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Borrower(s) GOVERNMENT OF LEBANON (GOL)
Implementing Agency
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1. Country and Sector Background

Project Rationale: Addressing regional inequity in the provision of basic infrastructure while improving the access of the poor to social services has always been a key priority for successive Governments in Lebanon. The Government is committed to a development strategy that focuses on the balanced and equitable development of all the regions of Lebanon. This strategy aims also at promoting a culture of performance in the provision of social services through community participation in decision making and NGO involvement in service delivery.

The steady decline in economic growth since the mid 1990s, coupled with a weak social safety net and inadequate and untargeted public spending on social programs has led to a deterioration in living conditions, especially among lower income groups and in less advantaged parts of the country. In southern Lebanon, two decades of occupation have left behind an area with a neglected infrastructure and in desperate need of repair and reconstruction. The area, home to about 120,000 people, was cut off from the rest of Lebanon during the occupation by Israel, which provided electricity, water, telephones, hospitals and jobs. Since the withdrawal of Israeli troops from southern Lebanon on May 24, 2000, the Government moved quickly to capitalize on the Israeli withdrawal by appealing for international economic assistance to develop the region. Prompt measures to restore water, telecommunications, electricity, public hospitals, schools, roads and Government buildings were initiated immediately after the Israeli withdrawal.

On July 21, 2000, the Government announced a five year development plan (US\$1.34 billion) for the reconstruction of the liberated South and West Beka'a, including an emergency package in the amount of US\$260 million. The bulk of this plan (74%) concentrates on rehabilitating and upgrading the region's basic social and economic infrastructure (US\$991 million). Key sectors in the development plan include: irrigation and drainage; water and wastewater; and roads. Other components include social and economic development projects, financial compensation for human and material losses, and mine awareness and clearance activities. Most of the proposed infrastructure projects (except for the irrigation projects) were already integrated in the Government's Five Year Development Plan prepared by the Council for Development and Reconstruction (CDR) and approved by the Council of Ministers on May 17, 2000.

Throughout the history of Lebanon and in situations where Government agencies were inoperative (1975-1991), Non-Governmental Organizations (NGOs) have represented a viable institutional alternative. Similarly, NGOs have been called upon to deliver services during periods of economic hardship (1996-2000) in specific areas where Government capacity is weak. Since the end of the civil war (1991), the proportion of Government funding to the overall NGO budget has witnessed a steady decline. This has resulted in a considerable drop in the number of beneficiaries as well as a deterioration in the quality of service provision. Unfortunately, this is occurring at a time when the provision of social services is very much needed.

Government's support to the NGO sector continued to be targeted to welfare institutions that provide social services to the elderly, handicapped, orphans, etc. During the past two years (1999 and 2000), the Government support to welfare institutions in Lebanon was reflected through the disbursement of US\$84 million equivalent. However, Government funding to NGO-executed development projects remains modest (less than 20% of total), and the Community Development Project (CDP) would attempt to bridge this important gap by providing funding to demand-driven community-based social and human development initiatives.

2. Objectives

The development objective of the project is to raise living standards in targeted poorer communities. This will be achieved by raising economic activity levels in such communities through investing in grass-roots social and small infrastructure and income enhancement activities. The project will fund community-based small sub-projects such as basic social and economic infrastructure (education, health, rural water supply and sanitation, small irrigation and drainage schemes); natural resources management; capacity building; basic skills training; and micro-credit aimed at stimulating local incomes and productivity. The project will also fund special programs that target specific vulnerable groups, especially women, children and the disabled.

3. Rationale for Bank's Involvement

Bank's support for the CDP, given the diversity of politics of Lebanon, would help provide an element of neutrality, accountability

and transparency in the CDP operations. The Bank, through its already extensive experience with social and economic development funds, is in a unique position to advise the Government on the advantages and disadvantages of the project design. The Bank's experience in establishing and organizing Social Funds worldwide, which included capacity building to strengthen institutions, combined with the sector integrated approach to development, would be of benefit in the design of the CDP. The Bank technical and financial support for the CDP, and subsequent project supervision of the operation, are seen by the Government and potential foreign donors as essential elements in promoting operational success and confidence in the integrity of the CDP. Considerable donor funding could be secured provided an appropriate institutional mechanism for the involvement of the NGO sector is devised, which is what the Bank is seeking to establish through the CDP.

4. Description

The project will be implemented over a period of five (5) years and will consist of five main components as described and summarized in the table below:

Component-A: Social Development (US\$20.0 million)

Basic education, health and social services for the poor in areas with high school drop-outs, low health indicators and gender discrimination, in order to improve the access and reduce the cost of such services to the poor. In addition, this component includes the rehabilitation and upgrading of schools and health centers, the creation of youth, cultural and sports centers, revolving textbook projects, literacy and immunization campaigns and other social services to the poor. Emphasis will also be given to the provision of basic social services to facilitate the social reinsertion of vulnerable groups, such as: the elderly, the disabled, women head of households and children victims of violence, AIDS victims, drug addicts, ex- detainees in south Lebanon, etc.

Component-B: Rural Infrastructure Improvement (US\$4.0 million)

Provision of rural infrastructure and environmental protection activities, such as: community potable water supply; wells and spring protection; small wastewater collection, treatment and disposal schemes using appropriate technologies; small irrigation and drainage schemes; land reclamation, rehabilitation of land terraces, and reforestation; and protection of natural resources and cultural heritage sites.

Component-C: Income Enhancement (US\$3.0 million)

Vocational training and micro-credit demonstration projects through qualified and eligible NGOs. Activities would primarily target women, youth and people with disabilities in order to provide them with basic and specialized skills to improve their income enhancement opportunities. It would also complement the Government's programs to support NGOs in the delivery of specialized services. Support to artisans and handicraft activities would be also envisaged.

Component-D: Project Management, Technical Assistance and Capacity

Building (US\$3.0 million)

Project management consisting of a Project Implementation Unit (PIU), which would be recruited competitively to assist the CDR in the implementation of the project. The PIU's services would include primarily the day-to-day project administration, preparation of procurement documents, evaluation of proposals and recommendation to award contracts, financial management and reporting, subproject monitoring and impact evaluation, and the preparation of progress and completion reports. Technical assistance for studies and capacity building to NGOs in order to improve the sector's specialization and its effectiveness in service delivery.

Component-A: Social Development

Component-B: Rural Infrastructure Improvements

Component-C: Income Enhancement

Component-D: Project Management, Technical Assistance, and Capacity Building

5. Cost and Financing.

Total Project Cost is estimated at US\$30.0 million equivalent. The project financing would consist of a US\$10.0 million equivalent GOL's contribution, and a Bank loan of US\$20.0 million equivalent.

6. Implementation

In view of the Government's budgetary constraints, the immediate creation of an independent and autonomous institution solely for the purpose of the project is not advisable, particularly when there is an institution with project management experience, such as the CDR, which could assume responsibility for the overall project management. It should be noted that sector ministries have limited experience in managing NGO-executed projects, and their project implementation record is weak and lack the appropriate monitoring and evaluation capacity. Considering the multi faceted nature of the project, the CDR would, therefore, be in a better position to coordinate the various activities with concerned sector ministries, local governments, and NGOs.

Furthermore, the CDR's legal and financial statutes, and its inter-sectoral outlook, would allow it to have more flexibility in dealing with NGOs. It should be noted that the CDR has little experience in community-based development projects implemented in cooperation with NGOs. However, this deficiency would be overcome by recruiting a Consultant (a management consulting firm and or an NGO) with relevant experience in implementing similar projects, and with proven capacity to handle all the procurement and financial management functions typically required in such operation, to manage the PIU. The CDR would serve primarily as the legal Government representative for project implementation and compliance with the loan agreement requirements, and would function as a clearing house for the procurement and financial framework for the project with oversight responsibility, but would delegate to the PIU the day-to-day administration of the project and other functions to be described in detail in the legal documents and the project Operations Manual.

To ensure broad CDP coverage of target populations and regions, the

project would be implemented through Project Intermediaries (PIs). These PIs would consist of qualified national and international NGOs with strong community ties and proven execution capacity, which can demonstrate a good understanding of the priority needs of the low-income inhabitants of the target areas. The PIs would be selected following Bank guidelines for the procurement of consultants using an appropriate set of socio-economic, technical and financial criteria. The PIs would help beneficiary communities and local NGOs identify local needs on a priority basis, thus generating a demand-driven pipeline of eligible subprojects. The PIs would also assist local NGOs and communities in the preparation, coordination with concerned ministries and other organizations, and implementation of subprojects in a sustainable manner. The PIs would ensure that subproject design and implementation is in compliance with the Bank's social and environmental safeguards and the CDP Operations Manual. They would be involved in all phases of the subproject cycle, such as: needs assessment and prioritization, preparation and appraisal, coordination with concerned ministries and other organizations, and implementation and impact evaluation. PIs would play an important role in generating and proposing demand-driven eligible subprojects along well-defined criteria to be provided for in the CDP Operations Manual.

Due to the nature of the Community Development Project, the institutional set-up will have to remain simple and streamlined with minimal budget implications on operations and maintenance. A modular approach would be incorporated in order to maintain thematic and geographic flexibility. The project would focus on themes and target areas where implementation through NGOs would have a clear comparative advantage. In sectors or regions where local NGOs do not have the required experience or capacity, the support of national and international NGOs would be solicited.

The project design would build on successful Government experiences in implementing NGO-executed projects, and would consolidate the future Government-NGO partnership by introducing participatory planning to the operations of sector ministries in Lebanon. The CDP would provide the appropriate tools for planning, monitoring and evaluating NGO-executed development projects. This would reinforce the contractual relationship between the Government and the NGOs by introducing private sector management tools to NGO operations.

The CDP would promote sector specialization among local NGOs through joint ventures with national and international NGOs, and would introduce wider collaboration between the municipalities and the NGO community to develop and strengthen local capacity in areas such as: needs assessment and prioritization, environmental management, health, education, training, cultural and recreational activities.

The CDP would provide a model for cost-effective, demand-driven service delivery while eventually transferring skills, mechanisms and lessons learned to line ministries. Local governments and community groups would formulate project demands on a priority basis; whereas, qualified international and national NGOs, in cooperation with local or community based NGOs, would assume the responsibility of project

implementation and service delivery.

In Lebanon, NGOs are numerous, diverse and possess varying levels of competency and capacity. As a result, establishing some basic eligibility requirements for their participation in the CDP is fundamental. Closer co-ordination among Government- and donor-funded programs would have to be established to better manage and complement scarce resources. The CDP would adopt an effective and results-oriented management style, focusing primarily on remote rural areas of Lebanon while maintaining a more gender approach.

This project represents the first major Bank intervention in the NGO sector in Lebanon. Bank's assistance would aim at improving the quality and coverage of essential services which, in turn, would help alleviate poverty in the country. The Government's allocation to NGOs and activities in Lebanon amounted to US\$84 million equivalent during 1999 and 2000. Around 80% of that amount was spent as budget support to welfare institutions in the country, while the rest was earmarked for joint NGO-executed development projects. The CDP would supplement Government funding to joint NGO projects in well-defined priority sectors. Furthermore, the project would provide a critical mass of funding to address basic needs of under-served regions of Lebanon while adopting an integrated approach for project implementation. Ministries involved would be limited to the ones that already have established a track record of sound collaboration with NGOs.

Municipalities and local representatives of sector ministries would act as partners to PIs for the CDP funded subprojects. In areas where municipalities exist and are active, the CDP may intervene through these governmental bodies. This approach of local ownership and accountability would help ensure subproject sustainability.

PIs would be required to prepare Subproject Proposals (SPP) within the community context, which should include a brief description of the subproject objectives, the rationale and the expected impact, a map of the overall geographic location and the subproject site. The SPPs should also include design guidelines in order to help the PIs to formulate their subprojects requests. The SPPs would be reviewed by the PIU, which would carry out the desk and field appraisals in order to confirm that proposed subprojects meet the following eligibility criteria:

(a) Origin of Subproject Requests. Eligible partners with PIs would include municipalities, local representatives of sector ministries, and local NGOs. The SPPs should include the approvals of relevant sector ministries, if required.

(b) Subproject Types and Socio-Economic Viability. The CDP would finance subprojects that are technically, environmentally, socially, and economically viable. Subprojects would have to demonstrate a clear common public benefit while meeting the essential needs of the targeted community. Pre-investment cost would be covered by the PIs and would be considered as part of their contribution to the overall project cost. The feasibility study to be carried out by the PIs would examine standard technical, environmental, social, economical

and financial subproject requirements. The table below gives an indicative list of subproject types that would be eligible for financing under the CDP:

Note: This document contains tables that cannot be converted into text files. However, if you have MS Word or Word Viewer on your computer, you should be able to download the complete original version by going to:
<http://www.worldbank.org/pics/pid/>

PIs would be required to demonstrate the technical, economic and financial feasibility of the proposed subprojects. These would have to be gender equitable and would target low-income and marginalized social groups, in order to provide a social safety net that would either increase income or reduce expenditures of the most vulnerable families particularly those headed by women. Appropriate technical standards for design, construction, and supervision of subprojects would be used. Labor-intensive methods would be considered to generate employment. The subproject design would seek least-cost and environmentally sound solutions giving priority to appropriate and low-cost operation and maintenance technology.

(c) Size of beneficiaries. PIs would be encouraged to consider subprojects that would serve the largest possible number of beneficiaries within the target community. The PIs would have to carry out consultations, through regular stakeholder assessments, to obtain commitment to investment needs and maintenance requirements for the priority subprojects proposals.

7. Sustainability

The participatory approach adopted throughout the subproject cycle would be the fundamental mechanism to promote ownership and help instill a maintenance culture among beneficiaries. The early involvement of municipalities, local NGOs and beneficiary groups during the selection and prioritization of subprojects is important in order to promote ownership. The design of the micro credit demonstration project with the participation of concerned NGOs would also reduce any risks. It should be noted that the lessons learned from this demonstration project would be used by the Government and donors for the design of larger programs for targeting the poorest of the poor. Also, a clear distinction between recurrent and investment costs would be maintained during subproject design, which would also include a component for maintenance. The maintenance component would include capacity building at the local level and establishing a maintenance fund with up-front contributions of beneficiaries, concerned municipalities and sector ministries, as required. The maintenance fund would cover up to three years recurrent expenditures, and would be replenished annually to ensure maintaining sufficient funds all the time.

8. Lessons learned from past operations in the country/sector

Both the USAID and the UNDP are implementing community development programs in a number of specific areas of Lebanon. The success of these programs is linked to factors such as: (i) project implementation is carried out through experienced

national and international NGOs, which act as intermediaries; (ii) technical, administrative and financial management is carried out in a streamlined manner, thus subject to minimum Government bureaucracy; and (iii) the adoption of a cluster-based approach where project beneficiaries and target areas are pre-selected during project design.

The above elements of success are included in the design of the CDP, which would open opportunities of coordinating with other donors. Project Intermediaries (PIs) will be dealing with a competitively selected, professional management team, which will make up the PIU at the CDR. In turn, the PIU would benefit from the CDR's autonomous legal stature by utilizing its streamlined financial and procurement procedures. This should ensure quick responsiveness to the procurement requests submitted by PIs and timely disbursement of funds. As to the pre-selection of beneficiaries and target areas during project design, the CDP combines a demand-driven approach at the local grass-roots level, while targeting project funds according to a regional poverty map.

The Bank has an extensive worldwide experience with social and economic development funds, which includes both success stories and failures. This experience shows that for operations to be successfully implemented, a number of factors need to be present. These factors include: (i) a strong sense of commitment at the highest levels of Government; (ii) a focused menu of interventions; (iii) a strong management with operational autonomy; (iv) a transparent and detailed decision-making procedures, with regular financial and operational audits; (v) a demand-driven and simple community based subproject design to ensure local ownership; and (vi) an outreach program that emphasizes bottom-up initiatives. These operations also have important ancillary benefits. They contribute to decentralization of service delivery, and to bring NGOs into a more collaborative and coordinated relationship with the state. They also provide models of efficiency and effectiveness, which may be used by other public sector agencies. The design of the CDP, which draws heavily on experience with a large number of similar funds, incorporates these factors.

9. Program of Targeted Intervention (PTI) Y

10. Environment Aspects (including any public consultation) Issues :
No significant environmental issues are envisioned to be caused by the CDP. However, the project would include the necessary tools (EA Guidelines) under its Operations Manual to identify, at the sub-project identification and planning stages, any potential environmental issues and thus determine the EA Category (B or C). The environmental implications of each subproject would be reviewed in order to identify the potential negative impacts, which would require changes in design to avoid or minimize such impacts and to incorporate mitigatory measures within the subproject design. The extent of the

environmental review would be minor for subprojects known to cause minor or no measurable impacts. A general description of applicable EA categories as defined in the World Bank's Operational Policy (OP) 4.01, is given below for guidance:

Category-B: A proposed project is classified B if its potential adverse environmental impacts on human populations or environmentally important areas are less adverse than Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for Category A projects. The scope of the Environmental Assessment (EA) for category B projects may vary from project to project, but it is narrower than that of a Category A EA. For some Category B sub-projects, a full EA report may be necessary, but in many cases the EA process may result only in an Environmental Management Plan (EMP), as described in Annex B of OP4.01.

Category-C: A proposed project is classified C if it is likely to have minimal or no adverse environmental impacts.

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12. For information on other project related documents contact:

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

This PID was processed by the InfoShop during the week ending March 23, 2001.