, youth, and residents in lagging regions, including both Lebanese citizens and Syrian refugees, as part of the participatory planning process.

13. **M&E.** The WBG team will provide support to both the PEU and the implementing agencies on M&E-related activities, including project activities, DLIs, and results per the results framework.

Main focus of Implementation Support

Focus	*Skills Needed*	*Resource Estimate (total weeks, incl in field and HQ)*	*Number of trips*	*Partner Role*
Results Area 1: Enhancing the Environment for Private Investment				
Program Management	Senior Operations Officer	Year 1: 12 weeks Year 2: 10 weeks Year 3-5: 8 weeks	Year 1: 4 trips (once/quarter) Year 2: 3 trips/year Year 3-5: 2 trips/year	
Telecom	Telecom licensing and pricing specialist	Years 1-2: 2-4 weeks	Year 1: 2-3 trips Year 2: 1 trip	
Trade Facilitation	Risk management and single window specialist, organizational structure, and review of law	Years 1-4: 4-6 weeks	Years 1-4: 2 trips per year	
Financial Markets	Senior financial sector specialist	Years 1-2: 2-4 weeks	Years 1-2: 1 trip per year	
PPP	Project finance specialist	Years 1-3: 2-4 weeks	Years 1-3: 2 trips per year	
Results Area 2: Catalyzing Jobs through Trade and Investment				
Program Management	Senior Operations Officer	As per above	As per above	
VC development	a. Value chain support specialists (2) with sectoral expertise - agribusiness and ICT	Year 1: 16 weeks Year 2: 2-4 weeks	Year 1-2: 4 trips (once/quarter) Year 3-5: 2 trips/year	
Matching grants	Fund management specialist	Year 1: 12 weeks; Years 2-5: 4 weeks/year	2 trips/year	
SEZs	a. Legal and regulatory b. Skills development c. Local supply chain development	Years 1-2: 8 weeks per year	Year 1-2: 2 trips per year	
Results Area 3: Connecting Women and Youth to Jobs				
Program Management	Senior Operations Officer	As per above	As per above	
MIS system for registration and monitoring of Program beneficiaries	Labor market specialist (based in the field) with support from IT senior expert	Year 1: 3 weeks Year 2: 1 week per year		

ALMP services, including the selection of private providers paid by performance	Labor market specialist (based in the field) with support from technical staff/experts when needed (for example on the design of the TORs for the private providers, mechanism to monitor performance for payments, etc.)	Year 1: 20 weeks Years 2 to 5: 4 weeks		
Profiling systems	Labor market specialist (based in the field) with support from technical staff/experts in the area of statistical based profiling	Year 1 and 2: 10 weeks per year Years 2 to 5: 2 weeks per year		
Wage subsidy	Labor market specialist (based in the field) with support from technical staff/experts on the design of wage subsidy schemes	Year 1: 8 weeks Years 2 to 5: 3 weeks per year		
Other				
Financial FM	Senior Financial Management Specialist	Year 1: 6 weeks Years 2 to 5: 3 weeks per year		
Procurement	Senior Procurement Specialist	Year 1: 6 weeks Years 2 to 5: 3 weeks per year		
Environmental and social	Environment Specialist Social Specialist	Year 1: 6 weeks Years 2 to 5: 3 weeks per year	Years 1-5: 2 trips a year	
M&E	M&E and impact evaluation specialist	Year 1: 6 weeks Years 2 to 5: 3 weeks per year	Years 1-5: 2 trips a year	