Lebanon Country Partnership Framework

FY2017-FY2022

I. Introduction

1. This Country Partnership Framework (CPF) presents the World Bank Group (WBG) program and the associated results framework for Lebanon for the period FY17-FY22. Lebanon’s last Country Partnership Strategy (CPS) covered the period FY11-FY14, and the Country Partnership Strategy Progress Report (CPSPR) was delivered on April 18, 2013. During the FY15-FY16, political paralysis in government impeded decision making and hindered the World Bank’s ability to effectively engage on a forward-looking strategy. While the political dynamics remain largely the same, the Government of Lebanon (GoL) has focused more attention on addressing its development challenges in relation to the impact of the Syria crisis in recent months. The WBG, along with other international partners, has been working very closely with the Government to scale up assistance in this regard, including through the new Middle East and North Africa Concessional Financing Facility (CFF). Furthermore, the US$494 million in IBRD-financed projects that were held up in Parliament have been approved, and the entire portfolio is now under implementation. As a result of these developments, a more enabling and productive dialogue has facilitated the formulation of a strategic plan for the coming years.

2. In a fragile and conflict-prone environment, this CPF aims at mitigating the immediate, and potentially long-lasting impact of the Syria crisis on Lebanon, while strengthening state institutions, addressing existing vulnerabilities, and bolstering efforts on longer term development challenges, all through interventions that foster inclusion and shared prosperity. This two-pronged approach is aligned with the overarching objective of the WBG’s Regional Strategy for the Middle East and North Africa (MENA), the focus of which is to contribute to building peace and stability by tackling the social, economic and institutional drivers of conflict. The CPF will work through two focus areas as a way to renew the social contract between the state and the citizens: (i) expand access to and quality of service delivery; and (ii) expand economic opportunities and increase human capital. Through these two focus areas, the WBG will help Lebanon mitigate the economic and social impact of the Syria crisis, safeguard the country’s development gains, and enhance the prospects for stability and development in the coming years. The International Finance Corporation (IFC), specifically, will continue to support private sector development in order to increase employment opportunities across key sectors. These objectives are strongly linked to the Resilience and the Renewing the Social Contract pillars of the new WBG MENA strategy and also contribute to the Reconstruction and Recovery pillar. In this context, the CPF posits that Lebanon is providing the world with a regional and global public good by hosting unprecedented numbers of refugees (the largest per capita in the world) and that efforts must be made to help the Government finance this public good at the terms and magnitude that are commensurate with the scale of the challenge, with a view to ensuring peace and stability in the country and beyond.

3. The CPF will contribute to strengthening the relationship between the state and its citizens, a critical ingredient for peace and stability. In this regard, the theme of governance and renewing the

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1 It is important to note that even in times of political paralysis, IFC has been able to continue to engage with the private sector and expand its investment and advisory activities.

2 The Concessional Financing Facility is the result of a partnership between the WBG, the UN and the Islamic Development Bank Group to mobilize the international community to address the financing needs of countries in the MENA region impacted by the Syrian refugee crisis, with an initial focus on Jordan and Lebanon. By combining donor grant contributions with multilateral development bank loans, the CFF will enable these countries to borrow from multilateral development banks at concessional terms. In April 2016, donors pledged initial contributions of US$140 million in grants and US$1 billion in concessional loans to the CFF.
social contract cuts across the CPF with the aim of regaining the trust of citizens through the promotion of social and economic inclusion and enhancing the quality of public services. The CPF draws extensively on the Lebanon Systematic Country Diagnostic (SCD), the WBG MENA Strategy, and the significant developments that have emerged under the MENA CFF (see paragraph 4 below). The CPF also draws on the development priorities presented by the Government of Lebanon at the London Conference on February 4, 2016.3 The humanitarian-development continuum is another aspect of the WBG’s engagement that has matured over the last years, and a consensus has emerged regarding the need to shift from a purely humanitarian approach to a combined humanitarian-development engagement to address the impact of the refugee crisis. In this regard, the Bank is working hand in hand with the United Nations (UN) agencies and the donors to provide a holistic response to the crisis and to respond to the evolving realities created by the persistence of the Syria conflict and its impact on Lebanon and the region. Across the CPF and throughout the country program, the gender dimension will be stressed and operationalized in line with the recommendations of the WBG Gender Strategy.

4. The CPF is based on four principles of engagement: selectivity, implementation, partnerships, and flexibility. The Lebanon program will tackle the country’s priorities through select, high impact investments and analytical inputs in priority sectors where there is political commitment for change. It will focus on effectively implementing the large portfolio of existing projects and will consider demonstrable implementation as a critical factor for moving ahead on new operations and determining the overall financial envelope. New private sector engagements will largely be driven by market demand and opportunities that will arise based on reform efforts and investor sentiment, and IFC will continue to engage actively in business development to identify new players to support. IFC will also continue to support its existing portfolio clients, especially as they seek to establish regional and/or global footprints. The CPF will strengthen partnerships that are central to addressing the fallout of the Syria crisis, notably with bilateral donors and relevant UN agencies. In this regard, the WBG, the UN and the Islamic Development Bank have developed a new Concessional Financing Facility that seeks to: (i) raise a greater volume of financing for countries impacted by the influx of refugees and countries affected by conflict and economic downturns; (ii) create a unique platform among international financial institutions and the UN to strengthen coordination on development assistance to the MENA region; and (iii) provide financing at more advantageous terms for MENA countries, be it at concessional terms for countries impacted by the Syria refugee crisis, or at multilateral development bank terms for countries in conflict who currently borrow at less beneficial rates from commercial lenders. The financing facility would deliver support for Lebanon’s development priorities impacted by the influx of refugees, with grants from supporting countries combined with lending from multilateral development banks, bringing down the effective interest rate on loans to concessional terms. And finally, running through six years, the CPF will be flexible to allow the Bank Group the necessary agility to adapt to an increasingly fluid and unpredictable environment.

5. The CPF benefited from a series of stakeholder consultations, including those held in connection with the SCD and the WBG Gender Strategy. Consultations were held with civil society, academia, think tanks, and private sector representatives in Beirut and Tripoli. Additional sessions were conducted with government representatives, Parliamentarians, the United Nations, and donors, as well as a sample of the Lebanese diaspora and youth. These consultations were held between February and May 2015 and helped to inform the strategy and program interventions. A second round of consultations were held in January 2016, with government representatives, parliamentarians and youth to discuss the new direction of the CPF, including its alignment with the WBG MENA Strategy and the priorities identified by the Government for concessional financing.

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3 Leaders of Germany, Kuwait, Norway, the United Kingdom, and the United Nations hosted the “Supporting Syria and the Region 2016” Conference in London, bringing together over 60 countries, international organizations, business, civil society, Syrians and people affected by the conflict to agree to a comprehensive new approach on how to respond to this protracted crisis, building on the 2014 Berlin Conference and the three Kuwait Pledging Conferences.