



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 30-Oct-2018 | Report No: PIDISDSC24854



BASIC INFORMATION

A. Basic Project Data

Country Lebanon	Project ID P167643	Parent Project ID (if any)	Project Name LB Digital Economy Project (P167643)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date Mar 29, 2019	Estimated Board Date Dec 31, 2019	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Office of the Minister of State for Administrative Reform	

Proposed Development Objective(s)

Improve access, quality and efficiency of selected e-services and strengthen the foundations of the digital economy.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	200.00
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Environmental Assessment Category

C - Not Required

Concept Review Decision

Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

Economic and Geo-Political Context: Challenges and Opportunities facing Lebanon

Lebanon has faced very significant challenges, which have impeded its economic and human development in recent years. The combination of pressures from large flows of refugees (over 1.5 million Syrian refugees), a brain-drain among youth, increasing internal and external debts (with a debt to gross domestic product [GDP] ratio of 150 percent), and lack of capacity within public institutions have hindered the delivery and quality of public services, and amplified the magnitude of private sector challenges¹. Deep governance issues that are inherent to the political settlement in Lebanon since the civil war have amplified the impact of these pressures in the country. Transparency International's Corruption Perception Index (CPI)² ranked Lebanon 143 out of 180 countries worldwide in 2017, indicating endemic corruption in the country's public sector — and placing Lebanon among the 50 most corrupt countries in the world. Firms operating in Lebanon face a wide range of investment and business climate constraints,³ including high transaction costs, which obstruct productive investment, undermine competitiveness⁴, and limit job creation.

Governance and institutional challenges were identified by the 2015 Systematic Country Diagnostic (SCD) as some of the most binding constraints to Lebanon's development. These issues are limiting the enabling capacity of the government to create jobs, increase economic growth and contribute to the achievement of the WBG's twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner. Specifically, three key constraints were identified: (i) a lack of political will, capacity and institutions to design and enact new laws and policies and to implement reforms; (ii) a lack of vision for Lebanon and leadership of the country; and (iii) public institutions that are perceived as extremely weak, inefficient and possessing low capacity to provide quality services. All of these constraints are particularly damaging to the most vulnerable and poor citizens. The situation in Lebanon is consistent with the conclusions of the *World Development Report (WDR) 2017: Governance and the Law*. This report concludes that, such constraints and challenges, which are at the heart of development, lead to exclusion, state capture, and clientelism. These are manifestations of power asymmetries that lead to failures to achieve security, growth, and equity.⁵

Reform efforts to improve the quality of institutions and promote growth have been limited; however, they are urgently required to avoid further deterioration and to promote more inclusive institutions.

¹ The World Bank Group (WBG) Systematic Country Diagnostic (SCD) was prepared in 2015 to identify the main constraints Lebanon faces to generating jobs (both in terms of quantity and quality), which is recognized in the country as the pathway to reducing extreme poverty and promoting shared prosperity (that is, to fulfilling the WBG's twin goals).

² Transparency International's Corruption Perceptions Index 2017 was released in February 2018 – ([Lebanon](#)).

³ The World Bank's [Doing Business](#) report ranked Lebanon 133 out of 190 countries worldwide.

⁴ The World Economic Forum's Global Competitiveness Index ranked Lebanon's macroeconomic environment 133 out of 137 countries.

⁵ *World Development Report 2017: Governance and the Law*, World Bank Group.



Historically, vested economic interests have been protected and decision-makers have struggled to reach a consensus about the country's development priorities. In the past, Lebanon benefitted from a high level of human development, a large educated and dynamic diaspora, and the support of a significant international community to navigate through difficult times. However, this is not enough. Institutional reforms are urgently needed to improve the governance, effectiveness and inclusiveness of public institutions, accelerate anti-corruption measures, strengthen digital infrastructure, empower youth, and generate a new cohort of young people entering the workforce with the digital skills required by employers. Such reforms also represent an opportunity to achieve progress and avoid further deterioration in the well-being of citizens. Reforms are also needed to improve service delivery and, importantly, to manage the added pressures stemming from regional conflicts.

Digital technologies have spread rapidly throughout much of the world. Digital dividends—that is, the broader development benefits from using new technologies—have lagged. In many instances, digital technologies have boosted growth, expanded opportunities, and improved service delivery. According to recent benchmarking undertaken by the Bank, Lebanon captures only 4.7 percent of its digital potential, well below the 8.4 percent average for Middle Eastern countries, 15.2 percent for Western European countries and 18 percent for the United States (US).⁶ This is evident when looking at the digital factor contribution to gross domestic product (GDP), which is modest, and reaches only 3 percent, (half the contribution in OECD countries).

Sectoral and Institutional Context

The Government has recently shown an unprecedented determination to introduce reforms with the aim of improving governance, reducing corruption and achieving a digital dividend. The Lebanese Government's "Vision for Stabilization, Growth and Employment", recently presented by Prime Minister Hariri, has prioritized both sectoral and cross-sectoral reforms, (including fighting corruption, and modernizing the public sector and public financial management). These reforms are deemed essential to improving the business environment and creating new job opportunities. The adoption of the Public-Private Partnership Law in September 2017 also lays the foundation for private participation in public sector projects. Furthermore, the pursuit of public procurement reforms and a proposed suite of laws to address anti-corruption are among several initiatives that demonstrate significant political will by the government to reinvent itself. As such, the Government aims to accelerate required reforms and anti-corruption measures and enable a more competitive economy. To advance this ongoing progress, the government recently presented a Capital Investment Plan (CIP) at the CEDRE conference in Paris,⁷ which received strong backing from the WBG and other international donors.

The Office of the Minister of State for Administrative Reform (OMSAR) has recently developed a new Government Digital Transformation Strategy. This strategy aims at transforming the way in which

⁶ McKinsey Global Institute, 2016.

⁷ CEDRE (*Conférence économique pour le Développement, par les Réformes et avec les Entreprises*), an international conference in support of Lebanon's development and reforms, was hosted by France on April 6, 2018.



government works and connects with its citizens. Its emphasis is on modernizing government, increasing transparency, simplifying access to public services, and fostering the digital economy through partnerships with the private sector and other stakeholders (both national and international). The principles of the new strategy were recently launched under the patronage of H.E. the President of the Republic, at the Digital Transformation Conference 2018 held in March 2018 and supported by the WBG. This was the culmination of almost nine months work and consultations commencing with initial discussions of the blueprint for a way forward, followed by brainstorming sessions to launch the preparation process. The preparation of this strategy represents a combined policy-making effort by OMSAR to improve governance and anti-corruption in Lebanon, while also harnessing digital technologies to accelerate reforms.

The current Government’s digital transformation effort has the potential to disrupt the status quo in public sector reform. This is a cross-sectarian initiative that would send positive signals to the international community, which has pledged US\$11 billion for Lebanon’s Capital Investment Plan (CIP) during the CEDRE conference provided the Government moves forward with a set of sectoral (for example, energy and electricity) and cross-sectoral reforms, such as the National Anti-Corruption Strategy. To date, the Government’s digital transformation efforts have received the support of the President and the Prime Minister.⁸ They also have the potential to mobilize a political consensus among the normally fragmented decision-makers. Such a consensus would serve to enact the necessary laws and regulations to enable the reforms.

Relationship to CPF

The concept is consistent with the World Bank’s Country Partnership Framework for Lebanon (FY17-22).

A key cross-cutting theme of the CPF is “Governance and Renewing the social contract. This focuses on promoting governance reforms with a view to (i) strengthening institutions (ii) improving data availability (iii) contributing to the debate on policy reforms and (iv) fostering citizen engagement. The project supports all three of these areas. The project also underpins both focus area 1 and 2 of the CPF which are (i) Expand access to and quality of service delivery and (ii) Expand economic opportunities and increase human capital.

C. Proposed Development Objective(s)

Improve access, quality and efficiency of selected e-services and strengthen the foundations of the digital economy.

Key Results (From PCN)

- The proposed PDO indicators are the following
 - Number of government entities connected to a secured national virtual network;
 - Number of government e-services developed and deployed;
 - Inclusiveness of beneficiaries (ratio of Male/Female; ratio of Urban/Rural; percentage of People with Disabilities) accessing and using electronic government services on multiple devices;
 - Number of beneficiaries using electronic payments systems, such as mobile money (ratio of male/female users);
 - Number of new government datasets with open access available to the Lebanese public;
 - Cashless payments per capita; and Percentage of Government payments made and received digitally;
 - Percentage of electronic services outsourced to private sector or delivered through PPP;
 - Percentage of women with STEM capabilities profile in the government.

⁸ A post-CEDRE Press Conference was held on April 11, 2018 in Beirut, Lebanon.



- Additional indicators also include:
 - Percentage of digital economy contribution to the Gross Domestic Product (GDP)
 - Ranking Advancement on IDI, EGDI, and DAI indexes.

D. Concept Description

- **Component 1. Establish Key Digital Governance and Economy Foundations**

- 1.1. Create and implement forward-looking laws, regulations and policies (including e-procurement) that enable digital governance and economy (e.g., data privacy and protection; e-signature; e-contracts; National Payment Systems Law; and cybersecurity-related act).
- 1.2. Increase Lebanon's broadband sector competitiveness through sound policy and regulations, multiple service providers, to ensure affordable inclusive access
- 1.3. Design and build a National Virtual Network (LebNet) to inter-connect all government ministries and entities in a secure shared digital platform infrastructure.
- 1.4. Develop and implement a national Human Capital Development plan for digital skills to ensure the availability of digital talent required to design, implement, operate and manage digital governance's transformation.

- **Component 2 : Enhance efficiency of Service Delivery to Citizens and Businesses**

- 2.1. Commission and Deliver cross-cutting shared digital platforms based on interoperable architecture including the Government Services Portal (www.gov.lb); e-authentication and identity management system (including electronic Identification for Know-Your-Customer).
- 2.2. Develop and Deploy central government digital transformation services including e-procurement in collaboration with line ministries such as work permit application; passport application; transport transactions; social security benefits; e-procurement service; Tax payment; and government to person payments (i.e., public sector salaries, pensions, ... etc.).
- 2.3. Develop and Deploy e-services for citizens and businesses at local government level, including cities and municipalities such as e-permits and licenses; e-payment ... etc.
- 2.4. Establish a government-wide Citizen Relationship Management system (CRM) to enable the government to manage individualized cases, handle complaints, and provide feedback through messaging and/or email notification system and provide quality redress mechanisms.

- **Component 3: Promote Private Sector in Digital Development**

- 3.1. Develop Digital Industry in Lebanon by opening up government datasets and delegating provision of some public e-services through PPP and/or outsourcing to maximize finance for digital economy.
- 3.2. Promote financial inclusion and private sector innovation in Lebanon by increasing the adoption and usage of digital financial services, covering areas such as:
 - Digital Payments Platform (Infrastructure, Security, Access)
 - Development of a Fintech Regulatory and Industry Sandbox
 - Interoperability with Financial sector actors
 - Capacity Building for Digital Payment
 - Financial sector regulation (related to component 1)
- 3.3. Support and strengthen on-going e-Procurement reform with a focus on Operational and Human; Procedural; and Digital aspects to streamline Government to Business services.



• **Component 4: Institutionalize Digital Transformation within the Government**

- 4.1. Strengthen institutional capacity of the Digital Transformation Unit to ensure an efficient execution of the transformation plan (e.g., run common digital platforms and live services; manage Cybersecurity incidents; analyze users’ feedbacks; simplify of government processes, etc.).
- 4.2. Establish a Digital Assurance Framework to enable cross-government project reporting and monitoring of Government progress towards digital transformation in Lebanon.
- 4.3. Develop and deploy an integrated Performance Management System (PMS) to improve government transparency and enable evidence–based policy making.
- 4.4. Develop and execute an effective Government Communications Plan re. Digital Transformation in Lebanon to provide regular updates on e-services for citizens and businesses, and facilitate consultations with key stakeholders.
- 4.5. Design and roll-out a comprehensive change management programs to build capacity and strengthen civil servants’ skills for a quality adoption and use of all new on-line services

The project relevance, design, scope, and components are subject to revision based on discussions with the incoming Government upon its formation.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be operated at national level and the potential beneficiaries will be in all over the country. The project will not involve in any land acquisition. As part of the project preparation, it would be critical to carry out consultations with different stakeholders and to design the citizen engagement mechanism.

B. Borrower’s Institutional Capacity for Safeguard Policies

The Bank team is currently working with the Office of the Minister of State for Administrative Reform for the project preparation. A project implementation unit is to be established. The institution does not have any experience on Bank financed project. The Bank team will work with client closely and provide relevant trainings to the client and PIU on environmental and social risk management.

C. Environmental and Social Safeguards Specialists on the Team

Chaogang Wang, Social Specialist
Mohammad Farouk Ibrahim Kandeel, Environmental Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	The project will not involve any construction works or civil works, the digital infrastructure will be introduced by installation of digital equipment and wiring. Such



works are only associated with negligible environmental impacts. No environmental safeguards instruments are required. However, from social perspective, consultations need to be carried out with relevant stakeholders and citizen engagement mechanism needs to be established as part of the project design.

Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	Policy is not triggered as the project will not result in loss, conversion or degradation of natural habitats or critical natural habitats as defined by the policy.
Forests OP/BP 4.36	No	Policy does not apply as the project will not be implemented in any forested areas.
Pest Management OP 4.09	No	Policy is not triggered as the project will not procure any pesticides nor will it induce an increase in the current non-existent to low levels of pesticide use.
Physical Cultural Resources OP/BP 4.11	No	Policy is not triggered as the project will not involve any civil works and have any potential impacts on cultural heritage sites.
Indigenous Peoples OP/BP 4.10	No	Policy is not triggered as indigenous people as defined in the policy are not present in project areas.
Involuntary Resettlement OP/BP 4.12	No	Policy is not triggered as no involuntary resettlement is anticipated by the project. The project will not finance any activities which involve involuntary taking of land and involuntary restriction of legally designated parks and protected areas.
Safety of Dams OP/BP 4.37	No	Policy is not triggered as the project will not include construction of dams as defined by the policy.
Projects on International Waterways OP/BP 7.50	No	Policy is not triggered as the project will not undertake any activities in the catchment areas of international waterways and shared aquifers.
Projects in Disputed Areas OP/BP 7.60	No	Policy is not triggered as project activities will not be implemented in any disputed areas.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Feb 15, 2019

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The project does not trigger any safeguards policies at the moment. Thus there will have no any safeguards related studies. However, consultations will be carried out with relevant stakeholders and a citizen engagement mechanism will



be developed as part of the project design.

CONTACT POINT

World Bank

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APPROVAL

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Approved By

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