



LEBANON ROADMAP OF PRIORITY INTERVENTIONS FOR STABILIZATION FROM THE SYRIAN CONFLICT

November 15, 2013



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LEBANON ROADMAP OF PRIORITY INTERVENTIONS FOR STABILIZATION:

STRATEGY FOR MITIGATING THE IMPACT OF THE SYRIAN CONFLICT

Following the successful meeting of the International Support Group (ISG) for Lebanon in New York on September 25, 2013, the Government of Lebanon (GoL) is pleased to discuss with donors the next steps to address the impact of the Syrian conflict on Lebanon's economy and livelihood opportunities, access to basic services, social fabric, security, etc, as it recently did during the World Bank/IMF Annual Meetings. This will include discussion on its Roadmap for moving towards stabilization from the impact of the Syrian Conflict, and the modalities available to the international community to provide support to Lebanon at this critical time.

Specifically, based on the impact and needs identified and quantified in the Economic and Social Impact Assessment (ESIA), the GoL, with the support of the ESIA partners, has articulated a **goal to stabilize and consolidate from the adverse impact of the Syrian conflict on Lebanon and its population which it plans to achieve through the following key strategic objectives:**

- Restore and expand economic and livelihood opportunities, particularly to vulnerable groups, and create an enabling environment for private sector investment;
- Restore and build resiliency in equitable access to and quality of sustainable basic public services; and
- Strengthen social cohesion.

In order to achieve these strategic objectives, a "Roadmap" of preliminary set of prioritized immediate-, short- to medium-term recommendations has been developed with the support of the World Bank and the United Nations (UN). The majority of these recommended interventions focus on alleviating the impact on the government's budget and deteriorating public services to host communities.

The Roadmap prioritizes certain sectors over others in view of the impact that the Syrian refugees are having on Lebanon and its population, and taking into consideration that the Syrian refugees are expected to return home once the crisis has eased. The Roadmap enables critical decision making to allocate investments with limited resources. It also allows, for the first time, these priorities to be viewed in parallel with humanitarian needs as inextricably linked to quality of and access to services, economic development and the ability of vulnerable communities to cope. The Roadmap builds on the Regional Response Plan 6 (RRP6) as a simultaneous priority to strengthen Lebanon's resilience with immediate results, while accelerating development investments. Both frameworks will be closely coordinated to ensure complementarity, and avoid overlap and gaps.

The Roadmap is a live document that could be adjusted and adapted in line with the evolving situation, and contains the following elements:

1. **High (qualitative and quantitative) impact recommendations.** In order to provide to the international community a clear vision of the Government's stabilization priorities, the Roadmap is focusing only on preliminary recommendations, programs, or projects that can qualitatively and quantitatively stabilize to a significant degree the country from the impacts of the Syrian conflict as identified in the ESIA. As such, for each sector analyzed in the ESIA, no more than three stabilization measures are identified. A brief rationale for these measures (e.g., recommendation

/program /project) is also provided, with a particular focus on explaining the expected qualitative and quantitative impacts of the proposed measure.

2. **A quantification of the costs** associated with each of the policy /program /project recommendations.
3. **A sequencing of the recommendations.** The proposed sequencing is based on a combination of criteria such as:
 - a. *Contribution to achievement of the Strategic Objectives.* This is the overarching criterion that determines the priority and integrated nature of the preliminary recommendations, as they contribute towards achievement of the Strategic Objectives needed to ensure stabilization from the impact of the Syrian conflict in an equitable and non-discriminatory manner. These preliminary immediate-, short- and medium-term recommendations have been determined keeping in view the long-term development plans and agenda of the government;
 - b. *Readiness for implementation.* This is a critical criterion given Lebanon’s current environment. It includes institutional constraints, especially those resulting from the Syrian conflict.
 - c. *Expected impact of the recommended policies.* Immediate-, short-, to medium- -term, and linked to the long-term development agenda; and,
 - d. *Expected availability of financing.* While significant amount of grant money is required for the GoL to cope with this external shock, it is also possible that large pools of funding could be mobilized on concessional lending basis to address Lebanon’s pre-existing development needs while also helping to mitigate the negative impact of the Syrian conflict and help strengthen resilience.

Based on these criteria, the Roadmap includes four-tracks. These also take into account the fact, stressed in the ESIA, that the impact of the Syrian conflict is of unknown duration; as such a strategy that incorporates a range of interventions, from short- to medium- to long-erm is highly desirable). The four tracks are:

- (i) *Rapid delivery and immediate impact:* This track would include programs/projects which would have an immediate impact on Lebanese families and communities affected by the Syrian crisis.¹ This track would seek to fund “quick win” interventions that can help mitigate some of the critical impacts of the crisis, and existing programs/projects that can be modified to respond to the Strategic Objectives and scaled up and/or implemented speedily, and for which donor grant resources can be made available. Track (i) and partly Track (ii) will complement and extend some resilience-oriented interventions in the humanitarian RRP (e.g. rehabilitation and equipment of schools) and will be closely coordinated to ensure effective targeting of gaps and needs and prevent relapse.

¹ While it is distinct from the purely humanitarian efforts aimed at the Syrian refugees, close coordination with the United Nations’ humanitarian Rapid Response Plan (RRP) and Task Force on Support to Host Communities is needed.

- (ii) *Short- to Medium-term delivery and impact:* This track would include program or projects of medium size and that need longer preparation or implementation time, as well as Track (i) interventions that are further scaled up. These would best be served through a creation of a Multi-Donor Trust Fund, which should be lean, simple and adapted to Lebanon's specific circumstances. The meeting would seek to agree on the parameters of such a mechanism with a view to pooling grants from interested partners to finance short- to medium-term projects, and budget needs. These could also be achieved by using a dedicated donor account at Lebanon's Ministry of Finance.
- (iii) *Longer-term delivery and impact:* This track would include programs/projects aimed at mitigating the impact of the Syrian conflict—such as extensive use and depletion of physical assets—building resiliency, and are nested with the GoL's development strategy. These interventions would have a sustained development impact and the potential to carry sectoral policy reforms, such as infrastructure and finance and private sector investments and/or emergency projects (similar to the recently approved \$150m World Bank Jordan Emergency Project to Mitigate the Impact of the Syrian Crisis). These could be financed with IBRD and/or other IFIs, and possibly blended with grant financing from donors. The finalization of these programs and projects will hinge on the country's institutional capacity and political will to enter into sector policy reform programs. The GoL sees this track as the most promising in terms of large and ambitious financial contributions to Lebanon's efforts to overcome the current crisis and build a multidimensional resilience and development program.
- (iv) *Private Sector engagement:* This parallel track which could range from short- to long-term interventions, would (i) address stabilization and consolidation needs in the labor market, given the large impact of the Syrian conflict, and (ii) involve the private sector in strengthening service delivery through targeted financing, including partial risk guarantee schemes.

Tracks (i) to (iii) would directly alleviate the impact on the **government's budget**, while track (iv) would help mitigate the impact on the private sector.

While the impact of the Roadmap recommendations would be sequenced over time based on the above four tracks, the aim is to pursue the implementation of these tracks in parallel, with a view to strengthening the relationship between the humanitarian needs of the Syrian refugees and their hosting country encapsulated in the strategic objectives to be achieved to ensure stabilization from the impact due to the Syrian crisis and the longer-term development objectives of the country. Taken together, they aim to strengthen Lebanon's resilience by:

- **cop**ing with the increased demand on basic services (shelter, water and sanitation, health and educational services, employment, etc.);
- **reco**vering from downward economic trends (including the degradation of infrastructure, and social tensions); and
- **sust**aining institutions and capacities to anticipate, prevent and effectively manage future shocks, that is reducing vulnerability to future crises.

PRIORITY INTERVENTIONS AT SECTOR LEVEL

For this preliminary set of interventions, each sector consists of at most three priorities taken from the broader set of needs identified in the stabilization assessment of the ESIA. These are grouped according to the four-tracks timeline described above.

TRACK ONE INTERVENTIONS

Health

Strengthen public health systems and surveillance (also Track 2)

Rationale:

The influx of Syrian refugees has brought with it an increased risk for epidemics—there has been an increase in communicable diseases like leishmaniasis and potential for spread of vaccine preventable diseases like measles, whooping cough, diphtheria, and polio.

Strengthening of public health systems and surveillance would include immunizations of children under age 5; infectious disease surveillance; and health campaigns.

Cost: USD10 million for 2013 and 2014 combined (based on an expected 1.5 million refugees)

Education

Rehabilitation and equipment of schools (also Track 2)

Rationale:

Some 300 schools across the country have been identified as having had significant student pressures due to the high presence of Syrian refugee students (UNICEF). Such heavy utilization has contributed to the depreciation and deterioration of the school infrastructure, equipment and furniture. In order to return the quality of physical infrastructure to pre-refugee levels – i.e. stabilize the situation - the MEHE is in urgent need for the rehabilitation and equipping of approximately 210 schools (90 already completed).

Cost: USD32 million over 2 years (average cost of USD100,000/school rehabilitation; and USD18,000/school for equipment and furniture).

Strengthen the national education systems to deliver and monitor effective and appropriate basic education services (also Track 2)

Rationale:

In order to deliver quality education services to all children in Lebanon, it is essential to establish robust national education policies and systems as well as ensuring the government's key governance oversight and monitoring. Key interventions will include: the strengthening of DOPS (Direction d'Orientation pédagogique et scolaire). In addition, development of necessary policies and guidelines on language, curriculum, and certification for disadvantaged out of school children through non-formal education. To strengthen monitoring of the effectiveness of education systems IT and M&E staff could be deployed to the regions to strengthen the capacity of the regional level and facilitate the work of the ministry as a result of this crisis.

Cost: USD7 million.

Employment and Livelihood

Expand the Youth Employment program (NEO), focusing on those with low levels of education but the ability to engage in wage employment in the private sector

Rationale: As discussed in the impact assessment the flow of Syrian refugees will have important impacts on the Lebanese labor market. Unemployment and informality rates are likely to increase particularly among youth and unskilled workers. The current NEW project is in pilot/evaluation stage and has only a modest mandate in terms of coverage – around 2,500 beneficiaries. Additional resources would allow scaling up the project along with monitoring and evaluation systems.

Depending on the value of the package offered, the additional resources could more than double the number of beneficiaries. Around 6,000 young males and females, could be served or the equivalent of 5 percent of the population of potentially unemployed youth.

Cost: USD6 million.

Comments: Given that the NEW project is already under implementation and that it has the necessary institutional capacity, the expansion on the program and absorption of new resources can be rapidly done.

Poverty and Social Safety Net

Scale-up of the National Poverty Targeting Program

Rationale:

In order for the GoL to address the expected additional impoverishment of the Lebanese people generated from the Syrian crisis, the National Poverty Targeting Program would need to be scaled up to absorb 170,000 additional poor, with due consideration placed on women-headed households, over a three year period, on top of what it was targeting prior to the conflict (130,000 beneficiaries between 2014-2016). The program will aim to reach 70,000 of the “new poor” in 2014, 100,000 in 2015 and the total 170,000 of new poor by 2016. In addition, as the duration of the crisis prolongs, there is a need to enhance the benefits delivered to the Lebanese households, in addition to harmonizing benefits with those received by the Syrian refugee community from international donors and NGOs. Harmonizing benefits is also important in order to reduce tension and conflict between the two communities. To date, the GOL has been financing the vast majority of the NPTP costs (costs of the social workers and the social assistance, approximately USD35 million), while donors (WB, CIDA, IC) have been financing the technical inputs (approximately USD4 million). It is expected that going forward the GOL will face significant budgetary constraints in light of the difficult economic situation on the one hand, and the increased demand on the other. Thus, it is seeking financing of costs of administering of the program, as well as the cost for the benefits.

Cost: USD127 million over 3 years.

Enhance the Capacity of Social Development Centers (Track 1)

Rationale:

The MOSA has seen demand for its services increase and pressure mounting on its already stretched financial resources and capacity as a direct implication of its adopted policy of allowing refugees to access the services of its SDCs, including health services, childcare, youth services and women empowerment activities. This measure aims to enhance the administrative and operational capacity of SDCs, including through the utilization of the case management approach, to enable them to offer social services of improved quality and relevance for the Lebanese communities

Cost: USD8.1 million over 3 years.

Lebanon Host Community Support Program and CSD (Tracks 1, 3)

Rationale:

The MOSA supported Lebanon Host Community Support Program (LHSP) is an emergency project in response to the crisis which strengthens municipal services, livelihoods and social cohesion in affected communities, and thus can be easily complemented with the Community Social Development project which has a sustained development impact. The CSD project aims to establish a transparent, accountable and efficient CSD program at MOSA, and will finance community-based sub-projects through grants. MOSA, the agency in Lebanon with the mandate to coordinate and lead CDD-type programs, has placed the CDD approach central to its 2011 National Social Development Strategy. Starting with the immediate LHSP, building an effective CDD-type program will pave the way to transform MOSA from a ministry of social affairs to a ministry of social development. In addition, the complementarities of such a program with the NPTP are high, with the former tackling poverty and inequality at the community level and the latter aiming to achieve similar goals at the household level. This program could also be complemented by programs that promote agricultural value chains for smallholder farmers in affected areas (e.g., to assist small-scale producers and farmers' co-operatives in establishing modern cold storage facilities, or to assist with olive oil processing, packing and marketing). Immediate support to solid waste management is being provided through this platform while larger scale interventions in solid waste are reflected under Track 2.

Cost: USD40 million (over 5 years for CSD).

Social Cohesion

Foster peace building mechanisms to mitigate tensions in conflict prone areas hosting Syrian refugees (also Tracks 2 and 3)

Based on ongoing conflict analysis and mapping of grievances, measures will focus on investing in conflict mitigation mechanisms, processes, and capacity building at all levels, and through conflict sensitive programming. Special attention will go to the establishment of local level peace building mechanisms to mitigate tensions developed in conflict prone areas hosting Syrian refugees, reinforcement of peace building values among host and refugee students, and the promotion of balanced and conflict sensitive media coverage locally and nationally. Capacities of local authorities, community leaders, both men and women, youth and teachers will be strengthened in the areas of local governance, coordination, peace-building and conflict prevention. Journalists and senior editors will be engaged to enhance their own capacities for conflict sensitive coverage.

Rationale:

The arrival of a large number of Syrian refugees has further challenged the already delicate societal and inter-communal balance in Lebanon. Growing instances of violence with hosting communities as well as students based on perceived inequalities involving refugees threaten wider social cohesion. Refugee presence has also awakened fears associated with difficult legacy between the hosts and refugees and has therefore further heightened tension levels. Moreover, the Syrian crisis has amplified many of the existing inter-Lebanese communal and sectarian tensions. Maintaining and promoting greater positive interaction between Lebanese and Syrian refugees and social cohesion between the Lebanese is urgently needed to reduce tensions. It is expected that 96,000 students, 1,600 teachers, 150 journalists, and 1,200 local authority and community leaders, both men and women, will be involved in peace building processes. In addition, two national conflict prevention media awareness campaigns will be developed through wide participatory approaches.

Cost: USD4.2 million

Improve government response to crisis and major civilian operations (Tracks 1, 2, 3)

In order to mitigate the impact of crises, it is essential to strengthen the government's capacities to respond effectively at national, sectoral, and local level. Key interventions will include the establishment of a National Operations Room as a unified command approach that integrates and coordinates operations of concerned ministries and government agencies in crises situations. Mitigation measures will also include the development of necessary procedures and guidelines and the building of capacities on crisis management for key sectors and ministries covering essential services. Moreover, the capacity of local authorities to manage, design and implement adequate rapid disaster assessment and response plans in line with the National Response Plan will be built.

Rationale:

A feature of the Syrian refugee influx to Lebanon has been the absence of camps and the absorption of many refugees into Lebanese communities. This only made the humanitarian and operational challenges of coping with this large influx more complex for the Lebanese authorities and humanitarian agencies. Amplifying these difficulties in dealing with the Syrian crisis is the fact that the majority of refugees are currently residing in the poorest and most vulnerable that already suffer from inadequate residential infrastructure and are now more hazardous with more people dwelling in them. These areas are also considered most prone to natural disasters including floods, storms, land-slides, drought, and earthquakes. The situation becomes more aggravated with the increases political and security instability. The recent man-made disasters including bombings and clashes that have resulted in injuries have heightened the pressure on Government institutions in terms of their ability to prepare and respond adequately in case of such incidents.

Cost: USD2.9 million.

Water and Sanitation

Meet urgent needs and facilitate short-term scale up of service delivery (also Tracks 2 & 4)

Rationale:

In the Northern and Beka'a regions of Lebanon (where the largest number of refugees are located), over 30 percent of households are without a public water connection. Further, more than

440 informal tented settlement and collective shelters in public buildings within host communities have inadequate temporary latrines. Most of these sites lie on flood plains and pose severe public health risks, particularly with the advent of the winter period. The first mitigation measure will thus meet urgent WSS needs in the most vulnerable communities across Lebanon and will achieve immediate health impacts, together with opportunities for labor intensive (machine-assisted) work benefitting both Lebanese and Syrian workforce. The following activities are anticipated:

- Repair activities that could include, among others, urgent repair measures to existing public water supply and waste water infrastructure to boost supply and improve services in high impacted areas; flood mitigation works in critically affected areas including repair and/replacement of critical equipment, vehicles and tools including booster pumps, water well rehabilitation, septic tanks rehabilitation, electrical grid reconnection to key distribution plant and additional point of use metering installations;
- Extension activities that could include, among others, drilling of wells, installation of bulk water storage tanks (including rainwater harvesting), power generator sets and pipeline extensions, chlorination facilities and associated water supply infrastructure. ;
- Operation and maintenance costs of existing water and wastewater treatment infrastructure including the cost of fuel/power/manpower inputs associated with increased water and sewerage services;
- Technical assistance for project design and implementation and support for mitigation of environmental risks in host communities caused by shortages and degradation of water and wastewater services

Cost: USD60 million.

Comments:

- The majority of materials can be sourced locally and hardware components can be fabricated locally (thereby optimizing livelihood returns). This has been discussed with Regional Water Establishments (RWE) & Municipality officials.
- There is wide opportunity for private sector participation and livelihood enhancement through engagement of skilled and semi-skilled labor among both host and refugee population.
- Additional technical capacity may be required by RWE/Municipality to support supervision, reporting and enhance transparency of fund management. Weak accountability is likely to dull the impact of other measures and investments unless priority is given to local improvement measures that will clarify the respective obligations and rights of public agencies for the delivery of water services and empower RWEs.

TRACK TWO INTERVENTIONS

Private Sector

Leverage private sector delivery of water sanitation, solid waste, and possibly education services

Assist municipal and water institutions to augment capacity to service water and sanitation needs and solid waste management requirements in communities and regions where existing operations are most stressed by incoming refugees through increased private sector engagement.

Assess potential also for increased utilization of existing private sector capacity in education sectors to increase services in high-stress regions of the country.

Rationale:

The ESIA highlighted the current excess demand for water in many jurisdictions in Lebanon and growing dependency on informal private sector provision. Solid waste management faces similar challenges, as does basic education. The refugee influx is aggravating the problem and intensifying health and environmental risks in the case of water, sanitation, and solid waste. Existing private sector operators can be further professionalized and/or incentivized to complement public provision capacity to address needs through output-based aid (OBA) arrangements.

Cost: To be determined.

Comments: Need to undertake a rapid assessment of current private sector operators, municipal capacity to manage an increased OBA-driven private sector provision market and any legal/regulatory constraints. The IFC Education for Employment (E4E) platform could be leveraged to accelerate diagnostic work and implementation response time.

Job Creation through targeted financial and non-financial services (including TechVoc) to MSMEs in key sectors/clusters most affected by the impact of the refugee crisis (also Track 3).

These include:

1. Put in place rapid deployment matching grant program designed to assist businesses to adapt services (e.g., tourism and trucking) undertake training to augment business opportunities and employment generation activities—including in aforementioned WSS, solid waste, and education sectors—with particular attention to priority regions\sectors of the country most impacted by refugee influx;
2. Develop innovative financing mechanisms targeting SMEs (especially those in the informal and small businesses) to ensure continued access to finance.

This initiative will be supported by diagnostic work planned as part of the adaptation to the World Bank’s investment climate assessment being planned to better assess the refugee influx impact at a firm and informal enterprise level.

Rationale:

The ESIA highlighted negative trends on income and profit in a number of business sectors and additional pressure on informal and small\very small businesses. Provision of business\TechVoc and microfinance/small business services through matching grants, targeted “smart” upstream

institutional subsidies, and innovative financing products that would help to stabilize and consolidate economic conditions for the businesses in targeted sectors\regions.

Cost: To be determined.

Comments: Need to undertake a rapid assessment of: (i) Current business development and TechVoc services and pricing practices in market; (ii) current BDS and Tech Voc provider capacity and absorptive potential for growth; (iii) micro-finance/small business financing market—current supply and demand conditions and existing institutional and absorptive capacities.

This initiative will also be supported by diagnostic work planned as part of the adaptation to the World Bank’s investment climate assessment to better encompass an assessment of the refugee influx impact at a firm and informal enterprise level. FIRST work to be undertaken with IFC into National Payments System, including mobile banking services is also paying attention to access and utilization issues beyond the core urban middle class. These initiatives will also contribute to the identification of options to expand financial services to poorer and disadvantaged groups.

Other key investment climate changes that could significantly improve the enabling environment for MSME growth and job creation entail implementation of key initiatives currently underway with IFC advisory including: (i) modernizing commercial registry and putting online; (ii) strengthening framework for Debt Resolution/insolvency; (iii) simplifying licensing regimes in tourism sector; (iv) developing legal framework for Secured Lending (e.g., facilitate banks taking A/R, inventories for collateral); and (v) promoting ADR to resolve business disputes. These would be medium-term projects but with additional funding, the potential exists to scale/speed up implementation.

Fiscal

Sovereign debt guarantee (also Tracks 3 and 4)

Rationale:

The ESIA estimated that the Syrian conflict led to (i) an increase in Lebanon’s cost of external financing by the Sovereign of 120 basis points, (ii) placing Lebanon’s sovereign credit rating on a negative outlook, and (iii) an increase in Lebanon’s debt-to-GDP ratio in 2012, the first time since 2006.

A guarantee on some of Lebanon sovereign debt issuance (e.g., Eurobonds) could be designed to leave Lebanon face the same financing terms it had prior to the impact of the Syrian conflict. This would help improve its sovereign debt rating, its debt dynamics, and its overall fiscal balance.

Cost: Difficult to quantify without in-depth analysis of guarantor specific factors, as well as the Lebanon factors.

Reintroduce VAT on diesel fuel (also Track 3)

Rationale:

Lebanon’s Parliament introduced a VAT exemption on diesel fuel in early 2012. As fuel import have surged in 2012—notwithstanding the subdued economic activity—Lebanon’s budget has not only faced a sizeable revenue drop (estimated at 0.5 percent of GDP based on 2011 consumption), but also missed out on the surge in fuel demand arising from the influx of Syrian refugees in the country and also exports to Syria to compensate for the fall in oil production due

to the conflict. Given the disconnect between the absolute increase in Lebanon's fuel imports and its fuel exports, it is likely that a large quantity of fuel has been smuggled to Syria. While official exports would be zero rated, smuggled exports would remain taxed and would therefore benefit Lebanon's budget.

Cost: none. Expected revenue gain of at least 0.5 percent of GDP.

Health

Financial support for secondary and tertiary care (also Track 4)

Rationale:

Due to the large and rising refugee influx of Syrian refugees, Lebanon's health sector is under strain. To meet this gap financial support is urgently needed for secondary and tertiary care. The average hospitalization cost per Syrian per year is estimated to be USD 200 with total cost of secondary and tertiary care amounting to USD 313 million in 2014 (assuming 1.5 million refugees). Given the current scenario,² the financing gap would be close to USD 149 million.

If this financing need is not soon met, it could have significant consequences on both Syrian refugees and Lebanese host communities. Syrian refugees could potentially delay seeking care resulting in an exacerbation of health conditions. Lebanese host communities may be compromised in their ability to seek care due to drug shortages and inability of hospitals to cover wages of physicians and staff.

Cost: Approximately USD149 million for 2014 based on an estimated 1.5 million refugees.

Comments: The proposed costs is a conservative estimate based on UNHCR continuing to provide 75 per cent reimbursement for refugees secondary and tertiary health care costs and registering at least 70 per cent of total refugee population.

Education

Improve quality of teaching and learning in formal education

Rationale:

Most of the Syrian refugee children have entered areas where public schools are already underprivileged and suffering from low quality of education. It is important to maintain and improve the quality of education in these schools. Key interventions will include: provision of basic education materials for teachers, regular in-service training of teachers, strengthening of foreign language instruction, and the strengthening of school monitoring mechanisms. In addition, the use of the School Grant scheme to channel extra resources to schools getting the highest numbers of refugees would be developed, where the grants could finance extra maintenance costs and additional non-teaching personnel.

Cost: USD15 million.

² While UNHCR and other donor agencies presently reimburse a portion of these costs, the reimbursement rate is declining from 85 per cent to 75 per cent and range of services covered is shrinking. Also, it should be kept in mind that as of October 2013 only 70 per cent of estimated refugees were registered by UNHCR. Therefore total costs reimbursed would be USD 164 million (75 per cent reimbursement x 70 per cent of registered population x 313 million total costs) with a gap of USD 149 million.

Employment and Livelihoods

Implement a Public Employment Program combining public works and services

Rationale:

The NEW project has mainly an urban focus and the services aim to connect beneficiaries to wage employment in the private sector. As discussed in the impact assessment, given the constraints to employment creation facing the country, the Government needs to consider the direct creation of, temporary, jobs through public subsidies. Most of these jobs would be targeted to low skilled workers and could focus on the development of basic infrastructure in rural areas. A portion, however, could also involve the provision of basic public services (e.g., education, health, waste management and water sanitation) and target a higher level of skills.

Depending on the size of the program, between 5 and 10 percent of the population of unemployed could receive assistance. The focus would be on the most vulnerable workers.

Cost: USD25 million (TBC).

Comments: The demands in terms of institutional capacity to prepare and implement this project need to be carefully assessed. It is envisaged that the management of different infrastructure of service programs could be outsourced to NGOs.

Social Cohesion

Strengthen civil-military coordination in rural and urban hot spots for enhanced stability (also Tracks 3 and 4)

In order to ensure minimum levels of stability in rural and urban hotspots, it is essential to strengthen the capacity of the Lebanese Armed Forces (LAF) in communicating and coordinating with a large non-Lebanese population. Being the chief government institution trusted with maintaining the peace, the LAF civil military coordination (CIMIC) efforts are key to fostering stability in areas most prone to conflict and hosting refugees. Key interventions will include the provision of technical and capacity building support to the LAF CIMIC section centrally and regionally. Moreover, the mitigation measure will also include wide community outreach initiatives, specifically targeting vulnerable groups including women and youth, in areas most affected by the Syrian crisis as a means to building bridges and elevating pressures off tensed areas.

Rationale:

The ESIA documents the significant pressures that threaten the wide social cohesion in Lebanon. These pressures are increasingly resulting in violence occurring across the country, among the Lebanese, and between hosts and refugees. It is important to maintain and improve levels of stability in conflict prone areas. It is expected that the capacity of 180 LAF officers on assistance to civil environment, communications, human rights, conflict management and humanitarian principles will be developed, four CIMIC offices in the South, North, Bekaa, and Mount Lebanon will be set up to become fully operational in order to complete over 60 CIMIC activities based on community needs reaching a minimum of 90,000 beneficiaries.

Cost: USD3.5 million.

Water and Sanitation

Increase access to improved water and sanitation services (also Tracks 3 and 4)

Rationale:

Recent versions of RWE Business Plans and other relevant GoL documents (including from CDR, MOEW and donor partners), reviewed as part of the first phase of the impact assessment, confirmed a significant shortage in WSS infrastructure across Lebanon, even prior to the start of the Syrian conflict. These documents provided detailed plans for the expansion and rehabilitation of WSS collection/distribution/storage and treatment infrastructure, the implementation of which must be accelerated in the short term in order to meet the increased demand. The following actions would be included under this measure:

- Rehabilitation/expansion of water supply sources (e.g., bulk surface water storage, pumping station upgrade and expansion, well rehabilitation);
- Rehabilitation/replacement of water distribution networks and associated infrastructure to reduce leaks and improve distribution efficiency;
- Expand wastewater collection network infrastructure and wastewater infrastructure including construction/expansion/commissioning of centralized and decentralized (onsite) wastewater treatment facilities;
- Extension of freshwater sources for use in irrigation, to reduce use of untreated wastewater in agriculture, technical assistance for the regulation in the use of untreated wastewater for irrigation and piloting of treated wastewater re-use for sub-surface irrigation pilots.

Cost: USD175 million.

Comments:

- There is a relatively strong local market of construction and consulting firms capable of implementing the works identified above;
- Preference should be given to works that are in advanced stages of detailed design; and,
- In the event that work designs are not advanced, there is an important opportunity to engage with the private sector on Design/Build contracts in which the design services are outsourced to the private sector in one lump package with construction and operation of infrastructure.

Strengthen institutional and technical capacity to sustainably implement the National Water Sector Strategy (NWSS) (also Track 3)

Rationale:

Beyond the short/medium term mitigation measures, summarized above, which will stabilize WSS delivery in the short term, GoL must: (i) implement the institutional and policy reforms required to effectively and sustainably scale up service delivery to international standards of best practice and (ii) continue to prepare for and execute a number of “transformational” investments which will close the water sector development deficit in the long term. Therefore, the following key medium/long term actions which should be implemented in tandem with Measures 1 and 2 above and can be implemented in the current restricted Lebanese enabling environment:

- Infrastructure investment and studies for improved surface water storage (e.g., dams, large supply reservoirs, hill lakes) and inter-basin transfer projects.

- Infrastructure investment and studies for advanced water and wastewater treatment plants and associated infrastructure
- Assist the RWE's (particularly the Beka'a RWE) in increasing the number of household connections/subscriptions which will improve billings and collections rate thereby strengthening its financial sustainability; including recruitment and training of bill collectors, meter reading, awareness raising campaigns.
- Purchase/install/operate water meters and design/implement metered water distribution zones as possible, to facilitate the implementation and roll out of volumetric metering for water supply.
- Finalize regional wastewater Master Plans and associated organizational management reforms;
- Finalize wastewater quality standards for wastewater re-use and discharge including studies into the economic re-use of sludge and wastewater to generate livelihood potential and off-set operation and maintenance costs;
- Implement pilot pollution control schemes in highly vulnerable areas and in areas more subject to pollution than other, like industrial cities; develop flood mitigation strategies and disaster preparedness response mechanisms.

Cost: USD155 million.

Comments: The proposed actions above would be directly in line with the Ministry of Energy and Water's (MOEW) NWSS.

Solid Waste Management and Municipalities

Emergency Municipal Services and Social Resilience Project

Rationale:

The project will help Lebanese municipalities and host communities most affected by the influx of Syrian refugees to address the service delivery and socioeconomic impacts of Syrian refugee inflows by allowing municipalities to finance additional municipal services and programs to help reduce communal tensions and enhance social cohesion. These services would include those that are directly within the municipal competence as well as certain services that can be contracted out by municipalities to other service providers. The project will also allow municipalities to support community development programs and services amongst vulnerable communities. Finally, municipalities can also procure urgent and temporary human resources, goods, equipment and services to ramp up their capacities to deliver various services and programs.

Cost: USD100 million.

Rehabilitate and close municipal solid waste dumps (also Track 3)

Rationale:

The current crisis has doubled the quantity of solid waste generated in several areas, mainly those with high concentration of refugees causing severe challenges for solid waste collection and disposal as well. The impact of the increased waste load on the natural environment is major particularly in terms of surface and ground water, marine and soil pollution. Even if measures are taken to improve the collection and treatment of waste, any treatment options would take considerable time to construct and operate so serious impacts from increased uncontrolled

dumping should be expected. Thus, this waste stream is expected to increase which in itself causes additional severe environmental and public health problems given that medical waste is currently not collected nor treated separately from municipal waste (with the exception of a few large hospitals).

A total number of 504 municipal waste dumps were identified over the Lebanese Territory. As part of the Government's Master Plan for the closure and rehabilitation of open and uncontrolled municipal solid waste (MSW) dumps, a number of priority dumps were identified for rehabilitation and/or closure.

Cost: USD40 million.

Establish composting, separating and landfilling facilities (excluding Waste-to-Energy plants) (also Tracks 3 and 4)

Rationale:

The most intractable problems concerning solid waste management in Lebanon center on the treatment and disposal of waste. It is estimated that around 51 percent of all municipal solid is landfilled, 32 percent is dumped, and the remaining 17 percent is recovered through sorting and composting. Except for three sanitary landfills (Naameh, Zahle and Bsalim), solid wastes in Lebanon are disposed of in open dumps, along roads, into ravines, roadside gullies, stream beds and rivers. Coastal communities typically use the seashore as a dumping ground leading to severe marine pollution problems (MOE/UNDP/ECODIT/2011).

National Waste Management Strategy has identified a number of sector investments pertaining to composting, waste separation and landfilling facilities outside Beirut and Mount Lebanon. CDR has prepared a list of relevant investments in secondary cities and rural areas of Lebanon that are considered as a priority under the implementation of the Strategy.

Cost: USD50 million.

Electricity

Support for institutional capacity

Rationale:

For the Lebanese electricity sector to meet the short-term demand created by the Syrian crisis, and also longer-term sector goals of resilience, service delivery and fiscal sustainability, it is recommended that the program of reforms and investments that the Government of Lebanon is already implementing continues. In some cases this program can be accelerated, or priorities reallocated to emphasize and meet short term needs. The most significant risk to the progress of this program, and short term improvement in electricity supply, is limited and deteriorating institutional capacity within the Lebanese Government.

Cost: USD4.5 million over three years to support ongoing program management of energy sector projects, and USD5.5 million to support preparation of new priority projects.

Comments:

The donor community could provide immediate support to ensure sufficient institutional capacity to oversee implementation of MoEW's existing investment program. It is estimated that the budgetary requirement to maintain the implementation team is USD4.5 million over the next three years.

Further support should also be considered to fully institutionalize the implementation of the Government's Policy Paper for the electricity sector. Over the longer term this capacity support should be absorbed by existing institutional structures. Significant investments and reform programs need to be brought fully under the management of existing institutions lest the electricity program become subject to the vagaries of Lebanon's political economy. Longer term corporatization of EdL would support this process.

In addition to this short-term injection of capacity to manage the current program and projects, further support is required to prepare the additional future projects that will ensure sustainable, resilient electricity supply to the population. This additional technical assistance to prepare new projects is estimated to cost USD5.5M.

Transportation

Regional and rural roads project

Rationale:

This project would target the maintenance and expansion of the road network in lagging regions that are most affected by the influx of refugees, such as Akkar, Bekaa, and the North. Investments are needed for better maintenance of the road network and for increasing the capacity of some road sections through rehabilitation, widening and/or expansion, as large influx of Syrian refugees is causing much traffic on some sections of the road network. This is resulting in substantial economic losses in term of vehicle users cost and accidents. This project would target the areas most affected by the influx of refugees, such as Akkar, Bekaa, and the North.

The proposed project will: create jobs for host and refugee communities alike; improve access for both the host community and the refugees; be ready and disbursed quickly; and, have important economic benefits

Cost: USD100 million

Comments: The road sections to be maintained and/or constructed will be selected in consultation with the Ministry of Public Works and CDR. The project would also include road safety improvements, both on the infrastructure as well as the institutional levels, and the piloting of new maintenance techniques. It is also possible that the proposed project could be defined within a broader multi-year road maintenance and construction program for Lebanon, where the proposed project would be the first phase of the program.

Greater Beirut Public Transport (also Track 3)

Rationale:

Traffic congestion in Beirut has been very bad for several years and the Government is studying several options to reduce it as a development priority. The influx of Syrian refugees is adding at least 20 percent more traffic on an already saturated network in Greater Beirut, further exacerbating the problem. The first phase would focus on decongesting the northern approach to Beirut (Tabarja-Beirut), which currently is the most congested section of the network and the section that is most utilized by refugees and host communities as it links Beirut and its port to the North. Such systems are essential in a country like Lebanon, where land is scarce and costly for road development in urban areas, and where the high population density and relatively short distances are favorable to such mass transit systems.

The proposed project will create direct jobs in transport services and in construction; reduce direct economic inefficiencies linked to transportation (e.g., travel time, fuel, vehicle operating cost, accidents); provide an affordable and alternative mean of transportation for the lower to middle income, for Syrian families and Lebanese alike; provide significant indirect benefits by spreading the population and reducing the pressure on Beirut's infrastructure and services; and, provide a lower cost and more efficient alternative for the Government to reduce congestion compared to the large expansions for the urban roads network in Beirut.

Cost: USD200 million.

Comments: The GoL will need to decide soon on the most suitable system to select, a Bus Rapid Transit (BRT) or a Light Rail Transit (LRT)/Railway system. Both systems would be adequate and would have substantial economic returns. The proposed project could be Phase I of a multi-year program for the development of a broader public transport network in Greater Beirut, with future extensions to the North (Tripoli) and South (Saida and beyond).

TRACK THREE INTERVENTIONS

Private Sector

PPP development for longer term infrastructure and social service sector investment and service delivery (also Track 4)

Identify and address the policy, legal, regulatory, institutional and financial enabling conditions for increased private sector participation (financing and expertise) in infrastructure, social sector development and in service delivery in Lebanon.

Rationale:

The ESIA highlighted the impact on growth as a result of the refugee crisis and additional challenges that this poses to already over-stretched infrastructure that requires investments beyond the fiscal capacity of the government. In view of this, actions to improve the enabling environment for the increased entry of private sector resources into key growth-constraining bottleneck sectors have the potential to accelerate equitable growth and create jobs across high potential sectors of the economy.

Cost: To be determined

Comments: Need to build on existing analytical work and undertake a more in-depth gender sensitive assessment of current PPP-enabling conditions across the key sectors and institutional and political economy considerations and reach agreement with key stakeholders on process to review and address these factors. This would need to be done in close collaboration with key partners who have “first mover” capacity/appetite—in particular IFC and other IFIs with private investment “convening power” and project structuring expertise. The recently approved FIRST grant to assist the Banque du Liban in the development of the capital markets will also contribute to this process through its work on stock and bond market and development of financial products to diversify pension and insurance fund investment strategies. This initiative would also have to be linked to the Ministry of Finance fiscal management capacity building in order to adequately address the fiscal commitment dimensions of PPPs, including contingent liabilities and prospective longer-term budgetary obligations that may be part of concession agreements (e.g., Annuity and unity payments in lieu of user charges).

Electricity

Increased Generation Capacity (also Track 4)

Rationale:

The ‘shock’ of increased electricity demand caused by the Syrian crisis has created additional stress on the already weak electricity system and underscored its lack of resilience. Even prior to the Syrian crisis and the resultant influx of Syrian refugees, Lebanon’s electricity sector had reached a point where reliability and service delivery had become significant impediments to equitable economic development.

It is imperative, both for Lebanon’s longer term socio-economic development, and to restore the level of electricity supply available to consumers that Lebanon increases electricity generation beyond what is currently installed and under construction, as soon as possible.

Analysis undertaken by the MoEW in conjunction with the World Bank, estimates an increased demand due to the incoming Syrian refugee population of 213 MW by December 2013. The total demand for electricity by Syrian refugees in the high influx scenario is estimated to rise to 362 MW by the end of 2014.³

Based on unit costs for recent purchase of large combined cycle gas turbine generation in Lebanon (USD915/kW), the capital cost of additional generation required to meet this increased demand would be USD330 million by end-2014.

Cost: USD330 million

Comments: A number of projects already planned by MoEW, but for which funding is not currently available, could be accelerated to make-up the additional demand for electricity created by the Syrian crisis. These projects are designed to contribute to the longer term completion of the Government's own reform and investment program. Continued intervention (and financing) from the international community will be necessary to ensure the completion of this program over the longer term.

Strengthen and expand the transmission and distribution networks

Rationale:

In order accommodate the additional electricity supply required by Syrian refugees, and evacuate the 362MW of additional generation discussed above, further strengthening and expansion of Lebanon's transmission and distribution systems will also be required.

A number of transmission and distribution projects already identified by MoEW, but for which funding is not currently available, could be accelerated to strengthen the transmission and distribution systems to allow for the additional demand for electricity created by the Syrian crisis. These projects are designed to contribute to the longer term completion of the Government's own reform and investment program. Continued intervention (and financing) from the international community will be necessary to ensure the completion of this program over the longer term.

Cost: USD100 million.

Transportation

Freight Sector Revitalization and Border Crossings Modernization (also Track 4)

Rationale:

This project will include: i) the modernization and upgrade of the border crossings with Syria (in North and Bekaa); ii) policies aimed at the revitalization of the trucking sector, and iii) railway link between Tripoli port to the Abboudiye border crossing to Syria (in the North). Lebanon freight sector is highly fragmented, and the truck fleet is old. While Beirut and Tripoli Ports are investing to increase their capacity, the hinterland connection of both ports to the Lebanese and Syria interior remains underdeveloped. There is currently no freight railway in Lebanon, and the movement of goods rely on relatively old trucks operating in a fragmented manner (no incentives for efficient and large trucking companies). This seriously hinders Lebanon's competitiveness in the regional trade network. The proposed project would include: i) border crossing improvements

³ Based on high scenario for population increase.

(modernization of procedures and equipment, rehabilitation of the physical infrastructure, improving the coordination between the various border agencies for the better management of the movements of goods as well as passengers and refugees); ii) revitalization of the trucking sector which would include a number of policy and regulatory measures aimed at increasing the competitiveness of the trucking sector and in its modernization; iii) railway link, mostly for freight, between the Port of Tripoli and the Syrian Border.

Syria's ports and land infrastructure has been affected by the ongoing crisis and will take a while to become fully operational again. Lebanon has to therefore to prepare its infrastructure and freight services now to fulfill this role as soon as the crisis is over. In order to be ready in a timely manner, Lebanon should initiate this project *now* as it takes about 4 years to prepare and execute, and in order for the railway/border crossings to be operational on time.

Cost: USD100 million.

Comments: The Government of Lebanon recognizes this as a strategic priority and is already seeking grant and/or loan financing for the railway link Tripoli– Abboudie. The project will have important private sector impact through policy/regulations, and potentially through PPP arrangement for the financing of the railway operations.

TRACK FOUR INTERVENTIONS

These interventions are cross-referenced in the previous tracks.

Private Sector

PPP development for longer term infrastructure and social service sector investment and service delivery

Fiscal

Sovereign debt guarantee

Health

Financial support for secondary and tertiary care (also Track 4)

Social Cohesion

Strengthening Civil-Military Coordination in rural and urban hot spots for enhanced stability

Water and Sanitation

Meet urgent needs and facilitate short term scale up of service delivery

Increase access to water and wastewater services

Solid Waste Management and Municipalities

Establish composting, separating and landfilling facilities (excluding Waste-to-Energy plants)

Electricity

Increased generation capacity

Transportation

Freight sector revitalization and border crossings modernization

Annex: Summary Table for Lebanon's Roadmap of Priorities for Stabilization

Stabilization measures	Cost of measures (in million USD)	Envisaged implementation track 1/			
		Track 1	Track 2	Track 3	Track 4
Private sector					
1. Leveraging private sector delivery of water sanitation, solid waste, and possibly education services	n.a.		✓		
2. Job Creation through targeted financial and non-financial (including TechVoc) services to MSMEs	n.a.		✓	✓	
3. PPP development for longer term infrastructure and social service sector investment	n.a.			✓	✓
Fiscal					
1. Sovereign debt guarantee(s)	1,000		✓	✓	✓
2. Reintroduce VAT on diesel fuel	0		✓	✓	
Health					
1. Financial support for secondary and tertiary care	149		✓		✓
2. Strengthen public health systems and surveillance	10	✓	✓		10
Education					
1. Rehabilitation and schools equipment	32	✓	✓		32
2. Improve the quality of teaching and learning in formal education	15		✓		15
3. Strengthen the national education systems to deliver basic education services	7	✓	✓		7
Employment and Livelihood					
1. Expand the Youth Employment program (NEO)	6	✓			6
2. Implement a Public Works Program	25		✓		25
Poverty and Social Safety Net					
1. Scale-up of National Poverty Targeting Program (NPTP)	127 over 3 years	✓			127
2. Enhance the capacity of Social Development Centers	8.1 over 3 years	✓			8.1
3. Host Community Program and long term Community Social Development (CSD)	40 over 5 years	✓		✓	40
Social Cohesion					
1. Fostering peace building mechanisms to mitigate tensions in areas hosting Syrian refugees	4.2	✓	✓	✓	4.2
2. Improve government response to crisis and major civilian operations	2.9	✓	✓	✓	2.9
3. Strengthening Civil-Military Coordination in rural and urban hot spots for enhanced stability	3.5		✓	✓	✓
4. Improve crime prevention responses	2.5	✓	✓		✓
5. Enhance protection systems and mechanisms targeting women and girls	6		✓		6
6. Strengthening women's participation (SCR 1325)	7		✓		7
Water and Sanitation					
1. Meet urgent needs and facilitate short term scale up of service delivery	60	✓	✓		✓
2. Increase access to water and wastewater services	175		✓	✓	✓
3. Strengthen institutional and technical capacity to sustainably deliver increased WSS	155		✓	✓	155
Solid Waste Management and Municipalities					
1. Emergency Municipal Services and Social Resilience Project	100		✓		100
2. Rehabilitate and close municipal solid waste dumps	40		✓	✓	40
3. Establish composting, separating and landfilling facilities (excluding Waste-to-Energy plants)	50		✓	✓	✓
Electricity					
1. Support for institutional capacity	10 over 3 years		✓		10
2. Increased generation capacity	330			✓	✓
3. Strengthen and expand the transmission and distribution networks	100			✓	100
Transportation					
1. Regional and rural roads project	100		✓		100
2. Greater Beirut public transport	200		✓	✓	200
3. Freight sector revitalization and border crossings modernization	100			✓	✓

1/ Track 1 is for rapid delivery and immediate impact and limited financing requirements; Track 2 is for medium-term delivery and impact and for measures with medium-scale financing requirements; Track 3 is for measures that have a longer delivery and impact horizon and/or that require large financing needs; Track 4 is for measures that directly involve or target the private sector.