



Lebanon - Community Development Project

Document Type: Project Appraisal Document

The development objective of the Community Development Project is to establish an effective and sustainable instrument to improve the living conditions and the economic status of disadvantaged communities. There are two main project components. The first focuses on social and infrastructure development and provides sub-project grants for 1) carrying out social assessments and designing programs of sub-projects; and 2) implementing sub-projects consisting of a) improving access to basic education, health, and social services by rehabilitating and upgrading schools and health, youth, cultural, and recreation centers and facilities in poor areas; b) carrying out programs for revolving school textbooks, literacy, and primary health care; c) improving access to specialized social services to satisfy the needs of vulnerable groups at risk; d) developing basic rural infrastructure activities such as community potable water and small drainage and irrigation schemes; and e) enhancing environmental protection initiatives such as reforestation and and natural resource and cultural heritage preservation. The second component focuses on income enhancement by funding capacity building activities to support 1) micro and small entrepreneurs and nongovernmental organizations providing credit to target beneficiary groups; and 2) women, youth, and disabled people to provide them with demand-driven specialized skills that will help them increase income and business opportunities.

Keywords: Social infrastructure; Program design; Community development; Social assessments; Access to education; Access to health care; Access to health services; Health centers; Youth centers; Cultural centers; Recreation centers; Textbooks; Primary health care; Social services; Vulnerable groups; Rural infrastructure; Potable water; Irrigation systems; Drainage systems; Land reclamation; Terracing; Reforestation; Soil erosion; Well maintenance & repair; Springs; Natural resource conservation; Cultural heritage; Capacity building; Nongovernmental organizations; Access to credit; Micro-credit programs; Women-owned business enterprises; Disabled persons; Employment opportunities; Income generation; Price contingencies; Technical advisors

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Document of
The World Bank
Report No: 2204 1-LE
PROJECT APPRAISAL DOCUMENT
ONA
PROPOSED LOAN
IN THE AMOUNT OF US\$20 MILLION
TO THE
LEBANESE REPUBLIC
FOR A
COMMUNITY DEVELOPMENT PROJECT
May 29, 2001
Human Development Sector
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective: April 30, 2001)

Currency Unit = LBP

1.00 LBP = US\$0.000664

US\$1 = LBP 1,514

FISCAL YEAR

January 1 to December 31

ABBREVIATIONS AND ACRONYMS

AIS	Accounting and Information System	MOPWT	Ministry of
CAP	Community Action Plan	MOSA	Ministry
CAS	Country Assistance Strategy	MTR	Mid-term
CDP	Community Development Project	NCB	National
CDR	Council for Development and Reconstruction	NGO	Non-Gover
CDR-PC	CDR Project Coordinator	NS	National
EA	Environmental Assessment	OM	Operation
EMP	Environmental Management Plan	PA	Project A
EU	European Union	PAD	Project A
FMIP	: First Municipal Infrastructure Project	PC	Poverty C
FMS	Financial Management System	PFS	Project F
GOL	Government of Lebanon	Pi	Project I
GPN	: General Procurement Notice	PIP	Project I
IBRD	: International Bank for Reconstruction and Development	PMR	Project M
ICB	International Competitive Bidding	PMT	Project M
ICR	Implementation Completion Report	RFP	Request f
IDP	: Internally Displaced People	RPA	Regional
ISA	International Standards on Auditing	SA	Spec'al A
LA	: Loan Agreement	SBD	Standard
LBP	Lebanese Pounds	SOE	Statement
M&E	Monitoring and Evaluation	SPN	: Specific
MOE	Ministry of Education	SRFP	Standard
MOEnv.: Ministry of Environment		TA	Technical
MOEW	Ministry of Energy and Water	TBD	: To be det
MOF	Ministry of Finance	TOR	Terms of
MOIM	Ministry of Interior and Municipalities	UNDB	United Na
MOP	Manual of Procedures	UNDP	United Na
MOPH	Ministry of Public Health	MOSA	Ministry
Vice President: Jean-Louis Sarbib			
Country Director: Joseph Saba			
Sector Director: Jacques Baudouy			
Acting Sector Manager: David Steel			
Task Team Leader: Bassam Ramadan			

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LEBANESE REPUBLIC
Community Development Project

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LEBANESE REPUBLIC

Community Development Project
 Project Appraisal Document
 Middle East and North Africa Region
 Human Development Sector

Date: May 29, 2001

Country Director: Joseph Saba

Project ID: P071113

Lending Instrument: Specific Investment Loan Theme(s): Social Protection (SIL)

Team Leader: Bassam Ramadan

Sector Director: Jacques Baudouy

Sector(s): SF - Social Fund

Poverty Targeted Intervention: Y

Project Financing Data

[x] Loan [] Credit [] Grant [] Guarantee [] Other:

For Loans/Credits/Others: Amount (US\$m): 20.00

Proposed Terms: Fixed-Spread Loan (FSL)

Grace period (years): 6.5

Years to maturity: 14

Commitment fee: 0.85% and 0.75%

Service charge: 1% (front-end fee)

Financing Plan: Source

	Local	Foreign	Total
BORROWER	5.00	0.00	5.
IBRD	17.00	3.00	20.
LOCAL COMMUNITIES	5.00	0.00	5.
Total:	27.00	3.00	30.00

Borrower: Lebanese Republic

Responsible agency: Council for Development and Reconstruction

Address: Tallet El-Saray

P.O. Box 5351/116

Beirut, Lebanon

Contact Person: Mr. Mahmoud Osman, President

Tel: (961 1) 981431/432 Fax: (961 1) 981-252 Email:

Estimated disbursements (Bank FY/US\$m):

FY	2002	2003	2004	2005	2006	2007
Annual	0.20	3.20	5.90	5.50	3.20	2.00
Cumulative	0.20	3.40	9.30	14.80	18.00	20.00

Project implementation period: 5 years

Expected effectiveness date: 01/15/2002 Expected closing date: 12/31/2006

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A. Project Development Objective

1. Project development objective: (see Annex 1)

The development objective of the Community Development Project (CDP) is to establish sustainable instrument to improve the living conditions and the economic status of communities. This will be achieved by a four-pronged approach to: (i) improve access economic infrastructure by funding small well-targeted community-based initiatives and accessibility to the poor of education, health, and physical environment service economic status of poor and more vulnerable households by stimulating local incomes reducing exposure to risk, through basic skills training, and capacity building to initiatives; (iii) develop special social programs that target the needs of specific especially women, children and the disabled; and (iv) document the experience obtained Project and derive the lessons learned in consultation with ministries that are engaged of a longer-term strategy to reduce social and regional imbalances in human development.

2. Key performance indicators: (see Annex 1)

Progress towards this objective would be measured and monitored based on: (i) evolution quantity, quality and cost of services accessed or accessible by less advantaged communities; (ii) the number, distribution and socio-economic profile of beneficiaries; (iii) the number of communities in targeted areas with implemented CDP subprojects; and (iv) the documentation at the national level of achievements and lessons learned and the effectiveness of the instrument, including selected poverty and human development indicators.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the Project:

Document number: 17153

Date of latest CAS discussion: 11/7/97

The Project objective is anchored in the overall November 1997 CAS' focus: to "upgrade resource base and address poverty in target underprivileged areas". By transferring participation of Non-Governmental Organizations (NGOs), to deprived rural and urban

proposed Project will raise the living standards of target communities and improve services and basic infrastructure.

2. Main sector issues and Government strategy:

Addressing regional inequity in the provision of basic infrastructure while improving 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 regions of Lebanon. This commitment aims 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 external price distortions caused by the long war and occupation of the South, has led to a decline in living standards, especially among lower income groups and in less advantaged places. The four main challenges are: (i) significant regional inequity in the access to basic infrastructure; (ii) sharp disparities in income levels; (iii) growing gaps between incomes and the cost of living; and (iv) fragmented and many vulnerable and marginalized groups insufficiently protected.

A major factor in protection against risk, including loss of employment, incapacitation or loss of a livelihood, is the distribution and quality of assets. Sharp disparities in income levels relate both to the distribution and quality of assets. Certain studies show that a large number of households live below the threshold of basic needs satisfaction as measured across Lebanon. Poor households tend to have more members, this represents over a third of the population of households (over 1:15) demonstrate very low levels of needs satisfaction. There are high numbers of illiterate women compared with men, women's health status appears lower compared with men, women have more difficulty to have access to income earning opportunities. Although the depth and incidence of poverty have specific distribution patterns, all regions of the country show some levels of poverty, numerically the areas of greatest need are concentrated in geographic clusters. These are: (i) the north, including the extremely deprived rural areas, which, together with the deprived urban core of Tripoli, and the district of Miniye, represent the national poverty; (ii) Greater Beirut, which has a lower proportion of poverty but where, by sheer weight of numbers, over one quarter of the need is severely affected by occupation and war; and (iv) the eastern Bekaa districts of Hama and Hasbaya. Other areas where there is a smaller concentration of poverty are: (i) the mountain region of Batroun -Bcharreh; (ii) West Bekaa (Rachaya -Hasbayya); and (iii) Saida -Chouf. The Government has included these areas in the Project.

The Government has put in place, in July 2000, a strategy to support the recovery of the economy (worth 1 billion equivalent) and prepared a five year national development plan that concentrates on the reconstruction and upgrading basic social and economic infrastructure. The Government is in the process of working with the United Nations Development Programme (UNDP), in the context of a national programme for improving the living conditions of the poor, a comprehensive and integrated pilot R Project for Akkar. Significant examples of initiatives to effectively coordinate local level also exist in Saida and Tyr.

Despite an extensive literature, numerical poverty estimates remain particularly difficult to interpret. Further research analysis and synthesis are required. Two published documents provide a good overview of the situation: Ministry of Social Affairs/UNDP: World Summit for Social Development Progress Report: Geneva 2000, Beirut, April 2000; and Ministry of Social Affairs/UNFPA Population Atlas Vol. 1: Studies are: Administration Centrale de la Statistique, Conditions de Vie des menages (Etudes Statistiques No 7, Beirut, 1997) and Conditions de Vie des menages dans la Bekaa (Etudes Statistiques No 10, Beirut, 1998), and Adib Nehmeh et al., "The South, a story of hardship: the liberated regions" (Beirut, National Programme for Improving the Living Conditions in Lebanon Poverty Review (in progress) has assembled and synthesizes a great deal of information on poverty. Annexes I and II covering national level and rural poverty. MOSA - UNDP plans a multi-

Four key issues in the intersectoral field of improving living conditions that still need to be addressed are: (i) the need to develop a clear agreed overall framework to integrate and coordinate the multiplicity of actors, including various sector ministries, the NGO sector, and local institutions; (ii) the need for greater emphasis on design of demand-driven program initiatives and priorities of the beneficiaries themselves; (iii) greater sensitivity to the needs of the most vulnerable and marginalized groups; and (iv) the need to

where needs of poor women are concerned; (iv) the need to develop clear and transparent mechanisms that will improve efficiency and coverage, targeting programs and resource sectors of greatest need; and (v) the need to develop easily monitorable indicators of process, outputs and outcomes of such interventions, and to apply the information for improvement of the program and to develop a longer-term strategy that will reduce the imbalances in human development.

3. Sector issues to be addressed by the Project and strategic choices:

The CDP will address the issues of: (i) regional inequity in the provision of basic services; improving the access of the poor to social services and basic infrastructure; and (ii) levels through support to the promotion of self-employment opportunities. This will be through a participative, community-driven approach involving the NGO sector in coordination with beneficiary communities, local government, local private organizations and concerned The World Bank through its sector work has been helping the Government to introduce and develop coherent social policies, as well as carrying out an NGO sector assessment to assess the potential for NGOs' involvement in a CDP-type project and assessing NGOs' capacity. This assessment was carried out through interviews and field visits, in close coordination with umbrella organizations in the country. The World Bank, in the context of the poverty out a study of the Lebanese microfinance industry. This review of the micro credit present need is less for increased capitalization of existing schemes, than for the training activities and support services that would improve the prospects of successful ventures. Furthermore, the European Union (EU) is supporting a social fund initiative with substantial financial resources for the capitalization of banks and NGOs servicing the sector.

The Project will address the identified issues through: (i) community participation and NGO involvement; (iii) capacity building of the NGO sector; and (iv) partnership with The Project draws on worldwide experience in reducing poverty through community-driven as well as on lessons learned in Lebanon through various social programs, including interactions and the unique role that the NGO sector and communities have played during the reconstruction period.

A review of the thematic activities of NGOs in Lebanon indicates a strong bias towards activities that have been traditionally under-served by the Government. These activities include health, welfare and vocational training, which account for approximately 77 percent of total NGO involvement. Involvement in other sectors remains low and relatively recent. The activities of NGOs are concentrated in urban areas; however, in some rural communities, local committees and project committees formed in response to a specific project.

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Implementing the CDP through locally-based NGOs can bring the following contributions:
(a) Innovation: Given their small size and flexible nature, NGOs in Lebanon are generally able to develop new approaches and innovative practices.

(b) Social Inclusion: The poorest and most disadvantaged members of society are often overlooked and difficult to reach. Collectively, NGOs have proved to be an effective (and sometimes the only) means of giving voice to and for such groups.

(c) Participation: Popular participation is increasingly recognized as an essential element for effective and sustainable development. NGOs routinely use intermediation, social mobilization, and participatory project planning and implementation.

(d) Project design: NGOs with close community ties and relevant operational experience play a key role in targeting strategic subprojects, identifying appropriate selection criteria, identifying local actors, and monitoring subproject benefits.

(e) Sustainability: Past experience has shown that development sustainability is enhanced when local communities play an active role in project activities. Working through NGOs is an effective way of building community ownership and ensuring a long-term institutional presence in the area when the Project is completed.

(f) Efficiency: Effective NGOs have flexible management and adjust quickly to specific circumstances. In cases where local NGO capacity is weak, collaboration with national and international NGOs is encouraged and supported by provisions for capacity building to be included in the project. Local and international NGOs in Lebanon work with and through local NGO partners and can play a valuable role as "intermediaries" between the Government and smaller local organizations.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed breakdown):

The Project will be implemented over a period of five (5) years and will consist of

as summarized in the table below:

Component	Sector	Costs	% of	Financ
(US\$ M)	Total			
1: Social and Infrastructure Development	Community Development	22.50		75.0
2: Income Enhancement	Training	3.00		10.0
3: Project Management Support Development	Institutional	4.50		15.00
Total Project costs		30.00		100.00
Total financing required		30.00		100.00

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2. Key policy and institutional reforms supported by the Project:

* Support and strengthen local participation in the identification and prioritization of needs and implementation of basic social services and infrastructure.

* Strengthen the role and capacity of local and national NGOs in the delivery of local participation in a sustainable manner.

* Establish a viable framework for an effective cooperation among sectoral ministries for Development and Reconstruction (CDR), the NGO community, local governments and communities in the provision of basic services targeting particularly the marginal

3. Benefits and target population:

The Project would bring three types of benefits to disadvantaged communities, with demonstrate large concentrations of deprivation. Deriving from a community demand-driven small-scale activities to be developed during the Project implementation, these divided into: (i) increased access to basic social and economic infrastructure, accessing these services, and the improved quality (through upgrading) of the infrastructure human resources and capacity for families with low or uncertain incomes, enabling them with economic shocks, unemployment, and uncertainty to generate additional incomes; these would include skills for employment, especially for young men and women literacy training; business skills to manage micro-credit opportunities; and special capability, social reintegration or rehabilitation of vulnerable groups; and (iii) the needy and vulnerable at the local and national levels to direct adequate resources to needy or vulnerable groups.

The Project beneficiaries in principle are inclusive of all needy, deprived or vulnerable. The Project would channel a critical mass of funding and efforts to areas with the high needs or eligible beneficiary groups. Priority cluster areas have already been identified through poverty mapping exercise conducted by the Ministry of Social Affairs (MOSA) with them since 1995. These will be further defined by Project Intermediaries (PIs)² in the cluster analysis (social assessment) to be undertaken during the initial phase of cluster area implementation. The cluster area social assessment would add to the readily available indicators such as: (i) access to basic social and economic infrastructure; (ii) in unemployment; (iv) extent of Government and donor intervention; (v) lack of environmental assets; (vi) socio-economic gender equity considerations; and (vii) other qualitative indicators of the level of organization and participation in the communities. In general, geographical targeting on two types of areas: (i) depressed and peripheral rural areas, which have suffered stagnation; and (ii) deprived concentration in major urban agglomerations.

Social targeting will be undertaken primarily through locating or expanding self-targeted areas of deprivation (vocational training, micro-credit training and support services, literacy activities, reproductive health and special programs for at risk groups).

in greater detail.

² Project Intermediaries (PIs) are the selected non-governmental organizations to be in charge of the program of subprojects.

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In addition, the identification of lessons learned through this Project of more effective community development needs would serve as an input to the development by the Government.

term national poverty alleviation strategy.

4. Institutional and implementation arrangements:

Institutional arrangements

Council for Development and Reconstruction (CDR)

CDR will be the executing agency responsible for project execution on behalf of the (Institutional and Implementation Arrangements Chart, Annexes 11 and 12). Since CDR experience in managing community-driven social development programs implemented through the Project Management Team (PMT), this could be a consulting firm and/or an NGO with experience in management of community development programs, will be established within the CDR to implement the CDP.

To coordinate and facilitate the functions of the PMT within CDR, the CDR will appoint a Coordinator (CDR-PC) who will report directly to the President of the CDR. The CDR-PC will coordinate and supervise the work of the PMT. CDR, through its Programs Department, will play a role in monitoring and evaluating the Project's impact. To supplement the Programs Department, the CDR will recruit short-term consultants with solid experience in social development and management. An outline description of the CDR-PC's responsibilities is given in Annex 11, but ensuring quality assurance of the following processes: (i) the procurement of the project, (ii) the procurement of the PIs with the logistical support of the PMT; (iii) the coordination and approval of PIs' programs; (iv) the monitoring of PIs' contracts and consultants; (v) conducting studies and auditing of the Project accounts; and (v) the coordination of the CDR of all legal and financial matters related to the execution of the Project. The CDR will be supported by technical and administrative staff of the PMT. In the same spirit, the CDR will complement the functions of the PMT in the areas of procurement, financial management, and development. This will be achieved through acquiring new skills and training existing staff.

To provide assistance to CDR and the PIs in carrying out their respective project in accordance with the provisions of the Loan Agreement (LA), the Project Agreement, and the Operations Manual (OM), the PMT will be established with professional staff of a non-governmental organization or a consulting firm or a joint venture thereof, to be appointed by the CDR. The PMT shall comprise a project manager, a financial management specialist, an accounting officer, a monitoring and evaluation specialist, an environmental specialist, and support staff. To expedite project implementation, the PMT manager will report to the CDR President through the CDR-PC.

The PMT will be responsible for the day-to-day management of all project activities of the CDR-PC, such as the procurement process for the PI contracts and consultants, assistance and studies (preparation of: requests for proposals, terms of reference, evaluation of offers and contract award, and preparation of documentation for contract issuance of payments). The PMT will supervise (field and desk work) the contracts and monitor and evaluate output, process and impact indicators and evaluate project impact.

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The PMT will be responsible for the project accounting functions and reporting, organize project related workshops, and the preparation of progress and completion reports. The PMT would also ensure that: (i) subprojects are appraised and implemented in accordance with the provisions of the OM; (ii) any land or right of way required for construction or for proposed subprojects is acquired pursuant to the laws and regulations of the Borrower; (iii) the subprojects shall not involve the involuntary resettlement of local populations; (iv) screening of any subproject shall be conducted in accordance with the OM and the project required environmental assessments shall be carried out in a manner satisfactory to the CDR; (v) supervise the preparation of environmental assessments and ensure that environmental monitoring measures of subprojects are properly implemented. Annex 12 gives a detailed list of PMT's responsibilities.

Project Intermediaries (PIs)

The PIs shall, in accordance with the provision of the PA and the OM, be responsible for conducting social assessments of the beneficiary communities in coordination with the concerned government agencies, designing demand-driven priority needs programs for the proposed subprojects, based on the findings of the social assessments; (c) carrying out the implementation of the subprojects approved by CDR; (d) monitoring and evaluating the implementation of the eligible subprojects including the requirements set forth in the environmental guidelines; and (e) furnishing CDR through the PMT with progress and financial reports integrating the results of the monitoring and evaluation.

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 * Lebanese Republic
 Community Development Project
 Institutional and Implementation Arrangements
 CDR Board CDR Board World Bank
 Key Tasks
 Approval of PMT, Pi, Provide no objection
 * Approval of PMT, Pa ,
 Auditoraend -jo otat
 Consultant contracts
 | * ~~~~~Supervisiain of CDP
 * Approval of Pls' CDRJ
 program framework President
 agreements
 * Review CDP audits
 PMT
 Key Tasks
 * Day-to-day project
 administration
 | C1 DR 11 C1 IR 11 C1 IR 11 CDR 1 * Procurement and
 CD CRCDR CDR
 Programs Dept. Finance Dept. Legal Dept. Projects Dept.
 I ~~~~~*Reporting
 CDR Departments Support--Key Tasks *
 Programs Department
 * Review Pls' programs
 * Monitoring and evaluation.
 * Evaluation of lessons learned. PMT Project
 Finance Department CMorolecto Coordinator
 * Issue payments to contractors
 * Manage Spedal Accounts
 * Review annual audiis of prqect accounts
 Legal Department
 * Prepare and execute contracts
 * Provides legal support during CDP implementation
 Projects Department
 * Procurement of PMT, Auditors, Pis and Consultants Proect
 Project Coordinator Intermediaries
 * Supervision and monitoring of CDP implementation (Pis)
 * Coordinate Bank CDP supervision and official WB
 communications
 * Coordinate Bank - CDR relationship
 The key tasks described under the respective CDR Departments
 are indicative as these may be modHied pending CDR's
 reorganization.
 Stakeholders Municipalities Local NGOs Com nits
 Oev. Cntres MOE, MOSA, MOPH,
 MOIM, MOPWT, MOEW,
 MOEnv.
 9

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 Implementation Arrangements (Annex 4). The CDP will be implemented in two programs:
 (i) integrated regional community development programs targeted geographically amon
 poverty clusters. It is estimated that about 20 PI programs will be contracted out
 experienced NGOs. A regional program will consist of an integrated package of inter
 with several sectors, which will vary from community to community within the same c
 accordance with their priority needs. A menu of interventions would include:
 * improving access to basic education, public health care and social services thro
 rehabilitation and upgrading of schools, health, youth, cultural and recreation cen
 in poor areas;
 * developing basic infrastructure activities such as community potable water suppl

wastewater disposal schemes, small irrigation and drainage schemes, small access roads, land reclamation and rehabilitation of terraces; and

- * enhancing environmental protection activities such as reforestation and soil erosion and spring protection and preservation of natural resources and cultural heritage sites
- (ii) sector-specific themes at the national level. A number of sector-specific themes at the national level in order to complement and reinforce area-based programs. These are undertaken by qualified NGOs in liaison with the relevant sector ministry. These programs focus particularly on the needs of disadvantaged groups, such as:

- * design and operation of revolving textbook programs to assist poor families to take school;

- * design and training of trainers for functional adult literacy and post-literacy;

- * improve access to specialized social services to satisfy the needs of the most vulnerable risk including the disabled, children, youth, women and the elderly. Included in these capacity building activities support to: (a) micro and small entrepreneurs and NGOs credit to target beneficiary groups; and (b) women, youth and disabled people in or out of them with demand driven specialized skills to improve their income and enhance their opportunities. The program will also promote partnerships between lending organizations and potential clients to expand the outreach of lending to the sector in a sustainable manner. These programs will be identified, designed and implemented by the PIs with the participation of beneficiary communities or groups, local administration, and other grassroots entities required to review beneficiary proposals with the concerned sector ministries (Education, Environment, etc.) to ensure that the proposed programs are consistent with policy and strategy as well as nationally adopted norms and standards, if available. The PIs will be required to participate in and to assume responsibility for services requiring operation and maintenance and commissioning.

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The PI programs will include subproject activities, in response to priority needs. The subprojects will include: (i) subproject description; (ii) objective; (iii) monitoring and evaluation; (iv) costs; (v) preparation work required for a complete design and its cost and time arrangements including the type of subcontract and in-kind contribution; and (vi) arrangements including community organizations for operation and maintenance of the subprojects. The implementation of these activities will be done upon PI program approval by the CDR. The PI will be solely responsible for the execution of the subprojects contracts through various arrangements (Annex 6 gives detailed procurement guidelines). CDR/Board approval of these subprojects will not be necessary. The PMT, however, will monitor and evaluate PI's performance on a regular basis and will undertake selective post-reviews of subprojects including mandatory reviews for Category B and those above the thresholds for Bank prior review. PMT's subprojects will ensure compliance with the CDP OM.

The CDP OM will give detailed guidelines and instructions for: (i) transparent and equitable allocation of resources; (ii) subproject eligibility, design and implementation cycle; (iv) beneficiary social assessment; (v) project monitoring and impact indicators; (vi) procurement, disbursements and financial management; (viii) additional considerations; (ix) environmental guidelines; and (x) evaluation of PIs' programs. Procurement and Financial Management

The Project will finance: (i) PMT services; (ii) technical assistance (TA) for capacity building and (iii) implementation of PIs' programs. The initial procurement plan and the various methods to be used under the Project are explained in detail in Annex 6, and highlight the following: (i) PMT services will be provided by professional staff of a non-governmental organization or a joint venture thereof. The PMT will be primarily responsible for procurement on behalf of the CDR, including PIs compliance with procedures. The PMT will coordinate with the PC and the relevant CDR Departments will be responsible for maintaining accurate procurement records, including all actions related to Bank-financed procurement. The PMT includes advertisement, preparation of bids, invitation to bid, record of bid submission, evaluation of bids, contract award and performance of the contracts. The procurement will be maintained for review by the Bank's supervision missions. The selection of the PMT will be in accordance with the World Bank's Guidelines: Selection of Consultants by World Bank dated January 1997 (revised September 1997 and January 1999).

(ii) The selection of PI organizations, the TA consultants for capacity building, and learning events (e.g., evaluation, workshops). The PIs will be qualified national or international NGOs with experience in the management of regional social development

Qualified PIs should demonstrate experience in implementation with the participatio groups and communities, local NGOs and private organizations, local government and ministries, as appropriate. TA will be provided as required by either individual co some instances, by specialized private organizations. The selection of the PIs and will be in accordance with the World Bank's Guidelines: Selection of Consultants by Borrowers, dated January 1997 (revised September 1997 and January 1999). Subproject means any activity to develop the physical or social infrastructure of C render other services to these communities.

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(iii) Implementation of PIs' programs will be conducted by the PIs in accordance wi specified in the OM. These procurement procedures to be used by the PIs include nat competitive bidding (where applicable), national shopping, direct contracting, and goods and small works with community participation.

The contracts for the PMT, the PIs, the auditor and consultants will be signed by t be made directly by the CDR Finance Department against approved documentation revie the CDR-PC and the CDR Finance Department.

Bank's Prior Review. All contracts above the thresholds defined in Annex 6 for work and services, direct contracting and the first contracts for works and for goods un be subject to prior review by the Bank. Also, consultants' services Terms of Refere of contract value, the PMT and the Pls contracts, and single source contracts will review. It is estimated that about 15 percent of all contracts will be subject to p contracts will be subject to post-review and procurement audit on a random basis by Financial Management: Assessment of CDR's financial, accounting system and accounti procedures, budgeting system, reporting, staffing, internal controls policies and p auditing and external auditing arrangements were satisfactory and meet the Bank's m However, the system lacks the support of a budgeting module and requires enhancemen of generating timely reports for project management.

CDR, throughout the Project, will be responsible for managing the project funds and transactions. CDR will be assisted by the PMT, which will undertake, on behalf of C accounting functions and reporting, including quarterly PMRs, in close coordination Department. The PMT's TOR for the project financial management will be defined in t which is expected to be concluded by effectiveness (condition of effectiveness); sp flow of funds and information will be the subject of a Manual of Procedures (MOP) b the PMT. However, during the interim period leading to a full development of the PM about six months from effectiveness (around end of June 2002), during which the Acc Information System (AIS) will be tested and certified as being able to generate the place interim accounting and reporting arrangements to ensure proper accounting and ensuring smooth transfer of the accounting function to the PMT.

CDR will submit to the Bank quarterly project financial reports starting with the f first disbursement. It is expected that CDR will provide PMRs within 45 days starti ending on September 30, 2002. The action plan and reporting formats were agreed wit negotiations. These arrangements, including the action plan, are detailed in Annex CDR will make funds available to the PIs for preparation and implementation of thei mainly NGOs, whose selection will be based, inter alia, on the ability of their res Management System (FMS) to meet the Bank requirements on financial management, will for all financial transactions, accounting and reporting related to the project imp RFPs and respective contracts will specify their roles in the FM of the Project, in forecasts, account's reconciliation and replenishments and periodic reporting. They submit to CDR/PMT annually audited financial statements, in accordance with interna standards. Those audits by independent auditors, will be submitted within three mon FY.

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The Project's financial statements, including Statements of Expenditures (SOEs), PM Account (SA) will be audited annually by an external independent auditor, acceptabl accordance with internationally accepted auditing standards. CDR will submit the au no later than six months following the closing of the fiscal year subject to the au be prepared and submitted for the Bank's no objection, no later than six months pri fiscal year. Audit costs will not be financed by the Bank Loan. CDR agreed to inclu

contract, TORs acceptable to the Bank for the CDP audits.

To ensure that funds are readily available for the project implementation, a Special Account will be opened at the Central Bank and will be operated by CDR. Initially, the Project disbursements and by July 2002 will convert to PMR-based disbursements, if CDR so wished. It is expected that PMRs will be submitted to the Bank on quarterly basis. CDR will advance funds to the PIs' FMSs are certified and the PIs' Project Accounts are opened in approved banks. CDR will make funds available to PIs upon receiving requests for funds specifying the funds needed for each quarter, accompanied by a cash-flow forecast based on the budgeted activities.

Monitoring and Evaluation Arrangements. The PMT will be responsible for monitoring agreed-upon output, process and impact indicators and performance indicators to be developed for each program. General guidelines for monitoring indicators to evaluate development process, outcome and outputs indicators, implementation progress, and project results are in Annexes 1 and 4. These indicators were discussed during appraisal and were agreed to have been included in the OM.

The PIs will be required to design objective-oriented programs with specific local indicators. Beneficiary assessment surveys will also be conducted by the PMT for reinvestments to obtain qualitative and quantitative information to verify the monitoring of the PIs. Monitoring and evaluation reports will be reviewed at the beginning of each year to take corrective steps to ensure the efficient and effective implementation of the programs. CDR-PC, in consultation with the Programs Department, will organize an annual internal Project Review with the participation of all PIs. The second internal evaluation will be a mid-term review. These assessments will measure progress towards meeting the development objectives and thus identify areas where adjustments are needed to the programs content and the process. Since national NGOs may not have adequate capacity and experience in management, CDR provides resources to build capacity in this area. Also, the Bank Office in Lebanon provides financial management and procurement. Bank's supervision will include three missions which will be reduced to two thereafter to monitor and to evaluate project implementation of the Project objective. A Project Launching Workshop will be undertaken initially and similar workshops will be organized during the PIs' RFP period and prior to start-up. A workshop will be held at the end of the social assessments to: (i) review targeted allocation mechanisms to be adopted as part of the mid-term review; (ii) encourage participation in the review process; and (iii) review the learning experience obtained.

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D. Project Rationale

1. Project alternatives considered and reasons for rejection:

The need for a social, community-based operation was identified as early as 1995; however, it did not materialize because of: (i) political resistance to the establishment of an autonomous Government institution; (ii) difficulties in allocating funds on a regional targeting criteria; (iii) lack of an institutional culture on the side of the Government for participatory development through local NGOs; and (iv) absence of locally elected municipalities which made it difficult for the Government to identify accountable organizations at the local level. Since then, the enabling political environment for this type of project has matured and the country has greatly improved as a result of the May 1998 municipal elections. An outcome from these elections was the emergence of a new generation of municipal councils which took a more creative and forward looking perspective to local development in Lebanon and expected to promote a participatory approach to local development, as well as making their business connections for resource mobilization.

The current CDP design also addresses the institutional and targeting shortcomings proposed in 1995. The CDP is housed within the CDR, thus enjoying the institutional support of an autonomous agency. Regional allocation of funds based on poverty targeting is today as a result of several socio-economic household surveys conducted since 1995, providing a better picture of the geography of poverty in Lebanon.

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2. Major related projects financed by the Bank and/or other development agencies (currently ongoing and planned).

Latest Supervision

Sector Issue

Project

(PSR) Rating

(Bank-financed projects only)

Implementation Development

Bank-financed

Progress (I

Municipal infrastructure First Municipal Infrastructure Project (Loan 7026-LE, S
deficiency ongoing)

Health coverage Health Rehabilitation Project (Loan 3829-LE, ongoing) S

deficiency and lack of

national health policy

framework

Education access and General Education Project (Loan 7010-LE, ongoing) S

quality deficiency

Lack of relevance of VT Vocational and Technical Education Project (Loan U

programs to labor market 4298-LE, ongoing)

needs

Other development

agencies

USAID:

Reconstruction and Expanded Economic

Opportunity

The Project supports basic community infrastructure,

income-producing activities, civic participation and

environmental activities, with NGO intermediaries.

UNDPIMOSA: National Program for Improving Living Conditions

of the Poor in Lebanon

The Project aims to reinforce on-going efforts to

understand the characteristics of the poor in Lebanon

and to strengthen the Ministry of Social Affairs to

develop a national framework for poverty reduction.

EU: Social and Economic Fund for Development

The Project supports credit financing through the

banking sector and community infrastructure.

UNDP/CDR Post Conflict Socioeconomic Rehabilitation Program

for South Lebanon

UNDP/CDR Support to the Regional Development Program for

Baalbek - Hermel

UNDP/Ministry of the Reintegration and Socioeconomic Rehabilitation of

Displaced the Displaced

LP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (

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3. Lessons learned and reflected in the Project design:

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) implementation is carried out through experienced national and international NGOs, intermediaries; (ii) technical, administrative and financial management is carried out in a professional manner; (iii) the adoption of a cluster-based approach where project beneficiaries are selected during project design; and (iv) there is an integrated output-based monitoring and evaluation system. The above elements of success are included in the design of the CDP, which would operate by coordinating with other donors. PIs will be dealing with a competitively selected, professional team, which will make up the PMT at the CDR. In turn, the PMT would benefit from the autonomous legal status which permits developing streamlined financial and procurement procedures. The Bank should ensure quick responsiveness to the procurement requests submitted by PIs and ensure the timely release of funds. As to the pre-selection of beneficiaries and target areas during project design, a demand-driven approach at the local grassroots level, while targeting project funding to the regional poverty map.

The Bank has an extensive worldwide experience with socio-economic development fund operations, with both success stories and failures. This experience shows that for operations to be successful, a number of factors need to be present. These factors include: (i) a strong commitment at the highest levels of Government; (ii) a focused menu of intervention areas; (iii) management with operational autonomy; (iv) a transparent and detailed decision-making process; (v) regular financial and operational audits; (vi) a demand-driven and simple community-based design to ensure local ownership; (vii) an outreach program that emphasizes bottom-up participation; and (viii) a well established targeting and monitoring system. These operations also have imposed

benefits. They contribute to decentralization of service delivery, and to bring NGO collaborative and coordinated relationship with the state. They also provide models effectiveness, which may be used by other public sector agencies. The design of the heavily on experience with a large number of similar funds, incorporates these fact 4. Indications of borrower commitment and ownership:

The Government recognizes the limited capacity and resource constraints of sector m the social needs of disadvantaged communities. Consequently, it has decided to esta as an instrument that will allow communities to take direct responsibility for their infrastructure needs, by promoting community management and encouraging community d initiatives. Communities are expected to take the lead in planning and implementing based on their own needs, leaving sector ministries and central agencies to focus o is expected to lay the foundation for a gradual devolution of the management and op infrastructure systems to the community level. In emphasizing more disadvantaged co would confirm Government's commitment in addressing the issue of increasing income Lebanese society.

5. Value added of Bank support in this Project:

Bank's support for the CDP would help provide an element of neutrality, accountabil the CDP operations. The Bank, through its already extensive experience with communi approaches and partnership between Governments and NGOs is in a unique position to Government on the advantages and disadvantages of the project design. The Bank's ex 16

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establishing and organizing Social Funds worldwide, which included capacity buildin institutions, combined with the sectoral integrated approach to development, would design of the CDP. The Bank technical and financial support for the CDP, and subsequ supervision of the operation, are seen by the Government and potential foreign dono in promoting operational success and confidence in the integrity of the CDP. Consid could be secured provided an appropriate institutional mechanism for the involvemen devised, which is what the Bank is seeking to establish through the CDP.

E. Summary Project Analysis (Detailed assessments are in the Project file, see Anne

1. Economic (see Annex 4):

O Cost benefit NPV = US\$ million; ERR = % (see Annex 4)

* Cost effectiveness

O Other (specify)

Subprojects funded under the Social Infrastructure Development component, which wou and cost, would be selected on the basis of least-cost solutions. Least-cost assess comparison with unit costs to be compiled by the PIs and the PMT. The other project improving access to an alternative income supplement and to social services, would of meeting the criteria for targeting and for basic needs. The Project would be des vulnerable groups who are not covered by other programs such as the First Municipal (FMIP) partly funded by the Bank, in order to provide them with a social safety net negative impacts of the structural changes taking place in the economy of the count economic issues to be addressed through the Project.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

The Project will not require cost recovery and the financial resources will be tran Government to beneficiary communities, groups and organizations through CDR. Howeve infrastructure and some training components will make provisions for beneficiary in up to 25 percent of the cost of the program (or about US\$5.00 million equivalent co year period) depending on the sector concerned.

On the micro credit component, the Project will finance, on a pilot basis, the capa extension services to promote more coverage of credit facilities now provided by th catering to these customers. Regarding the sustainability of basic infrastructure i commitment will be obtained from the beneficiary communities to make the necessary establishing operation and maintenance committees and maintenance funds upon commis works.

Fiscal Impact:

Lebanon is experiencing a critical fiscal deficit (about US\$3.90 billion in 2000) w trying to address through various measures. However, considering that the level of contribution to the Project will not exceed US\$2.00 million, and that the Project w expenditures as operation and maintenance will be a local responsibility, the finan Project may have in the fiscal deficit is insignificant.

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3. Technical:

The basic rural infrastructure improvements proposed under the Project would be small such, the technical issues will be of minor concern. The designs will be based on rationalize investments. However, it is envisioned that the cost of subprojects will be the construction industry market rate because such services will be provided mostly noted that the design of subprojects will be consistent with sector ministries works under the social services components would consist of rehabilitation and upgrade health centers and the like. The designs of such works would be based on the most advanced standards taking into consideration local environmental conditions and the cultural beneficiary communities. The average size of most works will be about US\$30,000.00 million). Category B subprojects will be required to prepare an environmental assessment measures will be included in the design. Detailed environmental assessment guidelines OM.

4. Institutional:

4.1 Executing agencies:

The fundamental institutional issues to be addressed through the Project relate primarily to the roles of CDR and PMT in the management and implementation of the CDP; and (ii) to be given to PIs in the management and implementation of the subproject. In this context, to include the role of concerned sector ministries, which because of their limited capacity to provide targeted services to marginal groups, would mainly play a standard-setting and implementation.

The organizational framework recommended for the Project as described below, would provide CDR an opportunity to strengthen their management capacity and obtain expertise for and marginalized communities, but it would also strengthen and support the role of social services.

The overall organization will consist of the CDR at the top, as the executing agency will have legal, financial and procurement oversight functions in addition to managing the CDR. The CDR has limited experience in working with NGOs and implementing social development programs such as those included in the design of the CDP. However, the CDR has already taken steps to strengthen its institutional capacity by employing qualified staff in the Programs with experience in NGO operations and social and community development programs.

The CDR may undergo an institutional restructuring in which adequate provisions will be made to properly manage social development programs. In this context, recently, the CDR has entered into an agreement with the European Union (EU) under which it will set up a social fund and an EU-sponsored Social and Economic Fund for Development. This fund will primarily support the enterprise development sector by providing financial resources through banks catering to the timing for this social fund secretariat to be operational, however, does not coincide with the implementation of the CDP. It should be noted that, eventually when the EU program is implemented, the CDP will complement this program by providing capacity building support services to existing and prospective micro credit clients to promote, in a broader context, the development of the micro enterprise sector. The CDR's experience to be obtained through this will give it the required capacity to manage such programs in future.

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4.2 Project management:

The CDR will implement the CDP supported by a Project Management Team (PMT) for the administration of the Project. To coordinate the work of the PMT within the CDR, a Project Coordinator (CDR-PC) has been appointed who will report directly to the CDR President. The CDR-PC is the focal contact to manage project coordination within the CDR (Section C and Annexes). Contracting of the PMT with full core staff is a condition for loan effectiveness. The capacity to derive lessons learned from each stage of the process, e.g., targeting, implementation, beneficiary involvement.

The PMT services will be contracted out following competitive procedures to experienced private sector organizations which may include management consulting firms and NGOs of both. The issues foreseen with this arrangement would be those associated with the relationship between the PMT and the CDR. However, during negotiations, assurances were obtained delegating the responsibility to the PMT to manage and supervise the implementation in an expeditious way (Annexes 11 and 12). The OM specifies detailed implementation and reporting.

arrangements for the PMT. During negotiations, assurances were also obtained on the management functions to be limited to the review, approval and signing of contracts and consultants) and making corresponding payments, and the approval of PI programs day-to-day administration and supervision of approved PI programs to the PMT. During expedite management decisions at the CDR, agreement was reached with the CDR by who report directly to the President of CDR through the CDR-PC.

The CDP will be implemented in two programs: (i) regional integrated development co programs for specific poverty clusters; and (ii) specific sector themes to be implemented targeting beneficiary groups. These programs will be designed and implemented by PI responsible for carrying out, at the onset of the regional programs, social assessment communities to identify poverty clusters, on the basis of which they will prepare a priority needs programs (PI programs). The PIs, in the preparation of these program coordinate the initiatives with all concerned stakeholders, which may include local government and sector ministries. Each PI program will include the subprojects implementation frame, location, description, cost, and procedures or arrangements for execution (including evaluation indicators), how the beneficiary's in-kind contribution will be factored into subproject preparation cost and time, and an initial environmental screening. It will also include arrangements for operation and maintenance upon commissioning of the works, as required to minimize the risks associated with program implementation, the PIs will be selected from international NGOs with experience in the management of such programs (Annex 13) using procedures based on qualifications and cost to undertake a social assessment and then implement the approved program. The OM gives clear and specific guidelines for the responsibilities of the PIs and thus minimizing any possible implementation delays.

4.3 Procurement issues:

NGO's participation in the CDP is not sought as an end in itself, but rather because it would bring for the achievement of the CDP goals, such as, a sustainable demand-enhancing the active participation of beneficiary communities.

The introduction of World Bank funds runs the risk of stimulating a proliferation of main goal would be to gain access to available funding resources. However, these concerns are addressed through a realistic eligibility and selection criteria included in the CDP.

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Project component for capacity building of PIs will be the basic tool that will enable to manage this risk. However, care will be taken to ensure that the eligibility and selection criteria will not create monopolies of smaller, younger or less formal, but competent local organizations. It should be noted that NGOs may have less capacity and may require technical assistance, but they might have links, which would prove to be more effective for the sustainability of subprojects to ensure that the eligibility and selection criteria will not create monopolies of which would hinder the development of new organizations.

It is estimated that about twenty PI contracts would be required. Each contract will cover a project cycle from conducting social assessments, identification of priority needs, design of programs of priority subprojects to execution of approved programs in a pre-defined or on a sector specialization theme. Each contract would include works, goods and services; however, the PIs contracts for vocational training and capacity building in support of the PMT and the PIs has been anticipated through the provisions included in the Plan (PIP) for the early procurement of these consulting services. The PIP includes a plan for the project and assurances were obtained at negotiations for the CDR to execute these services prior to effectiveness. The selection of the PMT and the PIs will be based on criteria that would only include those with the required qualifications to be shortlisted (Annex 13). In order to assist both the CDR and the participating organizations, pre-bid clarifications will be scheduled early in the procurement period to give clarifications to TORs and contracts which will enable them to present complete offers or make arrangements for joint-ventures for their proposals.

4.4 Financial management issues:

The Project requires continuous monitoring and follow up. The selection criteria of a key factor for the success of the Project. The capability of the PMT to comply with requirements and the ability of the PIs to meet the minimum of these requirements is a key factor for the success of the Project.

The financial actions of the Project will require intensive supervision during the implementation at the CDR/PMT and PIs levels. Bank supervision, provided by the country, will intensify during pre-effectiveness period to ensure that the implementation of the

action plan is on time, and the PMT accounting system has been configured to replicate the required quarterly reports (PMRs). Thereafter, Bank missions will consist of PMT/CDR and field trips to selected PIs to review financial management practices, payments procedures and support documentation.

5. Environmental: Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (consultation and disclosure) and the significant issues and their treatment emerging. During the preparation and appraisal activities, the types of subprojects and the PI reviewed. Generally, the subprojects are small civil works to be constructed as add-on scale infrastructure whose environmental impact is local and minor (e.g., school repairs, additions, repairs to health clinics, repairs and provision of school bathrooms, in public facilities and agricultural fields, improve or provide drainage culverts and

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hazards and mitigate environmental damage to existing roads, improve or provide irrigation of small water supply wells, pumps and piping and spring sources, upgrade performance disposal systems to mitigate environmental hazards, and similar small works). However, are not yet identified and the specific geographic locations are not known, as subprojects are selected according to a "demand-driven" selection process by communities upon completion of assessments by PIs. For these reasons, the environmental implications of each initiative at the review of the PI program stage, that is subproject identification, at which subprojects are screened and those subprojects classified EA Category B will be subject to further review by CDR and the Bank. Subprojects classified EA Category B will be required to design and account environmental criteria set up in the Environmental Guidelines included in the CDP. Therefore, PIs responsible for subproject implementation will be required to employ environmental experts for the design and implementation of the EA Category B subprojects. Adequate mitigative measures are included as an integral part of the subproject, and communities will be made aware of the importance of the environmental aspects of the subproject. Adequate measures will be included for sustainability. The CDP EA Guidelines provide necessary guidance to both the PMT and PIs to determine the level of environmental assessment required (e.g., a complete EA report or a simple EMP).

5.2 What are the main features of the EMP and are they adequate?

During CDP appraisal, the draft Environmental Guidelines were reviewed and agreed upon and have been incorporated in the CDP OM. The Environmental Guidelines will ensure that subprojects and programs are screened by the PMT, and that initiatives which are classified EA Category B, will include in the preparation report and design a full EA report or a summary of the proposed mitigation measures, including monitoring and evaluation mechanisms, in line with the Bank's safeguard policies.

To ensure effective implementation of these procedures, the PIs will be required to employ environmental experts for the design and implementation of subprojects classified EA Category B. The PMT, responsible for CDP supervision, will retain the services of environmental experts to review PI programs and identify those subprojects considered EA Category B. The PMT will arrange the services of these experts as needed for the periodic supervision of EA Category B subprojects to ensure compliance with the EA Guidelines. The CDP includes a provision for capacity building for communities and local NGOs in all aspects of the Project including the environmental management. The PIs' services for subprojects such as sanitation works, will also include the organization of local entities that will be responsible for the proper operation and maintenance of the facilities for sustainability. The PMT services will include a budget for environmental management covering the cost of any sampling and laboratory testing, and services for specialized studies when required. These procedures are considered adequate, and are incorporated in the CDP planning, design, construction and supervision.

5.3 For Category A and B Projects, timeline and status of EA:

Date of receipt of final draft: not applicable

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) preparation of report on the environmental impacts and proposed environment management plan? Describe the methods of consultation that were used and which groups were consulted?

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The Environmental Guidelines included in the CDP OM establish the requirements for assessment of initiatives. It should be noted that preparation of initiatives will

the assistance of the PIs, and with the close participation of key stakeholders. Projects should be demand-driven and originate at the grassroots.

5.5 What mechanisms have been established to monitor and evaluate the impact of the environment? Do the indicators reflect the objectives and results of the EMP?

Procedures and techniques for monitoring the environmental impacts of subprojects are in the Environmental Guidelines. To implement objective-oriented monitoring and environmental training workshops will be organized by the PMT, for PIs (at RFPs and at post selection) and for beneficiary communities and other stakeholders participating in subproject implementation. It will include: the purposes and use of indicators, methods of action-oriented report writing, mitigation measures, how to prepare EMPs, and other subproject related environmental management issues.

6. Social:

6.1 Key social issues and social development outcomes (social issues: poverty, target groups, participation, monitoring, evaluation and gender are integrated in Annex 4).

As a result of the dislocation and destruction of war and economic shocks, there are high concentrations of social and economic deprivation. The Government and private investors have targeted national projects and key infrastructure sectors to attract private investment and stimulate growth. Numerically, the areas of greatest need fall in four large geographical areas: (i) the north, including the extremely deprived rural district of Akkar which, together with the urban core of Tripoli, and the district of Miniye, accounts for over a third of the Greater Beirut area, which has a lower proportion of deprivation than the rest of the country; (ii) the south, where the sheer weight of numbers, over one quarter of the need is located; (iii) the north, occupation and war; and (iv) the eastern Bekaa districts of Hermel and Baalbeck. Other areas with smaller concentrations of poverty are: (i) the mountainous area of Jbeil - West Bekaa (Rachaya - Hasbanyya); and (iii) Saida - Chouf.

Common characteristics of deprived areas or vulnerable and excluded groups is low employment opportunities. These conditions tend to be self-perpetuating at the macro and micro levels. Factors include the expected effects of economic adjustment and poor prospects for employment; the unattractive investment climate of such areas for new economic ventures; and the intergenerational reproduction of poverty through poor education, health, and employment expectations.

Existing initiatives, supported by NGOs and other international agencies, show that reversing and addressing poverty is a positive dynamic established, through initiatives targeted to needy and non-material aspects of poverty can be and are being reversed, in some cases with the support of civil society processes and communal trust and cooperation. However, such activities are limited. The Project's social development outcomes would therefore not be limited to the alleviation of material and non-material conditions of poverty in areas of greatest need. The most important is the reinforcement of a dynamic community-NGO-Government (and sometimes private sector) partnership. This dynamic development favors community initiatives and development planning based on local needs.

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For this Project, the expected key social development outcome is therefore a documented partnership can be developed and put to the service of poverty alleviation.

This outcome will be able to contribute to the Government's formulation of a national strategy for poverty alleviation that will be inclusive, sustainable, equitable and participatory.

6.2 Participatory Approach

The participatory approach is integral to this Project. Local NGOs with the support of the Government - as many are already doing - with the beneficiary communities, the municipal representatives of concerned ministries, to identify priority needs and formulate a strategy for CDP funding. Several examples already exist of local level steering committees and together a wider than normal range of stakeholders for project identification and implementation. The capacity of PIs in developing gender sensitive assessments and community action plans has been developed in the first phase of the Project by a competent national level NGO (Anne Hachem) and will be continued thereafter.

6.3 How does the Project involve consultations or collaboration with NGOs or other organizations?

Selected NGOs would be the main intermediaries for project implementation. At the local level, NGOs and community-based organizations (CBOs) would play a key role in the identification of priority needs and the formulation and implementation of subprojects. NGO programs will be developed as a result of an intensive participatory social assessment with local communities, stakeholders. Other national level NGOs would play key roles in capacity building (technical and management development).

6.4 Institutional arrangements to ensure the Project achieves its social development outcomes

Project implementation relies substantially on a participatory approach of key stakeholders. This approach would be demand-driven to ensure they represent stakeholders priorities. This approach to Project ownership and sustainability by beneficiaries and concerned central and local institutional arrangements for project management are specifically designed to ensure selection of project areas, partners or beneficiaries. Each PI program will have a monitoring and evaluation component for social development outcomes.

6.5 How will the Project monitor performance in terms of social development outcomes? Each local subproject has indicators for output, process and impact. At the project level, the implementing agency (CDR) to evaluate and capture in its institutional memo performance in social development outcomes. This would be done through local studies, workshops, periodic reviews and a report for mid-term evaluation. Process monitoring will cover a range of questions including: how fully local communities have participated in social findings; the consultative process in defining priority subprojects; how effective in monitoring and evaluation; and what means have been most effective in overcoming inclusive and effective community participation.

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7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the Project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	Yes
Natural habitats (OP 4.04, BP 4.04, GP 4.04)	No
Forestry (OP 4.36, GP 4.36)	No
Pest Management (OP 4.09)	No
Cultural Property (OPN 11.03)	Yes
Indigenous Peoples (OD 4.20)	No
Involuntary Resettlement (OD 4.30)	No
Safety of Dams (OP 4.37, BP 4.37)	No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)	No

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7.2 Describe provisions made by the Project to ensure compliance with applicable safeguard policies. The OM includes EA guidelines for the preparation of EAs of initiatives which may affect and to protect cultural property (national legislation already protects cultural heritage) and provisions for compliance with gender and disability requirements.

## F. Sustainability and Risks

### 1. Sustainability:

CDP design. Assurances were obtained during negotiations on the fundamental principles for design to ensure sustainability: (i) the participatory approach to be adopted throughout the project area, will identify the grassroots community organizations in place or to be established and the key stakeholders who should play a role in the development process in the project area, with the assistance of the PIs, will identify the priority needs and have to make to ensure sustainability of such services. This process will strengthen the services provided by the CDP. The extent of beneficiary in-kind contribution to the stakeholders commitment to and importance of the services provided. This commitment extended to the operation and maintenance of such services for which the PIs will have beneficiary special committees and establishing maintenance funds. These committees with training by the PIs on adequate operation and maintenance techniques, and they establishing a maintenance fund to cover the financial needs of the improved services, which would be replenished periodically. The PIs will use every opportunity to strengthen local capacity and stakeholders partnerships, government-local NGO-community relations.

Micro credit component. This component will be a pilot operation to identify and to overcome the constraints to the growth of the micro enterprise sector. Design measures to reduce any risks which hinge primarily in the trust and commitment required for the concerned stakeholders (banks, NGOs, training organizations and potential clients).

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study of the microfinance sector in Lebanon, carried out to complement the 1999-2000

revealed that the major constraint to further expansion of the sector does not rest on resources but on the lack of training and support services (business management, marketing) both to the small and micro entrepreneurs on one hand and to the NGOs on the other.

The NGO study revealed that very few lending organizations practice sustainable and operations, a condition that places at risk their sustainability. Thus, the partial flexibility to be used in the design of these pilot programs by PIs will serve as the commitment of the main partners (banks and NGOs on one side and potential clients on the other). It should be noted that the demonstration project would be used by the Government and donors in the design of targeting the self-employable low-income groups.

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2. Critical Risks (reflecting the failure of critical assumptions found in the four

| Risk | Risk | Risk Mitigation Measure |
|------|------|-------------------------|
|------|------|-------------------------|

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## From Outputs to Objective

Government resources are not provided on a timely basis.

M Government counterpart funds will be required by

|                                              |                                                                                                         |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <p>1. Ineffective implementation by PIs.</p> | <p>Provisions have been made in the project to hold prior to the selection of PIs; PIs will have to</p> |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------|

NGOs have been included in the Project. Also project implementation will be supervised regularly by the PMT.

Political interference in the H  
targeting of priority areas  
and selection of priority  
needs.

The Operations Manual contains very clear crite  
negotiations, that will ensure the selection of  
with objective needs definitions and community p

From Components to

## Outputs

|                                                 |   |                                                                                                    |
|-------------------------------------------------|---|----------------------------------------------------------------------------------------------------|
| Local NGOs may fail to effectively take part in | N | The Project includes resources to build capacity project cycle including sustainability upon commu |
|-------------------------------------------------|---|----------------------------------------------------------------------------------------------------|

|                                                                                                                                      |          |                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>effectively take part in programs implementation. Beneficiary communities may lose interest in and commitment to the Project.</p> | <p>N</p> | <p>The Project will require beneficiary participation in the selection of priority needs to execution and operation and ownership. Implementing PIs will be required to</p> |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

ownership. Implementing this will be required to  
throughout the entire process to provide the necessary support and promote  
participation.

|                                                                                              |          |                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The CDR procedures may result in protracted day-to-day project management by the PMT.</p> | <p>S</p> | <p>The Legal Documents make clear provisions defining the role of the PMT and of the CDR. During negotiations, CDR and the Board appointed a full time Project Manager approved to have both the CDR-PC and the PMT to</p> |
|----------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

President. The Board also issued an instruction to the Departments Directors to cooperate in expediting the CDP implementation. Bank supervision of the Project I will follow-up closely the execution of the Project.

|                                                                                                    |   |                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lack of coordination with sector ministries and local governments may cause implementation delays. | S | The Project design provides for the PIs to assume at the local level with sector ministries and local subproject identification, and the PMT subproject required coordination has been done on a timely |
|----------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

coordinating with sector ministries and municipalities as required, particularly at national level.

t ~ ~ ~ ~ ~ . . . . .

|                     |   |   |
|---------------------|---|---|
| Overall Risk Rating | S | i |
|---------------------|---|---|

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or

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||

### 3. Possible Controversial Aspects:

Geographical targeting and selection of NGO partners might prove controversial if i

## G. Main Loan Conditions

## 1. Effectiveness Condition

(a) The Subsidiary Agreement<sup>4</sup> has been executed on behalf of the Borrower and CDR.  
 (b) The PMT has been established with professional staff in adequate numbers and is satisfactory to the Bank.

(c) The Borrower has prepared, under terms of reference satisfactory to the Bank, a Bank a Project Implementation Plan (PIP) satisfactory in form and in substance to the Bank.  
 (d) The Borrower has prepared, under terms of reference satisfactory to the Bank, a Bank the Operations Manual satisfactory in form and in substance to the Bank.

The following assurances were obtained during negotiations:

- The contents of the draft OM.
- The contents of the draft PIP and specifically the procurement for the PMT, PIs, the management system (Annexes 2 and 6).

\* TORs for the PMT and PIs (Annexes 12 and 13).

\* The timing for amending the audit firm contract in accordance with TORs acceptable.  
<sup>4</sup> Subsidiary Agreement means the agreement to be entered into between the Borrower and the Bank.

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## H. Readiness for Implementation

C 1 (a) The engineering design documents for the first year's activities are complete at the start of project implementation.

E1 1 (b) Not applicable.

O 2. The procurement documents for the first year's activities are complete and ready for project implementation.

IP 3. The Project Implementation Plan has been appraised and found to be of high quality.

O 4. The following items are lacking and are discussed under loan conditions (See 1. Compliance with Bank Policies)

I 1. This Project complies with all applicable Bank policies.

O 2. The following exceptions to Bank policies are recommended for approval. The Project will comply with all other applicable Bank policies.

Bassam Ramadan

s F. Baudouy

Joseph . SAba

Task Team Leader

-- Sector Director

Pcountry Director

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## Annex 1: Project Design Summary

## LEBANESE REPUBLIC: Community Development Project

Hierarchy of Objectives      Key Performance Indicators      Monitoring &      Critical A  
 ~~~~~Evaluation

Sector-related CAS Goal: Sector Indicators: Sector/ country (f
 reports:

To upgrade the human resource base and address poverty in target underprivileged areas. Evidence of sustainable improvement in the provision of social services and basic UNDP Human Poverty profile Pol
 studies pov
 res

infrastructure, and enhanced conditions for income generation in poor marginal areas. Development Reports Political commitment to developing a national strategy

Incidence and depth of poverty in targeted areas. Reduced vulnerability of the poor to structural and economic changes.
 Human development indicators.

Project Development Objective Outcome / Impact Indicators: Project reports: (Imp
 Establish an effective and sustainable instrument to improve the living conditions and the economic status in economically disadvantaged communities. Evolution in the diversity, quantity, quality and cost of services accessed or accessible by reports s
 edu
 (po
 acc

The number, distribution and (M) generation opportunities Midterm review

socio-economic profile of beneficiaries. Technical and financial audit (vocational training and access to credit).
 reports
 ICR
 Participatory beneficiary assessments
 The number and distribution of local communities in targeted areas with implemented CDP subprojects. Government support to strengthen the role of NGOs in services delivery and sustainability.
 The documentation and communication at national level of achievements and lessons learned Workshop reports Participation and commitment of beneficiary communities, local governments and local NGOs.
 and the effectiveness of the instrument, including selected analyses Field-based studies of Beneficiary monitoring is development indicators. monitoring, process effective.
 and output indicators
 29

Hierarchy of i : f c c Mo rig &
 fro each 0 t Evluation -
 Output from each Component: Output Indicators: Project reports:
 Component 1: eligible communities TBD* people benefited from Quarterly project
 benefit from: improved basic improved social services and implementation
 education, health and social facilities; and TBD* people monitoring
 services; rehabilitated or upgraded benefiting from improved access Disbursement
 social services facilities; special to basic infrastructure.
 social programs for vulnerable groups; and improved access to p
 basic rural infrastructure and groups benefited from special
 basic rural Infrastructure and soilpgris
 improved environmental social programs.
 conditions.
 Component 2: Vocational training TBD* eligible people trained; Bank supervisio
 and capacity building in support of and TBD* micro credit loans report
 self-employment programs supported.
 successfully carried out. MTR report
 ICR
 Component 3: Effective CDP Timely and successful CDP Consultant's report o
 management and successful CDP project implementation. training program.
 monitoring and evaluation yields
 timely and successful CDP project Working system of upwardly Workshop reports.
 implementation and reliable aggregated indicators in place. Field-based studi
 monitoring and evaluation Good monitoring indicators on analysis.
 indicators analyzed and process, progress, output and Analysis of monitori
 documented. outcome indicators in place, process and output
 National and local NGOs successfully collected and indicators.
 effectively and timely implement analyzed, and documented in a
 social development programs and report.
 lessons learned adequately TBD* number of NGOs
 documented. successfully trained.
 Learning experience report
 completed. l
 Hierarchy btives Key Performanc iicators Mor-ng
 P o e aluation r
 Project Components / Sub- Inputs: (budget for each Project reports:
 components: component)
 Part A: Social and Infrastructure US\$22.5 m. Quarterly project
 Development implementation
 Monitoring and t implementation.

disbursements reports.

| | | |
|----------------------------|-----------------------|------------------|
| Part B: Income Enhancement | US\$3.0 m. | Bank supervision |
| MTR report | maintain interest and | |
| ICR | commitment. | |

Part C: Project Management US\$4.5 m.

Support

project management by the
PMT.

Successful coordination with
sectoral ministries and local

i

* TBD = These figures will be determined upon completion of the social assessments identified with stakeholders participation.

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Annex 2: Detailed Project Description

LEBANESE REPUBLIC: Community Development Project

By Part

Part A: Social and Infrastructure Development (US\$22.50 million)

Provision of subproject grants for:

(1) carrying out social assessments and designing programs of subprojects; and
(2) the implementation of programs of subprojects which consists of: (a) improving education, health and social services through the rehabilitation and service upgrad health, youth, cultural and recreation centers and facilities in poor areas; (b) ca for revolving school textbooks, literacy, and primary health care; (c) improving ac specialized social services to satisfy the needs of vulnerable groups at risk inclu children, youth, women and the elderly; (d) developing basic rural infrastructure a community potable water, small waste water disposal schemes, small irrigation and d schemes, small access and agricultural roads, land reclamation and rehabilitation o (e) enhancing environmental protection initiatives such as reforestation and soil e wells and spring protection and preservation of natural resources and cultural heri

Part B: Income Enhancement (US\$3.00 million)

Provision of subproject grants for capacity building activities to support:

(1) micro and small entrepreneurs and non-governmental organizations providing cred beneficiary groups; and

(2) women, youth and disabled people in order to provide them with demand driven sp to improve their income and enhance their business opportunities.

Part C: Project Management Support (US\$4.50 million)

Provision of technical advisory services and training for project management and fo CDR and the PIs to ensure the effective carrying out of the Project and the supervi execution.

Project Implementation Action Plan

The CDP will be implemented by the CDR with the support of a PMT. The Project imple in accordance with the CDP PAD, LA, PA, PIP and OM. The Project consist of two phas appraisal to loan effectiveness; and (ii) from loan effectiveness to project comple conducted from April 23 to May 7, 2001 followed by negotiations, in the field, from is estimated that loan effectiveness may take place in January 2002, or about eight appraisal. Phase two will be implemented in a period of about four and a half years by about June 30, 2006, thus Loan Closing would take place on December 31, 2006, or half years from Bank approval of the Loan (see the following table):

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Project Implementation Plan

| Dates | Activities | Res |
|-------|------------|-----|
|-------|------------|-----|

Phase 1: April 23, 2001 to December 17, 2001

April 23 - May 7, 2001 Project Appraisal

May 8-11, 2001 Loan negotiations

June 18, 2001 To issue GPN and SPN for PMT "Expression of Interest"

June 25, 2001 To issue SPN for PI assignment

June 26, 2001 Approval of the CDP Loan

| | |
|--|---|
| July 13, 2001 | To receive PMT "Expression of Interest" |
| July 16, 2001 | To submit TOR for RPAI for WB review |
| July 27, 2001 | To issue no objection on TOR for RPAI |
| July 30, 2001 | To submit short-list for PMT assignment CDR |
| August 3, 2001 | To issue no objection to short-list for PMT assignment |
| August 6, 2001 | To issue RFP for PMT |
| August 13, 2001 | PMT pre-bid conference |
| August 24, 2001 | To submit no objection to the short-list of PIs |
| September 7, 2001 | To receive/open PMT proposals |
| September 7, 2001 | To issue no objection to the short-list of PIs. |
| September 10, 2001 | To issue RFP for RPAI (First PIs) |
| September 17, 2001 | RPAI pre-bid conference |
| September 21, 2001 | To submit PMT technical proposal evaluation report to WB for |
| and no objection | |
| September 28, 2001 | To sign Loan Agreement |
| September 28, 2001 | To issue no objection to PMT contract award |
| October 15, 2001 | To submit PMT final evaluation of proposals an recommendation |
| contract award | |
| October 19, 2001 | To issue no objection to PMT final evaluation of proposal. |
| October 19, 2001 | To receive RPAI proposals |
| October 29, 2001 | To submit PMT contract negotiations for WB review |
| November 2, 2001 | To issue no objection to PMT contract |
| November 16, 2001 | To submit technical evaluation of RPAI for WB review |
| November 23, 2001 | To sign PMT contract |
| November 30, 2001 | To issue no objection to RPAI technical evaluation |
| December 3, 2001 | To receive approval from GOL's Parliament for LA and PA |
| December 14, 2001 | To submit final evaluation of RPAI proposal for WB review |
| December 21, 2001 | To issue no objection to final evaluation of RPAI proposal |
| January 7, 2001 | To submit negotiated contract of RPAI for WB review |
| Phase 2: January 15, 2002 to December 31, 2006 | |
| January 15, 2002 | Loan becomes effective |
| January 15, 2002 | To request WB to deposit initial Special Account |
| January 18, 2002 | To issue no objection to RPAI contract |
| February 8, 2002 | RPAI contract becomes effective |
| December 2002 | To hold Project review workshop |
| June 2004 | Mid-term review |
| June 30, 2006 | Project completion activities |
| December 2006 | To approve project implementation completion report (ICR) |
| December 31, 2006 | Loan closing |

Note: For other procurement activities, see Annex 6.

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World Bank Supervision

Bank staff supervision of the CDP would normally require two supervision missions p implementation progress and follow-up compliance with the LA, PA, PIP, OM and the B mid-term review mission would be launched in the third year and an implementation c the last year. Each mission would consist of a task team leader, a social scientist sector specialist. An environmental specialist will be required at least once a yea number of Category B programs identified. These missions will be supplemented by pe and financial management supervision activities carried out by the Bank Office in L In the first year of Project execution, that is after Bank approval of the Loan, it Bank missions will be required to maintain adequate momentum in support of the CDR the project. During this period, and at the time of requesting for proposals for th PI programs, pre-bid conferences will be held in support of the CDR to answer any q clarifications to the process and to the nature of the consultancy management servi of the PMT, a Project launching workshop will be held in order to give the PMT's an staff, senior management and board the required guidelines and clarifications to ex implementation. A similar pre-bid conference will be required during the period of potential PIs candidates to ensure giving them a clear guidance for the preparation proposals. Specific Project launching workshops will be held by the PMT, CDR and th the PI contracts, at which time the CDP OM, the social assessments, specific progra considerations and monitoring indicators and reporting systems will be discussed in

document the lessons learned.

| Activities | Period |
|--|----------------------------------|
| Initial missions | August, September, December 2001 |
| Project launch | Mid-February 2002 |
| First supervision | July 2002 |
| Second supervision | December 2002 |
| Third supervision | July 2003 |
| Fourth supervision (mid-term review) | December 2003 |
| Fifth supervision | July 2004 |
| Sixth supervision | December 2004 |
| Seventh supervision | July 2005 |
| Eight supervision (preparation for project closing) | December 2005 |
| Ninth supervision (preparation for project closing) | July 2006 |
| Loan is closed | December 31, 2006 |
| Composition of mission: Task Team Leader, Social Scientist, Social Infrastructure S
Financial Management Specialist, Procurement Specialist, and Environmental Speciali
(as required). | |

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Borrower's Contribution to Supervision

The CDR will be responsible for overall project execution. The CDR Project Coordination supervise the day-to-day project administration carried out by the PMT. The CDR-PC within the CDR all required approvals by senior management and the board, as well as contracts are expeditiously signed and corresponding payments are made to contractors (technical assistance consultants). Consultants will be hired to undertake social, technical and financial audits of the CDP as required in order to have independent social, economic, environmental, technical and financial aspects of the programs and Bank procedures. All Project accounts, including the Special Account and SOEs/PMRs, annual audits by a qualified independent auditor in accordance with auditing standards. The audit reports will be submitted to the Bank not later than six months after the Government has agreed to include in CDR's auditor contract terms of reference for the CDP audits.

The CDR has participated in the preparation of the CDP PIP and OM and has actively CDP design. The CDR will participate in all workshops, Bank supervision missions, and the completion missions. The Bank will provide the CDR the necessary guidance for these missions and particularly in the completion missions and report. The CDR with PMT will submit for the Bank's review and no objection, quarterly and annual implementation reports and audits of project accounts. The CDR-PC will ensure that the PMT does all supervision work as specified in the OM, and will ensure through the PMT that all P executed in accordance with the contractual obligations and the OM. The CDR with the PMT will maintain a computerized data base for use in project management and future. The CDR will also play a major role in coordinating the learning experience and on-project. The PMT, in collaboration with the CDR Programs Director, PIs, local NGOs representatives, will undertake studies to determine the effectiveness of targeting and participation in subproject selection, monitoring and impact assessment, and the underlying impact, gender sensitivity, sustainability, etc. The CDR will convene two stakeholders including MOSA and other sector ministries, other development assistance specialists from civil society and academia to consolidate and review lessons learned. Finally, the Ministry of Finance will be responsible for the timely provision of the will have fiduciary responsibility to ensure the CDR's timely project implementation terms of the Loan Agreement and the Project Agreement.

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Annex 3: Estimated Project Costs*

LEBANESE REPUBLIC: Community Development Project

| Local | Foreign | Total | US\$ million | US\$ million U | US\$ million |
|---|---------|-------|--------------|----------------|---------------|
| Project Cost By Component | | | | | |
| ^~~~~~ | | | ~ | ~~~~~ | t-----*~ ..-- |
| PART A--Provision of Subproject Grants for: | | | | | |
| (1) Carrying out social assessments and designing programs of | | | | | |
| | | | 1 | 0.40 | |

subprojects.

(2a) Improving access to basic education, health and social services through the rehabilitation and service upgrading of schools, health, youth, cultural and recreation centers and facilities in poor areas. 12.35

(2b) Carrying out programs for revolving school textbooks, literacy, and primary health care. 1.50

(2c) Improving access to specialized social services to satisfy the needs of vulnerable groups at risk including the disabled, children, youth, women and the elderly. 0.36

(2d) Developing basic rural infrastructure activities such as community potable water, small water disposal schemes, small irrigation and drainage schemes, small access and agricultural roads, land reclamation and rehabilitation of terraces. 2.00

(2e) Enhancing environmental protection initiatives such as reforestation and soil erosion control, wells and spring protection and preservation of natural resources and cultural heritage sites. 0.25

PART B--Provision of Subproject Grants for capacity building activities to support: 1

(1) Micro and small entrepreneurs and non-governmental organizations providing credit to target beneficiary groups. 1.50

(2) Women, youth and disabled people in order to provide them with demand driven specialized skills to improve their income and enhance their business opportunities. 0.75 1 0

PART C--Provision of technical advisory services and training for project management and for support to CDR and the PIs to ensure the effective carrying out of the Project and the supervision of its execution.

(i) CDR project support 0.22

(ii) PMT and monitoring and evaluation activities 2.73

(iii) TA for building capacity of participating NGOs and beneficiaries 0.22

(iv) CDR for documenting and compiling lessons learned 0.22

Total baseline cost 22.50

Physical contingencies 1 2.25

Price contingencies 2.25 1

Total project costs 27.00 3.00 30.00

Interest during construction, 0.00 0.00 0.00

Total financing required 27.00 3.00 1 30.00

* These preliminary estimates will be verified upon completion of the social and ne allocation is identified.

** Components 2(a) and 2(d) include beneficiary in-kind contribution estimated at U aggregate.

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Annex 4: Project Rationale and Cost Effectiveness Analysis Summary

LEBANESE REPUBLIC: Community Development Project

Project Context and Rationale: addressing poverty issues

The concept of poverty in Lebanon. In the context of this Project the lack of satis constitutes poverty, and the significant lack of satisfaction of several basic need constitutes severe poverty.

This Project adopts the definitions and descriptions of poverty used in Lebanon in the Central Administration of Statistics, the Ministry of Social Affairs (MOSA) and needs comprise shelter, nutrition, health, education, employment or self-employment Conditions of needs satisfaction have been measured and mapped over the last few ye combination of indicators, and the main findings have been amply confirmed by obser interviews by Bank staff. The conclusion is that conditions of deprivation are quit country, both in urban cores and peripheries (where the headcount is higher) and in (where the incidence and depth may be greater). Conditions ranged from mild depriva exclusion and insecurity, through significant and widespread deprivation of basic n vulnerability, down to a number of cases of abject poverty and destitution so serio

depraved and sub-human.

Notwithstanding the Bank's language on "poverty", effective dialogue and the avoidance of misunderstandings in the Lebanese context may sometimes require terms other than "poverty". Alternative terms like "basic needs deprivation", "deprived areas" or "less advantaged areas" may be appropriate proxies for "poverty", and "community development" may stand for poverty alleviation provided that there is common understanding on the nature and distribution of the conditions identified, their causes and the measures necessary to address them.

The dimensions and extent of poverty. Dimensions and components of poverty are both non-material. They include: (i) lack of job opportunities, irregular or very low income; (ii) demand for local goods and services; (iii) absence of human capacity: inability to access education, literacy leading to poor physical, mental and emotional capacity; (iv) lack of security (high risk of loss of employment, small enterprise failure, together with overcrowding, poor living environmental and sanitary conditions, structural deficiencies in buildings); and (v) absence of empowerment, namely the ability of excluded and marginalized communities to make their needs effectively heard in the centers of decision-making and resource allocation. These components of poverty go beyond traditional measures of household expenditure, and are used both to inform the analysis of the human condition in Lebanon and to design remedial measures. It seems likely that the population materially affected by poverty is between 1 million to 1.5 million persons (about 300,000 to 500,000 households).

Although low incomes (and hence a low level of expenditure) are a significant factor in poverty, it is difficult to measure and verify. The CDP will therefore target its efforts to areas of low income, satisfaction of basic human needs, and highest levels of deprivation. These basic needs include food, basic health and education, employment (including self-employment) and recreation.

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In addition, there are special needs of particularly disadvantaged groups, including the elderly, disabled, less than 5 percent of the total population), widows and orphans, the unsupported internally displaced, and homeless. Such vulnerable groups always need additional support, but where these special needs are combined with poverty (general conditions of deprivation and acute hardship). It appears very possible that the official estimate of 7 - 8% of the population living in poverty might be an underestimate resulting from invisibility of some of the poorest. These basic and special needs are generally not evenly distributed across the country and geographical reasons they are clustered in particular areas and communities with high levels of deprivation, or incidence and depth of poverty. Many of these parameters, already been mapped and described by MOSA and the Central Administration of Statistics among others.⁵ While this work is ongoing, it provides a sufficiently sound basis for analysis in this Project.

These conditions are likely to aggravate in the near term. External and internal development trends indicate that without mitigating measures (and perhaps despite them), the population is likely to grow. There remain certain enduring effects of national-level civil and economic shocks and more specific local shocks affecting sub-regions in the country. There is also a decline in the number of poor households tend to be of considerably larger size than the mean, with many more children. They have not yet made the demographic transition that richer households have made. Large numbers of children are both a cause of poverty at the domestic level and a factor in the persistence of poverty trends at the demographic level. These larger numbers of children already born and cared for in terms of nutrition, education and health. Many are not in school, or lack the skills and knowledge to enable them to escape poverty. Some have untreated disabilities even to suffer mild stunting and malnutrition. Many have reached or soon will reach reproductive age, and they will reproduce poverty. At the macro level, the country faces a period of structural adjustment and continued slow economic growth. This constrains resources directly and indirectly available to address the problem and the needs of the poor. The four main social and economic challenges are: (i) significant regional inequality in infrastructure and social services; (ii) sharp disparities in income levels; (iii) high unemployment and the cost of living for lower income groups, particularly the costs of housing; and (iv) fragmented safety net that leaves many vulnerable and marginalized groups insecure. A major factor in poverty is lack of protection against risk, including loss of employment or loss of a family's breadwinner.

Government policy. Addressing the regional inequality in the provision of basic infrastructure and improving the access of the poor to social services has always been a key concern for the Government in Lebanon. The Government is committed to a development strategy that aims at a balanced and equitable development of all the regions of Lebanon. This strategy aims at building a culture of performance in the provision of social services through community participation.

making and NGO involvement in service delivery.

The Government has announced a five-year development program for the South and is requesting assistance (Islamic Development Bank, Arab Fund for Economic and Social Development, USAID, EU and WB) to implement its strategy to address the social and economic challenges of the country. The Government has also requested further Bank assistance to address the social and economic challenges in a systematic and effective way. The proposed CDP is anchored in the overall Bank Country Strategy for Lebanon. See footnote no. 1 under section B.2, on page 3.

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(i)

Strategy's focus (November 1997), which is to "upgrade the human resource base and target underprivileged areas."

Existing initiatives to reduce poverty. There are few well-targeted efforts to reduce poverty. Existing initiatives include new local and small-scale approaches that have already demonstrated encouraging potential through support to local community initiatives. They have generated support and local communities and institutions, and in many cases have been able to mobilize resources. They include the anti-poverty initiatives of UNDP, UNICEF and USAID, the international and national NGOs, the initiatives of MOSA, and initiatives by the private sector.

The thematic range and geographic coverage of activities is impressive. Activities include: (i) small business and income generation, and rehabilitation of urban or rural infrastructure; (ii) economic opportunity; (iii) initiatives on targeted social services delivery including health; skills, literacy and vocational training; (iv) direct social protection and targeted at the needs of people in especially difficult circumstances, such as the disabled; and (v) creation of institutions that have helped to reintegrate communities and to improve professionalism, efficiency, transparency, independence and confidence into local decision-making. Some civil society initiatives also have encouraging results, building a culture of cooperation and alliances. These include local councils or committees of NGOs, private sector NGOs, line ministries and municipalities. There are some good examples of effective monitoring of projects, and in particular there is a simple and effective integrated system of multiple initiatives (many communities, donors, initiatives and indicators) which has been developed by an international NGO in the context of a USAID supported program.

Opportunities and needs. There is a major unmet opportunity to improve coordination and launch a strategic, coordinated assault on the conditions of poverty. The examples of encouraging initiatives above are far from being well known or shared, and are insufficient in relation to the scale of the problem in Lebanon. The history of collective sharing of information and good practice is weak in Lebanon, and the tradition of operating parallel operations each in its own area is deep. The range of successful initiatives is limited in coverage and impact. Although efforts are located throughout the country, including increasingly in the liberated areas, there is unevenness in relation to the distribution of the problem and are not situated in the context of a coordinated approach. Even an agreed problematic. Most local activities, whether demand-driven or supply-driven, are not part of a coordinated development approach. Systematic coordination between the activities, alliances and approaches of the agencies involved-including ministries, development assistance agencies such as the USAID, UN Agencies, the EU, political parties, confessional agencies-and the World Bank. The current public system has serious flaws, whereby certain line ministries channel a large volume of resources but, however, the systems seem to be deficient in targeting, transparency and accountability evaluation and also result in beneficiary dependency syndrome.

There is a clear need, expressed by many well informed people, for a better strategy for coordination and regional development. There are three main types of poverty alleviation efforts. Each of these has a different strategy, objective, purpose and targeting, different socio-economic strata of beneficiary groups; and each is evaluated by different indicators. All three are necessary and should play a complementary, synergistic role. These three types of poverty alleviation actions are:

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(i)

(i) initiatives that support economic growth and opportunity at the local level not only to the needs of the distinctly poor, but which would nevertheless benefit the poor by helping to revive economic activity and enhance employment and self-employment in distressed areas. Particular attention would be given to initiatives that would promote micro-enterprises and self-employment such as market research, product identification and other support activities.

small-scale artisanal or handicrafts promotion, with an emphasis on quality and local Activities would also include civil society strengthening, particularly those activities representative, consultative and accountable mechanisms of local and community decisions (reduced rent-seeking, enhanced economic efficiency); this type of initiative fosters growth and diversification, and links to macro-level initiatives and policies in the industry) and private sector investment;

(ii) sustainable poverty alleviation initiatives targeted towards increasing the capacity of poor households, either through geographical targeting or self-targeting mechanisms in health (with reproductive health, and mother-and-child health); education (including literacy and post-literacy); opportunities for enhanced income, initiatives that would reduce household expenditures but not consumption, particularly those to secure education capacity building activities or retraining for the slightly disabled; and measures to help households to manage risk. This set of initiatives enhances the capacity of the poor to make their efforts and strategies to escape poverty or mitigate its consequences, and reduce and

(iii) transfers of resources or services targeted to selected needy beneficiaries. These channels direct Government or NGO assistance or individual charity to the poorest or perhaps the bottom 7 - 10 percent of the population. These transfers do not represent development, and are justified on grounds of equity distribution, to deliver direct assistance to very needy e.g., the handicapped, orphans, the elderly. The main need here is to ensure coverage and efficiency, and to reduce wastage caused by poor targeting, by the provision of inappropriate services, or by the capture of benefits by the non-needy. The effectiveness of these needs, satisfactory coverage, and their efficient linking with Government efforts requires a much better coordinated system of local needs assessments. In a strategic approach, the purchase of goods and services (local produce or furniture for an orphanage, aids for the handicapped) can also create valuable synergies between (i) and (ii).

The learning experience from program evaluation of these three types of interventions is being shared in reports, shared and tested in evaluation workshops, and used as a contribution to the strategy for poverty alleviation.

Project Objectives, Strategy and Design

Development Objective. The development objective of the Community Development Project is to establish an effective and sustainable instrument to improve the living conditions of disadvantaged communities. This will be achieved by a four-pronged approach to: (i) improve basic social and economic infrastructure by funding small well-targeted community-based projects; (ii) improve the quality and accessibility to the poor of education, health, and physical infrastructure; (iii) improve the economic status of poorer or more vulnerable households by stimulating productivity and reducing exposure to risk, through basic skills training, capacity building, micro-credit initiatives; (iii) develop special programs that target the needs of the most at risk, especially women, children, and the disabled; and (iv) document the experience and lessons learned.

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The Project will derive the lessons learned in consultation with ministries that are engaged in the development of a longer-term strategy to reduce the social and regional imbalances in human development. NGOs as Project Intermediaries (PIs). A key innovation in this Project is the system of using the NGO sector as PIs, in coordination with beneficiary communities, local government organizations and sector ministries.

The program to be developed must be flexible, responsive to community needs and capable of implementing a participatory approach to development across a large number of diverse activities. The delivery mechanism with the greatest potential to fill this role is the NGO sector. Accordingly, and in order to ensure broad coverage of the CDP to target populations in the poorest areas, the Project will be implemented through a number of carefully selected PIs. These will be local NGOs and international NGOs with strong community ties and proven execution capacity. They will identify priority needs at the local level based on social assessments to be carried out with community participation, on the basis of which they will prepare programs of priority needs in the poorest poverty cluster. In order to ensure community participation, a second tier of grass roots based NGOs and community-based organizations would participate.

Participation of local NGOs in the implementation of the CDP can be advantageous for several reasons. It is generally cost-effective and can: (i) contribute to the longer-term development of communities in the country; (ii) adopt flexible and experimental approaches maximizing local labor; and (iii) mobilize in-kind and sometimes cash resources. In cases where local capacity is weak, collaboration with national and international NGOs will be encouraged and supplementary provisions for capacity building included in the CDP. Many national and international

work with and through local NGO partners and can, therefore, play a valuable role as "Intermediaries" between the Bank and the Government on one hand, and smaller local organizations on the other.

Selection of Project Intermediaries (PIs)

PIs would consist of national and international NGOs that demonstrate ability to engage communities and to work effectively with them, especially those with high levels of deprivation and low incomes. They would be able to manage local multi-year and multi-activity projects comprising at least interventions of types included in the CDP, and able to coordinate with agencies (such as USAID and EU) that promote similar interventions to those proposed. The selection process of PIs must be highly objective, transparent and rigorous. Through a competitive process and would have the demonstrated capacities within one cluster" (or nationwide single sector capacity). They should be able to:

- * elicit, understand, analyze and present priority needs of different sub-groups, women, through participatory research;
- * integrate different stakeholders' interest into an agreed participatory action plan and a coherent package of demand-driven eligible initiatives as defined in the CDP OM;
- * identify and operationalize innovative and cost-effective ways to work with local communities to meet development needs;
- * empower local communities, groups and organizations to participate in the development and reconstruction process through action, training and capacity building, so as to maintain their autonomy.

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... program actions initiatives, and thereby to strengthen civil society and local mechanisms for cooperation;

- * cooperate and coordinate with concerned sector ministries and other organizations;
- * master all phases of the project cycle (needs assessment and prioritization, pre-appraisal, coordination, implementation, monitoring and impact evaluation); and
- * demonstrate transparency, efficiency and accountability, and management capabilities in project accounts, records, reports and audits.

NGO sector profile. The Project implementation approach stemmed from studies of the part of its economic and sector work, the World Bank supported an NGO sector assessment to identify the potential for NGO contribution to a participatory community development strategy and to evaluate the NGOs' needs for capacity building. A typology was created, and official resources were used to build up a profile of the NGO universe. A second and more in-depth study explored views of a purposive selection of NGOs for poverty reduction as well as their strengths and weaknesses, using interviews, a questionnaire and a workshop. NGOs satisfied on the following criteria: (i) member of a national co-ordination body; (ii) recipient of government sources; (iii) foreign funded or foreign implementing organizations; and (iv) trust or foundation dependent on a high level of secured local funding.⁶ The first study included associations and groups involved in advocacy, public education and fundraising, on the assumption that membership of a national body signals an intention to focus. The survey did not cover the categories of family/kinship NGOs; professional associations. Few religious or confessional NGOs responded to the questionnaire. Over 3,800 NGOs were registered with the Ministry of the Interior between 1979 and 1999 and all of these are active. Their estimated total current annual budget, which includes government sources, appears to exceed US\$296 million. A significant portion of this is through governments, usually by means of annually renewable contracts. Most of the funding comes from MOSA. The amount is insignificant in terms of the Government's overall budget but substantial from the NGOs' perspective. MOSA's financial contributions are primarily geared toward social development to a lesser extent to local development.

Over the past few years the Government's contributions have reached a plateau and the government's funding to NGOs' overall budgets has declined steadily, resulting in financial concerns over their sustainability, and in some cases a decreasing number of NGOs. The Ministry of Education also contributes significantly to sustaining semi-free education, mostly religious, while the Ministries of Labour and Environment also support a number of NGO initiatives in their respective areas of interest. Some NGOs have been receiving transfers of Government funds.

⁶ Based on these criteria, the target NGO population selected for study was reduced to around 300 NGOs of whom 130 responded to the questionnaire within the deadline. The 130 were selected to take part in the in-depth interviews. These were selected according to a list of criteria and included 2 members of the NGO forum, 2 members of the coordination of NGOs, 3 local building NGOs, 3 women groups, 3 disability groups, 2 environment groups, 1 youth group

NGO, 1 social works NGO, 2 local rural development NGOs, 2 vocational training NGOs and 1 NGO working with the Armenian community.

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Foreign sources, including bilateral and multilateral funding, represent the second to NGOs, although not in excess of 40 percent of total income. Some sources, particularly religious organizations and congregations or from individual patrons to ad-hoc local sources, are difficult to trace. Until the early nineties, the dependence of NGOs on foreign sources made them vulnerable to variability and short-term concerns. USAID is a significant source for five large NGOs working in the field of community development.

The recent financial difficulties of the NGO sector have led many NGOs to emphasize beneficiaries. In some cases this policy may have led to a shift in the profile of the most destitute, and the impact of cost recovery deserves further study. Local funding is a largely under-utilized source, although some NGOs have scored recent successes and significant experience. Tapping local funding resources effectively will require the skills and a change in the marketing approach.

NGOs' activities and poverty focus. NGO activities are essentially focused on sectors such as education, and social welfare, an emphasis that reveals a significant gap in government essential services. Since independence, successive governments have chosen to privilege the strong private sector in health, education and social welfare provision and to limit interventions to filling gaps. Despite various new programs and initiatives launched, this approach is still largely maintained. One outcome of such a policy is to discourage NGOs from exploring new grounds by focusing their human and financial resources on meeting their current, therefore very difficult to assess the actual impact of NGOs' work on the poor, while the target.

Many NGOs point to tangible indicators of increased poverty namely increasing school dropouts, increased child labor, rise in youth unemployment amongst the youth, deteriorating health, increased indebtedness of households leading to selling out assets, increased migration and increased out-migration.

NGOs' perceptions of the causes of poverty in Lebanon identified three primary causes: (a) Structural causes of poverty including a historically divided political system, poor administration, inequality in the distribution of wealth, unequal gender relations and neglect of productive economic sectors such as industry and agriculture.

(b) War-related causes including destruction of the infrastructure, displacement, and psychological trauma, and the loss of Lebanon's traditional economic role.

(c) Causes related to Government policies and to the post-Taif context, namely, rapid increased public debt to finance reconstruction of basic economic infrastructure, inadequate provision of public and social services, decline of economic activity and rising unemployment, and persisting imbalances between households' incomes and levels of expenditures.

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Overall, current strategies and interventions aiming at reducing or mitigating poverty are to be based on an ad-hoc analysis of needs rather than on well-defined poverty concepts. As well as targeting mechanisms are not fully clarified. In general, NGOs were involved to provide cheaper basic services (notably in relation to health and education); (ii) through various forms of training and support to productive projects; (iii) provide psychological care, empowerment and capacity building; and (iv) preserve natural resources and take various actions for justice and equality. Few NGOs' interventions and programs include monitoring and measure poverty impact.

Taken as a whole the NGO sector has a wide geographic spread; a large and socially diverse range of beneficiaries; an overall annual budget in the range of several hundred millions of thousands of paid staff and also of volunteers, and a portfolio of activities which include creative solutions. Despite some notable geographical and thematic gaps, this is a significant bearing on the systematic addressing of poverty reduction issues. NGOs are genuinely working forward in this direction, but at the same time reveal some clear capacity gaps to capacity gaps are noted in a later section.

Implications for program design. The NGO sector in Lebanon being very heterogeneous Government's relationship with it has been strongly influenced by each organization's purpose, ideology, and institutional or personal ties. NGO-state relations have gone through various periods, and there is some caution on both sides about becoming involved in a CDP-type

concerns can be reduced through corrective measures during Project design. These could include: (i) involving NGOs early in Project design; (ii) ensuring autonomy and transparency in operations; (iii) guarding against political patronage in the selection and approval of initiatives; and (iv) ensuring that there will be no Government interventions in the CDP. The CDP will allow the Bank to play an important role in working with the Government on a basis to foster better understanding of NGO roles, greater space for NGO activities and collaboration within a proper framework of accountability.

Rationale for Project Implementation, Targeting and Allocation of Resources

Project benefits and beneficiaries. The Project would bring three types of benefits with emphasis on areas that demonstrate large concentrations of deprivation. Deriving from a demand-driven menu of small-scale activities to be developed during the project, they may be aggregated into: (i) increased access to economic and social infrastructure, accessing these services, and the improved quality (through upgrading) of the infrastructure; (ii) human resources and capacity for families with low or uncertain incomes, enabling them to cope with economic shocks, unemployment, and uncertainty to generate additional incomes; and (iii) needs; these would include skills for employment, especially for young men and women; literacy training; business skills to manage micro-credit opportunities; and special capabilities, social reintegration or rehabilitation of vulnerable groups; and (iii) and vulnerable at the local and national level to direct adequate resources to deprived and vulnerable groups.

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Targeting and resource allocation

The Project beneficiaries in principle are inclusive of all needy, deprived or vulnerable. However, for the sake of efficiency and impact, the Project would channel a critical mass of efforts to areas with the highest concentration of needs or eligible beneficiary groups.

* Targeting is the judicious and selective direction of resources and effort to achieve a desired result.

* Absence of targeting-at the extreme, giving every family in Lebanon an equal share would dissipate effort and produce no development result.

* Excessive targeting-at the other extreme, allocating all the resources to a tiny poorest-would allocate a disproportionately high level of resources to the achievement of a very small scale to be meaningful. It would be unsustainable and would surpass carrying capacity.

Targeting therefore requires judicious selectivity, being neither too broad nor too narrow. It describes the distribution and nature of the problem to be addressed, selects the areas to be targeted, determines what can be achieved, and indicates the resource requirements.

In Lebanon, while poverty can be found throughout the country, it is very unevenly distributed geographically. About half the poverty in the country can be attributed to two large clusters: one in the north (Akkar-Tripoli-Miniye) and one in greater Beirut. Other smaller clusters account for the poverty in the country and are located in coastal city centers, in mountainous areas of the northern Beka'a valley and so on. Geographical targeting is therefore a sensitive issue. At the same time geographical targeting has potential implications of allocation of resources and is thus a sensitive issue.

This Project, being a small-scale and innovative Project, cannot expect to reach all the pockets of poverty throughout the country. To attempt to do so with such limited resources would dilute the impact. More importantly, the distribution of poverty does not follow administrative boundaries. Therefore the aim is:

* During the first stage to address the main clusters which, together, account for a large proportion of poverty.

* To clearly define poverty by targeting its geographical distribution empirically and within administrative boundaries.

It is important to have clear and objective criteria that can be explained and defended and can justify its decisions when challenged.

Priority cluster areas have already been identified as a result of the poverty mapping exercise with the help of the UNDP since 1995. These will be further defined in the country situation analysis to be undertaken during the first year of the Project. The selection of readily available socio-economic indicators such as: (i) access to basic economic and social services; (ii) income levels; (iii) unemployment; (iv) weak Government and donor intervention; (v) environmental and natural assets; and (vi) socio-economic gender equity considerations.

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Such geographical targeting must not be allowed to become subject to political and mapping. The CDP Project must keep a sense of perspective. In terms of resources, with US\$300 million annually flowing through NGO sector, the CDP Project would only a percent to the sector's resource flows through the CDR administered Project. Most of many of the most disadvantaged, have access to multiple programs of intervention by other agencies. The most significant regional investment decisions are the large state private capital and the state. In terms of impact, the CDP is a relatively small project discernible only at the levels of the families and small community areas where it is and only in certain respects. It cannot cover every part of the country, but must concentrate its effort. It is not going to make a significant impact on mass poverty which it concentrates. It is developing and demonstrating a method or an approach for development in needy areas which, over the long term and with a consistent application, make a significant improvement in conditions of deprivation and poverty.

Geographical targeting

CDP uses two types of targeting in conjunction:

- * Geographical targeting, based on the level of need, deprivation or poverty of an area, and refined by a Social Assessment of the area; and
- Thematic targeting, based on special needs (e.g., functional literacy, disabilities most concentrated, linking wherever possible to the needy geographical areas and to solidarity or support groups. Thematic targeting may be implemented by identifying beneficiaries (orphans, disabled), or preferably by offering a self-targeting service to a particular group (micro-credit, literacy and post-literacy).

The geographical targeting method adopted for this Project has been developed on the successful USAID Integrated Rural Development Project, which adopted the cluster approach and which uses community action plans for the lowest level of activity.⁷ The amendment result from the need for clearer poverty targeting both within larger areas, and within. Two levels of geographical targeting would be used in the Project, plus one local level. Cluster planning is already used in Lebanon NGO projects.

* Regional poverty area (RPA): the program zone of action of one or more Project organizations that is the level for overall planning, budgeting, contracting and evaluation.

* Poverty clusters (PCs): a relatively homogeneous area within an RPA. The PC is composed by a particular set of poverty-related problems and contains a critical mass of identified households, notionally about 2000 needy households (10,000 - 14,000 people) per PC. It comprises a group of villages, a town, a suburb or quarter of a larger city. It is the basis for analysis, diagnosis, and development of participatory Community Action Plans. A PC contains one or more Action Plans. PCs are defined empirically by social assessment (see appendix). All significant concentrations of basic needs deprivation in the RPA should be identified and described.

⁷ In the USAID project these local level actions are called community projects. They are preferred, so that the term "project" is reserved for the overall CDP project.

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* Community Action Plan (CAP): This is the local participatory action plan comprising community subprojects (e.g., rehabilitation of a health center) prioritized over a four year period. A PC may have one or several CAPs according to the degree of coordination with the different groups and institutions.

A PI program contract (a Subproject Agreement) thus covers one RPA comprising a number (5 - 10) of PCs, and a 3-year program of priority CAPs.

Regional Poverty Areas. Geographical targeting would take place within seven broad areas characterized by poverty or deprivation of needs. These are: (i) the north, including the deprived rural district of Akkar which, together with the deprived urban core of Tripoli and Miniye, accounts for over a third of the national poverty; (ii) Greater Beirut, which has a higher level of deprivation than the rest of the country but where, by sheer weight of numbers, need is located; (iii) the south, severely affected by occupation and war; and (iv) the districts of Hermel and Baalbeck. Other areas where there are smaller concentrations of poverty are the mountainous area of Jbeil - Batroun - Bcharreh; (ii) West Bekaa (Rachaya - Hasbaya - Chouf). These areas will be included in the Project. The RPA is purely a unit of project administration for administrative convenience, and serves to describe the geographical area within which the project is situated.

The size or political importance of the RPA does not determine the resource envelope.

envelope (the indicative budget within which a PI should plan a program) is determined by the number and size of the poverty clusters within it. The contractual approval of resources is on a work program comprising a number of CAPs.

Poverty Clusters. Each PI selected to work in a RPA would define through social assessment Poverty Clusters (PCs) within each RPA. All significant concentrations of basic needs within the RPA should be identified, analyzed, disaggregated and described.

The PC is a geographically defined area characterized by a particular set of poverty problems and clear geographical cohesion. It must contain within its limits a critical mass of needy households, notionally about 2,000 households (10,000 - 14,000 people) per PC. It should be a group of villages, a town, a suburb or quarter of a larger city. It should have a normally a common set of core problems. Examples of PCs for illustrative purposes could be: (i) a degraded city center of a coastal town; (ii) a coastal region with a depressed fishery; (iii) a town or cluster of mountain villages with a chronically depressed economy, high unemployment and low education; (iv) a suburb in a major city settled spontaneously due to migration and with the majority of households lacking sufficient incomes to satisfy the base unit for social assessment, described below. It is therefore the primary unit for the identification and development of participatory Community Action Plans. (A PC may have one or more special needs targeting).

The following categories of especially vulnerable people may be widely identified: children at risk, including orphans, out of school and children of single parents; women at risk (e.g., abused women; widows); elderly at risk: single or living alone; ex-detainees. When these special needs occur in generally poor areas (PCs), they translate into acute destitution and suffering. Those affected are less likely to be able to access services or effective NGOs, and family mechanisms have often broken down or are inadequate to cope with poverty and multiple claims on resources.

A PI's program of activity would not normally include financing direct recurrent support because by definition this support would cease at the project's end. The program of activity would include one or more of the following elements: preventive actions (especially for disability prevention); integration and reintegration; skills for self-employment; mutual support groups; and support of competent agencies, especially MOSA.

Social assessment

The PIs would develop within a designated poverty cluster or sector theme, a strategic package of activities with local partners for poverty alleviation and community development. Partners would be in a strong cooperative relationship rather than subordinated to the PI. The approach would be based on a preceding participatory social assessment that would identify poverty clusters and sub-types, provide situation profiles of beneficiary groups, identify needs, activities, and monitoring and evaluation indicators. NGOs would undertake capacity building to enhance their performance in this respect.

The social assessment on which this work is based therefore has to describe, map and analyze the components of poverty and deprivation, and show how they are linked, as well as to identify kinds of community action plans that would be prepared. A major purpose of the social assessment is to identify issues of inclusion and exclusion in development benefits, in order to develop an inclusive program of CAPs and thematic interventions to address this issue. Each PI Project would during the first 6 months conduct a detailed social assessment and establish a baseline of poverty or deprivation issues in the RPA. It is a durable reference document that serves as a baseline.

The social assessment within the RPA:

- * identifies the main poverty clusters (location, size, brief description);
- * describes the socio-economic situation in respect of the problems of low levels of basic needs i.e., shelter, food, basic health and education, employment (including and recreation - includes qualitative descriptions and specific issues including special groups, female headed households;
- * quantifies as best as possible the incidence and depth of poverty (i.e., deprivation) of these needs and maps the distribution at a level below that of the catchment area and at the trends;
- * analyzes and differentiates poverty in terms of its history, socio-economic nature, poverty caused by regional economic stagnation; collapse of agricultural markets; human migration of Internally Displaced People (IDP); structural and inherited poverty; and residual effects of wars) and disaggregates poverty by gender and other relevant social variables;

- * analyzes the main stakeholders and institutional players (local, national and fo relation to poverty and poverty alleviation;
- * identifies the main community priorities and the main needs of specific groups o

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- * presents the rationale and justification for a group of CAPs (including areas wh possible, e.g., insufficient community cohesion);
- * presents the rationale and justification for the output, process and impact indi
- * presents the baseline situation in respect of impact indicators;
- * presents as an annex the cluster profiles of each of the PCs in the RPA (the USA encouraged);

- * describes and evaluates the participatory process by which the social assessment the process by which the findings were shared and owned by local participants; and
- * describes the level of organization and participation in the communities.

The social assessment should be undertaken in a participatory fashion, using any te that are effective in the situation. The Pls will consult with beneficiary communit organizations, local government and concerned sector ministries, as required. The P concerned stakeholders the menu of activities the CDP would fund. In many instances, not have the capacity to organize themselves in a representative manner, and may no such needs. In such cases, the Pls will be required to provide support to build loc the project objectives.

Special measures should be taken to secure the active participation of particular g and youth. Informal techniques are encouraged, and the use of extractive formal tec questionnaires is discouraged except in certain very restricted situations where th favor and the information cannot be collected by other means.

Community Action Plan (CAP)

The CAP is based on a participatory needs assessment and definition of community pr action comprises subprojects for defined sub-sets of needy beneficiaries, selected broad menu of activities, and developed for participatory implementation with costi (described below) and a time line. It justifies the selection of beneficiaries and poverty criteria. The community action plan is a moral contract between the PI and which the contribution and level of participation of each partner is specified. The necessary ministry or local authority approvals together with the technical informa appraisal, monitoring and evaluation. CAPs may be developed and funded on an annual Allocation of resources

A tentative allocation of resources to the various CDP components is given in Annex basis, about US\$20.00 million equivalent have been tentatively allocated to 7 RPAs; million equivalent would be allocated to sector themes (about 8 to 10 themes have b about US\$3.00 million equivalent would be allocated to capacity building for income social protection programs.

Although no specific allocation of resources has been identified for each sector sp expected that such programs would be more of innovative and experimental nature eac order of US\$100,000.00 to US\$150,000.00, which would be implemented by highly speci [Annex 2, Part A (2)].

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The Bank, in the context of the poverty review, carried out a study of the Lebanese as a potential resource to generate self-employment opportunities. This review indi need is less for financial capitalization of existing schemes, than for the provisi activities and support services that would improve the prospects of success of micr Therefore, support to micro-credit sector would comprise of two parts: (i) capacity entrepreneurs with potential to have access to credit and those at risk of failure; to NGOs lending to micro entrepreneurs to render such organizations sustainable.

This program would be a pilot operation to test methodologies to promote a risk-man outreach of existing lending organizations targeting existing micro enterprises at them reduce such a risk, and to potential new clients who may be able to raise part required. To minimize the risk of this pilot operation, participants will be requir program as an indication of commitment.

During preparation and appraisal, consultations were carried out with NGOs with exp endeavors, and which could compete on the formulation of such innovative programs.

NGOs would function as brokers to bring together the interested lending organization clients. Although initially the experiment would require a symbolic cost-sharing fee to determine the cost of undertaking similar programs while evaluating the calculated and the feasibility of the initiative for the design of a larger scale program. A million equivalent has been allocated to this program [Annex 2, Part B (1)].

Specific experimental demand-driven capacity building programs targeting women, internally displaced persons have also been considered to enable reintegration into the sector and improve their income enhancement opportunities. This program would develop cost-effective approaches to learn by doing and enable formulating viable larger programs. About US\$1 million equivalent have been tentatively allocated to at demonstrated capacity for developing such programs in a competitive way [Annex 2, Part B Application of Least-Cost Analysis in Program Design]

The primary Project objective is to ameliorate the conditions of those living in poor areas where income levels are low. These standards are defined in terms of the level of performance necessary for safe and healthy habitation. These standards, as used for political decision that the benefits of reaching the acceptable level of service are cost (minimized by a least-cost procedure). However, for some types of basic infrastructure prices which could be adjusted along regional conditions. The PMT will research the purpose of establishing cost parameters to better judge and aid the design along cost. These base prices will be incorporated in the Operations Manual for easy reference. The cost of not having access to an acceptable level of service includes both private beneficiaries and external costs to other members of the society. From identified needs, priority will be given to investments related to unsafe water supply and unhygienic conditions, dangerous public safety conditions such as risk to floods (drainage works and erosion control measures). Also priority will be given to income enhancement investments in irrigation and drainage, access and agricultural roads. However, few technical alternatives are simple problems, but for more costly initiatives, such as sewage disposal, technical alternatives are considered, e.g., individual septic systems versus a common waterborne system. Cost techniques will be used to evaluate all proposed investments.

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The benefits of each type of investment will be identified but most benefits are not quantifiable. The usual methods for quantification of benefits of comprehensive upgrading project changes in property values, but this can not be undertaken where there are no benefits or virtually no property transactions. It should be noted, however, that the economic benefit of Bank financed operations has been estimated by the Operations and Evaluation Department to be 10 percent.

Expected Benefits

The program would finance mainly social services and basic social infrastructure which would facilitate access to the poor. The improved health and education services would increase human capacity to be productive, and the improved water supply and sanitation would reduce the burden of disease which often is a contributing factor to make people unproductive while reducing the burden of disease. The capacity building and support services to micro enterprises would create an environment for the financial organizations to increase their coverage thus result in increased income for them while creating self-employment opportunities among low-income populations. The health, immunization campaigns, literacy and other social programs are longer-term investments which are not readily quantifiable but proxy figures could be used to measure the economic benefits of these programs.

Counter-part Funding and Operation and Maintenance Arrangements

The PIs, in the identification of priority needs with beneficiary participation, will ensure that beneficiaries understand their affordability and willingness to share the cost of the investment arrangements for the operation and maintenance of such services upon commissioning. PIs will assist the beneficiaries to organize permanent operation and maintenance organizations to provide as part of the investment the required parts, tools and training for the services provided. As an indicator of ownership and commitment to the program, beneficiaries will be required to contribute in-kind up to 25 percent of the investment. Beneficiaries may contribute with their own resources materials, labor or donate land, or other form of in-kind contributions which will be accounted for as part of the cost of the program.

Fiscal Impact

The CDP is estimated to cost US\$30.00 million equivalent over a period of five years.

contribute with a loan of US\$20.00 million equivalent, Government will contribute U equivalent and beneficiary communities will contribute in-kind the equivalent of US The fiscal impact of the CDP program on the already critical fiscal deficit situation experiencing (US\$3.9 billion fiscal deficit in 2000) will be insignificant. The annual the CDP will not exceed US\$2.00 million per year in any given year, an amount that Finance has indicated would not cause any difficulties to raise.

Monitoring and Evaluation Overview

The scope and scale of the Project poses a significant challenge to realize its objectives learning. A large part of this challenge is to ensure that the many different actor levels are able to keep track of the Project at different levels, and to take corrective

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It is a fundamental principle of the monitoring and evaluation system that it combines and expert derived indicators and methods. The programs of activities respond to needs participatory fashion with the intended beneficiaries, and implemented in a participatory to two main needs:

- * to maintain an overview of the results on the ground of the CDP and its different components and activities; and

- * to enable an overview of the major impacts of different interventions, and thus view of the impact of the Project and an evaluation of its outcomes.

It follows that the monitoring and evaluation has to operate at three different levels range of activities:

- * the local activity level (PI or local organization together with local community

- * the program level (geographic zone, and possibly thematic issues); and

- * the level of the Community Development Project (highest level).

Beneficiaries in monitoring and impact assessment. Wherever possible, beneficiaries involved in the monitoring and impact assessment of activities. This not only reduces financial cost of monitoring and evaluation, but it enables beneficiaries to develop the activities. There should be a clear agreement at the time of planning the program beneficiaries would measure, and how, as part of their contribution to the Project. remember that beneficiary time has value, and thus their contribution to monitoring contribution to Project costs.) Because the program is demand-driven and diverse in that the core of the monitoring and impact assessment must be bottom-up. The lowest the most diverse, will generate the most diverse indicators. At higher levels, more expertise are required. Because the program is a learning exercise, it follows that evaluation system is also work in progress that will itself be developed, evaluated progresses.

Monitoring and Impact Assessment at the Local Activity (beneficiary/community) Level Indicators for activity monitoring and impact assessment are determined at the time and should be done as part of the beneficiary consultation process. Each PI's program contain the indicators that will enable its monitoring and impact assessment. Technical activity and program will pay attention to the quality of indicators proposed. The the following stages.

Beneficiary consultation. Community-derived indicators are not produced unaided by but are the result of the dialogue between the PI and the beneficiaries which develop community subprojects. A key principle of agreement on subprojects is that there should be the definition of the problem that the activity is to solve. This may require some because beneficiaries may frequently come up with a solution without clearly stating intended to solve. For example they might propose construction or renovation of a dispensary priority, but has the problem been clearly stated? (Time and cost of obtaining medication? Previous local dispensary destroyed during conflict? Nearest dispensary is problem should be quantified as clearly as possible (how many people? What sort of distance? How often?) And has the link been clearly made between the proposed activity the proposed impact (300 people have better access to medication). The dialogue has the characteristics of the beneficiary community. Such consultations should not be of good preparation.

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Model the subproject sequence from output to impact. This stage is done also in consultation with beneficiaries, or a small group. The purpose is to show, simply and schematically,

each proposed activity is expected to produce an impact. These steps are: (i) output result of the activity; what was made possible by the funds supplied); (ii) process the essential link between output and impact, and (iii) impact, a quantifiable, ver one simple enough that it can be measured and reported by beneficiary representativ local authorities. Where possible, the impact should be sustainable (see further di sustainability). Detailed examples are provided in the OM.

These three classes of indicators enable project monitoring to take place, achievem problems to be diagnosed. Where a project has not achieved its results, management determine whether the problem lay in: (i) the outputs not having been achieved; or (beneficiaries did not respond as anticipated e.g., the trainees attended but did n (faulty assumptions or external factors e.g., the trees died of disease, the water These three sequenced classes of indicators also enable the Project to become a lea for beneficiaries, implementors, and managers, much more than if only a single outp indicator is used. They also accurately model the local level contract (formal or i implementing agency and beneficiary community, because they state what the Project beneficiaries will do, and what the result is.

Instruments at local level. The instruments held and completed at local activity le the PI, should therefore comprise the following four items (detailed in the OM):

- * A situation analysis, describing the problem and conditions (see earlier chapter
- * A plan of activities
- * A monitoring sheet for output and process
- * An impact assessment sheet

A simple local level output monitoring sheet would be maintained by the local proje representative/committee. This information should be in the public domain and shoul steps from beginning to completion of the planned action e.g., well rehabilitation. sheet would monitor the agreed process indicator for each indicator. Disaggregation allows the beneficiaries to be characterized e.g., by gender or other relevant soci agreed in the program. An impact monitoring sheet would be much more flexible accor the Project (e.g., photographs might be used), but its format should be agreed at t the frequency of assessing impact, and by whom should be stated.

Training. The above schema for monitoring and impact assessment at community level achieved without training, and PIs should factor in community capacity building as implementing their program. Common failings in such community-based systems, which be designed to avoid, are:

- * Imprecise definition of indicators and actions
- * Implementing agency conducts its own assessment rather than listening to the com
- * Over centralization of monitoring and evaluation system (which should aggregate together with its problems, not overburden the community)
- * Insufficient information provided by PI or its agents to the local communities a
- * Insufficient sharing of indicators among the community
- * Loss of interest.

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Monitoring and ImpactAssessmentAggregated at Regional (PI) Level

The principal agents at the regional PI level are the PI itself, its participating thematic PIs working in the region as part of the program, the PMT, representatives communities, the regional authorities and the general public.

Responsibilities. The purpose of PI monitoring is the more effective management of activities, with a view to corrective management intervention; the demonstration of development of a learning experience. Each PI should have a responsible monitoring, and evaluation unit which should consist, at a minimum, of a full-time database man facilitator responsible for interface with the communities, and training in the ide measurement of indicators. Evaluation activities are essential at PI level but are section, the present chapter concentrating on output, process and impact monitoring The function of the PI M&E function is to:

- * verify, record, aggregate, and analyze qualitative and quantitative data coming
- * build capacity to monitor output and process and to assess impact at local level
- * advise management of implementation problems and successes; and
- participate in periodic joint evaluations with other PIs of each other's program place at least once a year and last for one week.

Instruments. The core entire information system at PI level consists of the followi are shared upwardly with the PMT. They are also shared horizontally with partners a

beneficiary community level as appropriate:

- * Social assessment, integrating specific local situation analyses, baselines and indicating beneficiary characteristics, resources, potentials and priority needs (s
- Agreed program of planned activities with target areas, beneficiaries.
- * Annual work plan.
- * Physical and financial implementation data.
- * Output, process and impact indicators for each activity in each location.
- * Minutes of quarterly internal implementation reviews and assessments.
- * Field inspection reports.
- * Reports of joint PI evaluation missions.

Output, process and impact indicators. Each PI's M&E function would aggregate upwar process and indicators into sectors or components order to identify measurable achi program and thus serve as a basis for program evaluation. These components would be PMT according to the region's characteristics and priorities but might include work education, vocational training and employment, support to micro-enterprises; suppor development; assistance to the disabled. Each of these programs should also have a order that overall output per beneficiary calculations may be made for purposes of Computerized Information database. Each PI would maintain simple interactive databa would enable tracking of program activities, implementation benchmarks, and output indicators. The beneficiary disaggregated data (gender, specific socio-economic cha also be included. (The interactive database used in the USAID NGO Project should be example of the type of functionality to be considered. One of its main attractions

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website information, thus putting essential project information in the public domai serious consideration to the advantages of using a common system.

Qualitative and quantitative monitoring and assessment, and learning. The PI M&E fu beyond collection and aggregation of information at program level, and includes an questioning, undertaking qualitative studies to understand processes and impacts, a extent to which needs are being satisfied. The PI must develop the main link betwee and its outcomes. Is the program effectively addressing poverty needs? What is its sustainability of the processes and of the outcomes?

A major instrument for the learning and the process of on-going evaluation is the j missions to each program

Training. The PI M&E function will be both the recipient of training for building c and evaluation that will be provided in the context of the program, and the provide community organizations, beneficiary communities and local NGOs in its program.

Monitoring and Impact Assessment at National Level

The M&E function at the national (PMT) level shall have the capacity (or shall be a maintain and integrate "bottom-up" M&E systems as well as the more traditional "top will be responsible for quality control of information and of systems, capacity bui special investigations and ground truthing in order to develop a picture of the evo respect of:

- * Implementation.
- * Expenditure control.
- * Aggregate and disaggregated outputs (by sector, theme, gender and geographical a
- * Aggregate and disaggregated impacts (by sector, theme, gender and geographical a
- * Through special analyses and studies, the cost-effectiveness of different activi
- interventions, and the relative efficiency of the different PIs.
- * Evaluation of outcomes at mid-term and at end-of Project in respect of contribut
- alleviation.

The PMT must be able, in particular, to provide geographically sensitive analysis. ability to "package" its results drawing simple messages for management, other gove public and the Bank. It will produce progress reports on a quarterly basis and a su Documentation of Lessons Learned for Longer-Term strategy Formulation

PMT will employ social specialists to analyse and document the learning experience evaluation would be formalized in reports, shared and tested in evaluation workshop could be used by the Government as a contribution to formulating a national strateg alleviation, which the Government could undertake under a separate program.

The process of documenting and analyzing the CDP experience will be developed in a intersectoral cooperation in periodic workshop environment. The CDP has included re these event as a forum for debate of lessons learned and thus formulate methodologi

the strategies for poverty alleviation.

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Annex 5: Financial Summary

LEBANESE REPUBLIC: Community Development Project

Years Ending

IMPLEMENTATION PERIOD

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6 Year 7

| | | | | | | | | |
|------------------------------|------|------|-------|-------|------|------|------|--------|
| Total Financing Required | | | | | | | | 1 |
| Project Costs | | | | | | | | 1 |
| Investment Costs | — | 0.20 | 4.80 | 10.20 | 9.70 | 4.60 | 0.00 | a 0.00 |
| Recurrent Costs | | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.00 | 0.00 |
| Total Project Costs | 0.30 | 4.90 | 10.30 | 9.80 | 4.70 | 0.00 | 0.00 | |
| Interest during construction | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | — |
| Total financing | 0.30 | 4.90 | 10.30 | 9.80 | 4.70 | 0.00 | 0.00 | j 0.00 |
| Financing | | | | | | | | 1 |
| IBRD/IDA | | 0.20 | 3.20 | 6.90 | 6.50 | 3.20 | 0.00 | 0.00 |
| Government | | 0.10 | 0.90 | 1.70 | 1.60 | 0.70 | 0.00 | 0.0 |
| Central | | 0.10 | 0.90 | 1.70 | 1.60 | 0.00 | 0.00 | 0.00 |
| Provincial | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Co-financiers | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| User Fees/Beneficiaries | | 0.00 | 0.80 | 1.70 | 1.70 | 0.80 | 0.00 | 0.0 |
| Others | | 0.00 | 0.001 | 0.00 | 0.00 | 0.00 | 0.00 | 10.00 |
| Total Project Financing | — | 0.30 | 4.90 | 10.0 | 9.80 | 4.70 | 0.00 | 0.00 |

Main assumptions:

The financing of the CDR Project Coordinator (CDR-PC), and support staff will be funded 90 percent by the Government of Lebanon (GOL). The consultants will be funded 100 percent by the Bank. The programs to be funded will exclude the in-kind beneficiary's contributions. It has the nature of the program, in the first year of implementation (Bank FY), that is a Loan, only the cost of the CDR-PC, and a part of the cost of the PMT, the first two disbursed.

During this first year (Bank FY), procurement of the first seven regional PIs would project implementation would start in the second year. It is estimated that about 1 programs would be ready for implementation in the second half of the second year. T programs would be ready for implementation in the third and fourth year. Therefore, implementation would actually start at a faster rate in the first quarter of the th expedite project implementation, disbursements to PIs' contracts would be done in t cover about three months cash flow needs but not to exceed ten percent of the PI co replenished on a monthly basis, after 50 percent of the initial deposit has been us as the programs are executed.

No operational costs have been considered for financing by either the Bank or the G be made during project implementation to establish beneficiary organizations for th maintenance of basic infrastructure services provided by the CDP.

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Annex 6: Procurement and Disbursement Arrangements

LEBANESE REPUBLIC: Community Development Project

General

1. The current procurement system in Lebanon is governed by the Public Accountin the Decree for Public Procurement (1959). The system is heavily centralized whereby more than LBP 100,000,000 (approximately US\$66,000) has to go to the Board of Tende central procurement body. The Council for Development and Reconstruction (CDR) has autonomy which allows it to have more flexible procurement procedures. For Internat Bidding (ICB), CDR follows Bank Guidelines and uses the Bank's Standard Bidding Doc For National Competitive Bidding (NCB), the procurement procedures of CDR have been Bank and found to be acceptable.

2. The efforts to reform the public procurement system in Lebanon have been ongo years now. Currently, the Government has established a committee to review a draft procurement law and to provide recommendations on decentralization of public procur

interim, the applicable provisions of the Loan Agreement and Project Agreement would procurement decisions by CDR under this Project.

Use of Bank Guidelines

3. For Works and Goods, procurement will be carried out in accordance with the G Procurement under IBRD Loans and IDA Credits (World Bank, January 1995, Revised Jan 1996, September 1997 and January 1999). ICB will not be applicable to this Project of the works and goods which would be unlikely to attract the interest of foreign b has modified the Bank's SBD for Procurement of Goods and the SBD for Procurement of Contracts. For other types of procurement that will be used for the subprojects, th Team (PMT) will develop simplified bidding documents acceptable to the Bank that wi Operations Manual (OM).

4. The thresholds and maximum aggregate amounts for each type of procurement will in Schedule I of the Project Agreement. With regard to subprojects, the PMT will be monitoring the aggregate amounts for each type of procurement managed by the PIs.

5. The procurement of services will be carried in accordance with the Guidelines and Employment of Consultants by World Bank Borrowers (World Bank, January 1997 Rev 1997 and January 1999). The standard Request for Proposal (RFP) for Selection of Co Revised April 1998 and July 1999) and the standard forms of contracts (with some ad special requirements of NGOs, where applicable) will be used for all contracts abov equivalent. A simplified version of the standard RFP and contracts will be used for US\$200,000 equivalent, short term assignments and individual consultants. For the s firms, the Sample Form of Evaluation Report for Selection of Consultants (October 1 56

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Advertising

6. A General Procurement Notice (GPN) will be published in United Nations Develo (UNDB) and at least two local newspapers. The GPN will provide a description of the all contracts for consultants services estimated at more than US\$200,000. The GPN w annually for all outstanding procurement.

7. Specific Procurement Notices (SPN) for the contracts of the PMT and PIs will UNDB and in at least two national newspapers of wide circulation. The SPN will prov required PMT and PIs services and invite expressions of interest for the long list. composed from these long lists.

8. Upon approval of its program plan, each PI will advertise all procurement opp works, goods, training and technical assistance in the national press. This will he interested suppliers, contractors and consultants for subsequent invitations to bid Procurement Capacity

9. As Lebanon's central projects implementation agency, CDR has gained substanti procurement under World Bank loans. Its staff have the necessary capacity and skill contracts management.

10. Due to the nature of this Project, the procurement of the subprojects will be by the PIs. The PMT will be responsible for the preparation of all procurement acti of the PIs and thereafter, it will continuously monitor the procurement activities purpose, the PMT will have experienced procurement staff among its key personnel. I recruit full time procurement officers to conduct procurement for the subprojects. staff will provide training for PI procurement officers whose skills need to be upg Procurement Plan

11. The procurement plan is attached to this annex. It will include details for a effectiveness as well as for the first year of implementation. Prior to launching n under its contract, each PI will develop and maintain an updated procurement plan t approved by the PMT. The PI procurement plan will use the format provided in the OM launching a new procurement activity under the Loan, the PMT will develop and submi specific procurement plan to the Bank for review and 'no objection'. The PMT will b quarterly update of the procurement plan for the whole Project. This plan will cons and any other activities financed under the Loan.

12. Prior to loan effectiveness, the OM will be developed further for the Project section of this Manual will elaborate the details of the procurement procedures ind Most importantly, it will detail procurement procedures that will be used for procu be executed under Community Participation methods. The OM will be subject to the Ba Procurement Implementation Arrangements

13. Project Management Team (PMT). Under the Project, the PMT will be recruited f private sector but located at CDR to provide the necessary additional capacity in m

The PMT may be a management firm, a national or an international NGO, or a joint venture. To comply with the Loan Effectiveness condition, the procurement of the PMT will be completed expeditiously. The draft Terms of Reference (TOR) for the competitive selection of the PMT is under Annex 12 of the PAD. The procurement responsibilities of the PMT under the Project will be in the draft TOR. A draft SPN for the Expressions of Interest was prepared during the Project and will be launched in May 2001. Selection will be in accordance with the World Bank Guidelines of Consultants using the Quality- and Cost-Based Selection (QCBS) method. The contract will be the complex time-based type.

14. Project Intermediaries (PIs). The Project will be executed by the PIs. The PIs may be international or national NGOs, or joint ventures of both. It is expected that the PMT, under instructions from CDR, will recruit about 20 PIs through the life of the Project. The PIs will be required to design and submit a program that consists of an integrated set of activities within a financial envelope (TBD). The value of the PI contract will be composed of two parts: (i) social assessment and formulate a program of subprojects; and (ii) to implement the program. The first part will consist of a lump sum price and the second will be based on a fee to implement the approved program. The PIs will be responsible for procuring works, goods and services required for the implementation of the initiatives, according to the OM.

15. The PIs will be selected in accordance with the World Bank Guidelines for Selection of Consultants. The SPN requesting Expressions of Interest will be launched prior to the start of the project. The method of selection to be used is the QCBS using the standard RFP. The evaluation of proposals of the PI will take into consideration the criteria stated in Annex 13. The contract will include the lump sum price for the social assessment and formulation of a program of activities and a management fee to implement a program of a given value (TBD). The format for the price of the lump sum and the management fees by PIs for the financial evaluation will be clearly defined. For small value contracts under the thematic themes, due to their special nature, a fee not exceeding 10% to the NGO for the initial work will be permitted, without the need for a lump sum. In all cases, no more than two PI contracts will be awarded to the same NGO.

16. PI programs. For the implementation of the various program initiatives, the Project will procure for these subprojects in accordance with the procedures outlined in the bidding documents and forms developed and updated by the PMT.

Procurement Methods (Table A)

17. Goods and Works: Procurement of goods and works will be carried out using the following methods:

- * National Competitive Bidding, including national advertisements, bidding documents and bid openings will be used for contracts of works estimated to cost less than US\$500,000 per contract and more than US\$100,000 equivalent, and for contracts of goods estimated to cost less than US\$300,000 equivalent per contract and more than US\$50,000 equivalent per contract. The aggregate value of contracts that will be awarded under this procedure will not exceed US\$4,000,000 equivalent for works, and US\$1,000,000 equivalent for goods.

- * National Shopping may be used for goods estimated to cost less than US\$25,000 equivalent per contract. The request for quotations shall be in writing and addressed to at least three suppliers. The request for quotations will contain the following: technical specifications, delivery and payment conditions and any other information that may be helpful to the suppliers to prepare competitive offers.

The aggregate value of contracts that will be awarded under this procedure shall not exceed US\$250,000 equivalent.

- * Direct Contracting will be used for the specialized procurement of goods and works and methods under Community Participation would not be efficient and economical. Direct Contracting would follow the requirements in paragraph 3.7 of the Guidelines for Procurement under IBRD Loans and IDA Credits. The aggregate value of contracts that will be awarded under Direct Contracting shall not exceed US\$200,000 equivalent for procurement of both works and goods.

- * Procurement of goods and works with community participation. For the procurement of subprojects by the PIs, and where the procedures defined above may not be applicable, simplified procedures that consider community participation may be used. The value of a contract that will be procured under these methods will be less than US\$100,000 equivalent for works and less than US\$50,000 equivalent for goods. The aggregate value of contracts

and goods that will be awarded under this method shall not exceed US\$6,000,000 equivalent for procurement of works and US\$2,000,000 equivalent for procurement of goods. Simplified Competitive Bidding procedures will be used whereby the bidding forms, evaluation and contract award procedures will be detailed in the OM. The simplified bidding documents will include the following information as a minimum: technical specifications, payment procedures and any other information necessary for the suppliers to submit bids. As for the procurement of small works, the simplified bidding documents will include the following information as a minimum: specifications, bill of quantities, construction drawings (if applicable) payment procedures and any other information necessary for contractors to submit competitive bids.

18. Consultant Services: The following procurement methods for selection of consultants will be used: (i) Quality- and Cost-Based Selection (QCBS) will be used for the selection of other consultant services with value of contracts estimated at more than US\$100,000 equivalent; (ii) Cost Selection (LCS) will be used for simple and routine services such as training, assessment and social surveys, with the value of each contract estimated at less than US\$100,000 equivalent; (iii) Selection Based on Consultant's Qualifications (CQ) will be used for contracts estimated at less than US\$100,000 equivalent per contract; (iv) Single-Source Selection (SSS) will be used for contracts estimated to cost less than US\$100,000 equivalent per contract for firms equivalent per contract for individual consultants and shall be in accordance with the Guidelines for the Selection and Employment of Consultants; and (v) Selection of Consultants will be used in accordance with paragraphs 5.1 to 5.3 of the Guidelines. For assignments for consultant firms/NGOs estimated at less than US\$100,000 equivalent, a short list may be comprised entirely of national firms/NGOs, provided at least three are available and competition including foreign consultants is not justified. However, consultants not be excluded from consideration, if they have expressed interest.

Prior Review Thresholds

20. The following contracts will be subject for Bank's prior review:

* All contracts to be signed before loan effectiveness

* After loan effectiveness:

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11.

Works

- All contracts above US\$100,000 equivalent;
- All contracts awarded under Direct Contracting; and
- The first contract for each PI program awarded under Small Works with Community Participation procurement method.

Goods

- All contracts above US\$50,000 equivalent;
- The first contract for each PI program awarded under National Shopping;
- All contracts awarded under Direct Contracting; and
- The first contract for each PI program awarded under Goods with Community Participation procurement method.

Consultants' Services and Training

- All Terms of Reference (TOR).
- For the PMT contract, PIs contracts and contracts for consulting firms or organizations above US\$200,000 equivalent; the procedures set in paragraphs 1.2 (other than the third sentence of paragraph 2(a)) and 5 of Appendix 1 to the Consultants Guidelines shall apply.
- For PIs contracts and contracts for consulting firms or organizations less than US\$200,000 equivalent and more than US\$100,000 equivalent, the procedures set in paragraphs 1.2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultants Guidelines shall apply.
- All contracts for individual consultants above US\$50,000 equivalent.
- All single source contracts.

21. All other contracts will be subject to post-review and procurement audit on a case-by-case basis. The PMT will be primarily responsible for monitoring procurement on behalf of the Bank to ensure compliance to the procedures of the OM by the PIs. The mandatory review requirement for procurement activities by the PMT will be clearly indicated in the procurement section of the OM. The PMT will be responsible for maintaining accurate procurement records, including all documents related to the Project. Each PI will be responsible for maintaining accurate procurement records, including all actions and documents related to its contract. The procurement records will be maintained for review by the Bank's supervision missions. It is expected that about 10% of contracts will be subject to prior review.

Overall Procurement Risk Assessment

22. PMT and PIs: The implementing agency is the CDR which is well acquainted with procurement procedures. The main procurement activity for CDR is the selection of the management of the PMT contract. The major risk perceived at the level of procurement is the time required to carry out the competitive selection process and to award the contract. The process has already started and will be completed prior to Loan Effectiveness. Subsequent to the contract with PMT by establishing a streamlined working relationship that has the sufficient level of flexibility but with an adequate monitoring of PMT's performance.

23.

At the level of the selection of the PIs, it is important to ensure that the response to the Expressions of Interests requests in order to be able to have sufficient short-lists for every PI package and that the short-listed ones respond to the RFPs. The proposal briefing sessions will be conducted by the CDR initially and later on by the short-listed NGOs. The requirements for the RFP, and particularly the quality and cost of the evaluation, should be clear and applicable for all short-listed NGOs. Special attention should be given to defining the management fees so as to have consistent and fair comparisons of the fees of the NGOs. Appropriate technical skills on the selection committee will be essential. The CDR must appoint the appropriate experts for the evaluation teams from CDR and PMT support of short-term experts if required.

24. PI programs of subprojects. The potential risk related to the procurement of the weakness of some NGOs in conducting procurement. For this purpose, the PMT will prepare procurement documents and forms to be used by the PIs. The PMT will provide special training for the assigned procurement officers in the PIs. The PMT will continuously monitor procurement activities of the PIs and assess the improvement in their procurement. Frequency of Procurement Supervision

25. Procurement supervision of the PIs by the PMT, representing CDR, will be an important supervision mission. The Bank will carry out every four months for the first six months thereafter. The World Bank Office in Lebanon, however, will carry out procurement supervision, as often as required, including post-review audits on a random basis.

Procurement methods (Table A)

Table A: Project Costs by Procurement Arrangements

(US\$ million equivalent)

| Expenditure Category | ICB | Procurement Methods | Total |
|---------------------------------|----------------|---------------------|----------------|
| 1. Works | 0.00 | 1.00 | 7.30 |
| (0.00) (0.65) (4.75) | (0.00) (5.40) | | |
| 2. Goods | 0.00 | 0.20 | 1.80 |
| (0.00) (0.13) (1.17) | (0.00) (1.30) | | |
| 3. Services | 0.00 | 0.00 | 16.20 |
| (0.00) (0.00) (11.00) | (0.00) (11.00) | | |
| 4. Training | 0.00 | 0.00 | 3.50 |
| (0.00) (0.00) (2.30) | (0.00) (2.30) | | |
| 5. Interest during construction | 0.00 | 0.00 | 0.00 |
| (0.00) (0.00) (0.00) | (0.00) (0.00) | | |
| Total | 0.00 | 1.20 | 28.80 |
| | (0.00) | (0.78) (19.22) | (0.00) (20.00) |

Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include civil works and goods to be procured through national shopping, method of participation, consulting services, services of contracted staff of the project management technical assistance services.

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Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review

| Contract Value | Threshold | Procurement Methods | Contracts Subject to Prior Review |
|----------------|--------------------------------------|---------------------|-----------------------------------|
| 1. Category | JUSTHOUSAN)... | Meha | All.... - il---- |
| 1. Works | <500,000 | NtoaCopttv | .AlCnrCsPiroLaneffectiv |
| Bidding | 12. All Contracts above US\$1100,000 | | |
| equivalent. | | | |

.3. All Direct Award Contracts. (C.P.S.P.S.)
 <100,000 Procurement with 14. First contract for each PI program
 Community ~awarded with Community Participation
 Participation Methodprcemnmthd
 2. Goods < 300,000 iNational Competitive 1. All Contracts Pri
 lBidding 12. All Contracts above US\$50,000
 equivalent.
 3.All Direct Award Contracts.
 < 50,000 Procurement with 5. First contract for each PI program
 Community awarded with Community Participation
 Participation Methodprcemnmthd
 4. First contract for each PI program
 < 25,000 National Shopping awarded under National Shopping.
 3. Services, 'All Contracts QCBS, LCS, CQ, SS and 11. All contracts pri
 Consultant Services, individual consultants I 2. All TORs, shor
 Training for PMT', Pls an
 exceeding US\$1100,000 equivalent.
 '3. Individual consultants exceeding
 US\$50,000 equivalent.
 I4. All single source contracts.
 Total value of contracts subject to prior review: US\$8 million
 Overall Procurement Risk Assessment
 The overall procurement risk assessment is Medium. Paragraphs 23-25 give details on
 perceived risks and suggested actions to mitigate such risks.
 Frequency of procurement supervision missions proposed: In the first year, as often
 one every four months (includes special procurement supervision for post-review/aud
 supervision will be carried out by the Bank office in Lebanon.
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Disbursement

The allocation of loan proceeds by expenditure category as summarized in Table C.

Table C: Allocation of Loan Proceeds

| / | | | |
|---|----------------|-------------------------|---------|
| Amount of the | | | |
| Category | Loan Allocated | % of Expenditures to be | |
| : (US\$Financed | | | |
| (1) Subproject grants under: | | | 90 |
| (a) Part A (2) of the Project | 11,000,000 | | |
| (b) Parts A (1) and B of the Project | 3,000,000 | | |
| 1(2) Consultants' services and training | 4,000,000 | | 100 |
| (3) Fee | 200,000 | Amount due unde | |
| ~~~~~ | | | |
| (4) Premia for interest rate caps and interest rate collars | 0 | Amount due under | |
| i | | (c) of the L | Aeement |
| 1(5) Unallocated | | 1,800,000 | |
| T t a l O Total | 20,000,0000 | | |

Documents for Withdrawals

Disbursements will be based on traditional methods, which include the use of Statem (SOEs). Once the PMT financial system is ready for PMR-based disbursements (refer t assessment section), and if the Borrower decides, full conversion to PMR-based disb considered as per the Loan Agreement. It is expected that the PMT will be able to s reports to CDR, who in turn will forward the reports to the Bank, within six months Initially, withdrawals from loan proceeds will be made utilizing the Bank's traditi instruments, including SOEs and Special Accounts (SAs). The replenishment of SAs wi receipt of appropriate documentation.

Use of Statements of Expenditures (SOEs)

During the transition period, and prior to the PMT/CDR readiness for PMR-based disb will be used for all expenditures for: (a) Subproject Grants under contracts costin equivalent each; (b) services under consultant firms contracts costing less than US each and under individual consultant contracts costing less than US\$50,000 equivale training under contracts costing less than US\$25,000 equivalent each, under such te the Bank shall specify by notice to the Borrower. The supporting documentation woul

the CDR and made available for review by Bank supervision missions upon request.

Special Account (SA)

To facilitate the management of funds, the CDR will open a SA at the Central Bank of authorized allocation in an amount equivalent to US\$2 million and an initial deposit equivalent to US\$1 million, and the full allocation could be claimed when disbursements exceed an amount equivalent to US\$5 million. Replenishment of the SA would follow Bank and a bank's statement of SA activity would support all replenishment applications. For applications for direct payments and special commitments would be 20 percent of authorized allocations to the SA. The SA would be audited annually by independent auditors at the Bank as specified in the Action Plan. The audit report should be submitted to the Bank within six months of the end of each fiscal year.

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Lebanese Republic

Community Development Project

Procurement Plan

| 2001 | 2002 | 2003 | i | 2004 | 1200 | |
|------|------|--|---|------|----------|--------------|
| ID | O | Task Name | | | Duration | Start |
| 1 | | GENERAL | | | 0 days | Mon 6/18/01 |
| 2 | | General Procurement Notice | | | 0 wks | Mon 6/18/01 |
| 3 | | | | | | |
| 4 | | PMT selection | | | 895 days | Mon 6/18/01 |
| 5 | \ | Special Procurement Notice | | | 0 wks | Mon 6/18/01 |
| 6 | | Submission of Expression of Interest | | | 4 wks | Mon 6/18/01 |
| 7 | | Preparation of Short List | | | 2 wks | Mon 7/16/01 |
| 8 | | WB review of Short List | | | 1 wk | Mon 7/30/01 |
| 9 | | WB No-Objection for Short List | | | 0 days | Fri 8/3/01 |
| 10 | | Preparation of TOR & RFP | | | 3 wks | Mon 6/18/01 |
| 11 | | WB review of RFP | | | 2 wks | Mon 7/9/01 |
| 12 | | WB No-Objection for RFP | | | 0 days | Fri 7/20/01 |
| 13 | | Issuance of RFP | | | 5 wks | Mon 8/6/01 |
| 14 | | Submission date / Bid opening | | | 0 days | Fri 9/7/01 |
| 15 | | Technical Evaluation (TE) & TE report | | | 2 wks | Mon 9/10/01 |
| 16 | | WB review and No-Objection | | | 1 wk | Mon 9/24/01 |
| 17 | | Financial Envelopes opening and evaluation | | | 2 wks | Mon 10/1/01 |
| 18 | | WB review of Final report and No-objection | | | 1 wk | Mon 10/15/01 |
| 19 | | Negotiation & preparation of contract | | | 1 wk | Mon 10/22/01 |
| 20 | | WB review and No-Objection | | | 1 wk | Mon 10/29/01 |
| 21 | | Award contract/internal processing | | | 3 wks | Mon 11/5/01 |
| 22 | | Effectiveness of contract | | | 0 days | Fri 11/23/01 |
| 23 | | Commencement of services | | | 156 wks | Mon 11/26/01 |
| 24 | | | | | | |
| 25 | | Short Listing process for Pis | | | 55 days | Mon 6/25/01 |
| 26 | J3 | Special Procurement Notice | | | 0 wks | Mon 6/25/01 |
| 27 | | Submission of Expression of Interest | | | 5 wks | Mon 6/25/01 |
| 28 | | Preparation of Short Lists | | | 4 wks | Mon 7/30/01 |
| 29 | | WB review of Short Lists | | | 2 wks | Mon 8/27/01 |
| 30 | | WB No-Objection for Short Lists | | | 0 days | Fri 9/7/01 |
| 31 | | | | | | |
| 32 | | Selection of PI for RPA1 & RPA2 | | | 710 days | Mon 5/21/01 |
| 33 | | Preparation of TOR & RFP | | | 8 wks | Mon 5/21/01 |

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Lebanese Republic

Community Development Project

Procurement Plan

| 2001 | 12002 | 12003 | 2004 | 20 | |
|------|-------|-------------------------|------|----------|---------|
| ID | O | Task Name | | Duration | Start |
| 34 | | WB review of RFP | | 2 wks | Mon 7/1 |
| 35 | | WB No-Objection for RFP | | 0 days | Fri 7 |

| | | | |
|----|--|----------|-----------|
| 36 | Issuance of RFP | 6 wks | Mon 9/1 |
| 37 | Submission date Bid opening | 0 days | Fri 10 |
| 38 | Technical Evaluation (TE) & TE report | 4 wks | Mon 10/2 |
| 39 | WB review and No-Objection | 2 wks | Mon 11/1 |
| 40 | Financial Envelopes opening and evaluation | 2 wks | Mon 12/ |
| 41 | WB review of Final report and No-objection | 1 wk | Mon 12/ |
| 42 | Negotiation & preparation of contract | 2 As | Mon 12/24 |
| 43 | WB review and No-Objection | 2 wks | Mon 1 |
| 44 | Award contract/intermal processing | 3 wks | Mon 1/2 |
| 45 | Effectiveness of contract | 0 days | Fri |
| 46 | Assessment and development of Pi program | 24 wks | Mon 2/1 |
| 47 | Implementation of Pi programs | 80 wks | Mon 7/2 |
| 48 | | | |
| 49 | Selection of Pi for RPA3 & RPA4 | 700 days | Mon 6/1 |
| 50 | Preparation of TOR & RFP | 6 wks | Mon 6/1 |
| 51 | WB review of RFP | 2 wks | Mon 7/3 |
| 52 | WB No-Objection for RFP | 0 days | Fri 8 |
| 53 | Issuance of RFP | 6 wks | Mon 9/2 |
| 54 | Submission date / Bid opening | 0 days | Fri 1 |
| 55 | Technical Evaluation (TE) & TE report | 4 wks | Mon 11/ |
| 56 | WB review and No-Objection | 2 wks | Mon 12/ |
| 57 | Financial Envelopes opening and evaluation | 2 wks | Mon 12/1 |
| 58 | WB review of Final report and No-objection | 1 wk | Mon 12/ |
| 59 | Negotiation & preparation of contract | 2 wks | Mon 1 |
| 60 | WB review and No-Objection | 2 wks | Mon 1/2 |
| 61 | Award contract/internal processing | 3 wks | Mon 2 |
| 62 | Effectiveness of contract | 0 days | Fri 2 |
| 63 | Assessment and development of Pi program | 24 wks | Mon 2/2 |
| 64 | Implementation of Pi programs | 80 wks | Mon 8/1 |
| 65 | | | |

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Lebanese Republic

Community Development Project

Procurement Plan

| 2001 | 12002 | 12003 | 2004 | 12 | |
|------|-------|--|----------|-------------|--|
| ID | O | Task Name | Duration | Start | |
| 66 | | Selection of Pi for RPA5 & RPA6 | 660 days | Mon 11/26/0 | |
| 67 | | Preparation of TOR & RFP | 4 wks | Mon 11/26/ | |
| 68 | | WB review of RFP | 2 wks | Mon 12/24/ | |
| 69 | | WB No-Objection for RFP | 0 days | Fri 1/ | |
| 70 | | Issuance of RFP | 6 wks | Mon 11/7/ | |
| 71 | | Submission date / Bid opening | 0 days | Fri 2/1 | |
| 72 | | Technical Evaluation (TE) & TE report | 3 wks | Mon 2/18/ | |
| 73 | | WB review and No-Objection | 2 wks | Mon 3/11/ | |
| 74 | | Financial Envelopes opening and evaluation | 2 wks | Mon 3/25/ | |
| 75 | | WB review of Final report and No-objection | 2 wks | Mon 4/8/ | |
| 76 | | Negotiation & preparation of contract | 2 wks | Mon 4/22/ | |
| 77 | | WB review and No-Objection | 2 wks | Mon 5/6/ | |
| 78 | | Award contract/internal processing | 3 wks | Mon 5/20/ | |
| 79 | | Effectiveness of contract | 0 days | Fri 6/ | |
| 80 | | Assessment and development of PI program | 24 wks | Mon 6/10/ | |
| 81 | | Implementation of Pi programs | 80 wks | Mon 11/25/ | |
| 82 | | | | | |

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Lebanese Republic

Community Development Project

Procurement Plan

| 2001 | 2002 | 2003 | 2004 | 200 |
|------|------|------|------|-----|
|------|------|------|------|-----|

| ID | 0 | Task Name | Duration | Start |
|-----------------|---|--|----------|-------------|
| 83 | | Selection of Pi for RPA7 | 660 days | Thu 11/15/ |
| 84 | S | Preparation of TOR & RFP | 4 wks | Thu 11/15/ |
| 85 | | WB review of RFP | 2 wks | Thu 12/13/ |
| 86 | | WB No-Objection for RFP | 0 days | Wed 12/26/0 |
| 87 | | Issuance of RFP | 6 wks | Thu 12/27/ |
| Submission date | I | Bid opening | 0 days | Wed 2/6/02 |
| 89 | | Technical Evaluation (TE) & TE report | 3 wks | Thu 2/28/ |
| 90 | | WB review and No-Objection | 2 wks | Thu 3/14/ |
| 91 | | Financial Envelopes opening and evaluation | 2 wks | Thu 3/28/ |
| 92 | | WB review of Final report and No-objection | 2 wks | Thu 4/11/ |
| 93 | | Negotiation & preparation of contract | 2 wks | Thu 4/25/ |
| 94 | | WB review and No-Objection | 3 wks | Thu 5/9 |
| 95 | | Award contract/internal processing | 0 days | Wed 5/29/0 |
| 96 | | Effectiveness of contract | 24 wks | Thu 5/30/ |
| 97 | | Assessment and development of Pi program | 80 wks | Thu 11/14/ |
| 98 | | Implementation of PI programs | | |
| 99 | | | | |
| 100 | | Selection of Pi forThematic1 & 2 | 470 days | Mon 12/17/ |
| 101 | | Preparation of TOR & RFP | 4 wks | Mon 12/17 |
| 102 | | WB review of RFP | 2 wks | Mon 1/14 |
| 103 | | WB No-Objection for RFP | 0 days | Fri 1/2 |
| 104 | | Issuance of RFP | 6 wks | Mon 1/28 |
| 105 | | Submission date / Bid opening | 0 days | Fri 3/ |
| 106 | | Technical Evaluation (TE) & TE report | 3 wks | Mon 3/11 |
| 107 | | WB review and No-Objection | 2 wks | Mon 4/1 |
| 108 | | Financial Envelopes opening and evaluation | 2 wks | Mon 4/15 |
| 109 | | WB review of Final report and No-objection | 2 wks | Mon 4/29 |
| 110 | | Negotiation & preparation of contract | 2 wks | Mon 5/13 |
| 111 | | WB review and No-Objection | 2 wks | Mon 5/27 |
| 112 | | Award contractrntemal processing | 3 wks | Mon 6/10 |
| 113 | | Effectiveness of contract | 0 days | Fri 6/2 |
| 114 | | Assessment and development of Pi program | 16 wks | Mon 7/1 |
| 115 | | Implementation of Pi programs | 50 wks | Mon 10/21/ |

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Lebanese Republic
Community Development Project
Procurement Plan

| 2001 | 12002 | 12003 | 12004 | 12 | |
|------|--|----------|--------------|----|--|
| ID 1 | Task Name | Duration | Start | | |
| 116 | | | | | |
| 117 | Selection of Pi torThematic 3 & 4 | 470 days | Mon 117102 | | |
| 118 | Preparation of TOR & RFP | 4 wks | Mon 1/7/02 | | |
| 119 | WB review of RFP | 2 wks | Mon 2/4/02 | | |
| 120 | WB No-Objection for RFP | 0 days | Fri 2/15/ | | |
| 121 | Issuance of RFP | 6 wks | Mon 2/18/02 | | |
| 122 | Submission date / Bid opening | 0 days | Fri 3/29/ | | |
| 123 | Technical Evaluation (TE) & TE report | 3 wks | Mon 4/1/02 | | |
| 124 | WB review and No-Objection | 2 wks | Mon 4/22/02 | | |
| 125 | Financial Envelopes opening and evaluation | 2 wks | Mon 5/6/02 | | |
| 126 | WB review of Final report and No-objection | 2 wks | Mon 5/20/02 | | |
| 127 | Negotiation & preparation of contract | 2 wks | Mon 6/3/02 | | |
| 128 | WB review and No-Objection | 2 wks | Mon 6/17/02 | | |
| 129 | Award contractrntemal processing | 3 wks | Mon 7/1/02 | | |
| 130 | Effectiveness of contract | 0 days | Fri 7/19/ | | |
| 131 | Assessment and development of Pi program | 16 wks | Mon 7/22/02 | | |
| 132 | Implementation of PI programs | 50 wks | Mon 11/11/02 | | |

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Annex 6 (a): LACI Certification

LEBANESE REPUBLIC: COMMUNITY DEVELOPMENT PROJECT

Report on the Assessment of the PMR-based Disbursements

Ineligible for PMR-based Disbursements

Part I: Financial Management System

I have reviewed the financial management system relating to this project. The objective of the review was to determine whether the project has in place an adequate financial management system as required by the Bank/IDA under OP/BP 10.02.

My review, which included visits to the project implementing agency, was based on the guidelines for "Review of Financial Management System," and focused on the assessment of the project's accounting system, internal control, planning, budgeting and financial reporting. I have also reviewed the selection of an auditor, as well as the format and contents of the Project Management System (PMR) to be submitted by the Borrower in support of Withdrawal Applications.

I confirm that the project satisfies the Bank's minimum financial management requirements. However, in my opinion, the project does not have in place an adequate project financial management system that can provide, with reasonable assurance, accurate and timely information on the status of the project (PMR) as required by the Bank/IDA for PMR-Based Disbursements.

I have detailed in the attachment the inadequacies that I found in the system together with an agreed action plan by the borrower to remedy the situation.

Signed by:

Financial Management Specialist

dlv,

Robert Bou Jaoude, MNACS

Date

Part II: Procurement/Contract Management System

I have reviewed the procurement/contract management system relating to this project. The objective of the review was to determine whether the procurement/contract management system adopted by the project conforms to the Bank's guidelines for procurement in investment projects.

I confirm that the project satisfies the Bank's minimum procurement management requirements. However, in my opinion, the project does not have in place an adequate procurement/contract management system that can provide the appropriate data on major procurement and contract management (PMR - Section 3) as required by the Bank/IDA. This will be developed by the Project Management Team (PMT) as part of their terms of reference.

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The "Assessment of Agency's Capacity to Implement Project Procurement, Setting of Performance Review Thresholds and Procurement Supervision Plan", as included in the guidelines for the project, the Bank will be carried for the Council for Development and Reconstruction prior to the project's effectiveness.

Signed by:

Zo

Procurement Specialist

Imad Saleh, MNACS

Date

Part III: Physical Monitorable Indicators and Overall Assessment

I have reviewed the project's system for monitoring physical implementation progress. Its monitorable indicators for major outputs. In my view, the system cannot provide appropriate data on physical progress (PMR - Section 2) required by the Bank/IDA.

I have detailed in the attachment the inadequacies that I found in the system together with an agreed action plan by the Borrower to remedy the situation.

Also, based on the assessments of the FMS-OPR and PS, and/or considering my overall assessment of the project, I am of the view that this project is not suitable for PMR-based disbursements.

Signed by:

V1 jz, 2r

Task Team Leader

Bassam Ismail Ramadan, MNSHD

Date

Part IV: Concurrence of LOA for Eligibility of Project for PMR-Based Disbursements

I have conducted a reasonable review of the process followed by the Task Team in the project, and I concur with its recommendation that this project is not eligible for PMR-based disbursements.

Signed by:

FMS-LOA/DO

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-s

Ardina A. Ambrose-Gardiner, LOAGI

Date

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Annex 6 (b): Financial Management

LEBANESE REPUBLIC: Community Development Project

1. Current Financial Management Practices

Financial Management at CDR

1. CDR is a public authority established to be the Government's arm for planning projects for economic development and for rehabilitation and reconstruction of public bypass the Government administrative routine, CDR was granted exceptional authority from laws and regulations applicable to the public administration. This authority has enabled CDR to implement projects within shorter time than other Government agencies and ministries.

2. CDR's financial system was assessed by examining the accounting system, accounting procedures, budgeting system, reporting, staffing, internal controls policies and procedures, auditing and external auditing arrangements. CDR financial management system was found to be satisfactory and meets the Bank minimum requirements though this system lacks the software module and is not capable of generating timely and meaningful reports for project management purposes.

3. An effective organization and financial structure characterize the control environment. Segregation of duties and responsibilities such as invoice processing, accounting and payments is well observed in the day to day transactions. CDR records are subject to Government Court of Accounts, and an external independent auditor performs the annual financial statements. CDR accounting policies follow encumbrance accounting; the cash funds created by CDR, generates the Council's financial statements. Bank-financed projects for under funds 1 and 4 being the "Revenues et Comptabilite des Projets" funds. CDR uses the signed contracts as cost allocation centers thus making it incapable of generating project management purposes. For every new project, a separate ledger account is created to monitor the source of funds and to reconcile the project special account opened at Lebanon. All Bank-financed projects implemented by CDR, have been based on traditional disbursements using SOEs and direct payments.

4. To support CDR's efforts to reinforce its institutional set-up and to modernize budgeting systems, the Bank provided an IDF grant in the amount of US\$150,000. This grant financed the strengthening of the management information system to allow an interface between various information systems of the finance, procurement and project physical progress outputs, CDR should produce a new chart of accounts that will allow adequate reporting to Bank required PMRs. However, the transformation of the system was delayed due to a lack of uncertainty regarding the future role of CDR at the time of the implementation. Presently, CDR is revising the project targets and adjusting the plans for the completion order to bring the upgraded system into operation.

Accounting. Reporting. Auditing Practices at NGO Level

5. There are no rules or laws in Lebanon that regulate the operations of NGOs. A permit from the Ministry of Interior (MOI) is the only prerequisite for the establishment of the "constitution notice" of the NGO in the public gazette is considered as the general activities in the country. The only financial requirement for renewal of NGO permit is 71

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with the renewal application, a copy of the previous year financial statements, certified by an accountant, plus budgeted financial statements for the following year's operations. CDR financial policies, procedures and standards that govern the preparation and the presentation of financial statements. The capability of NGO's accounting and reporting systems vary from advanced to nonexistent. NGOs that are seeking funds from international donors have systems in order to comply with the financial and reporting requirements of such donors.

Financial Management Arrangements

6. Four levels of different agencies, governmental, NGO's/others and contractors involved in the implementation of the Project. CDR system is capable to follow on financial management, however, to avoid the risk of CDR not being able to: (i) integrate budgeted activities for comparison and decision making; and (ii) generate timely reports for project management purposes--the services of the PMT will be required to manage these tasks in close cooperation with the Finance Department which, in turn, will be responsible for the project funds and for the SA. The PIs will execute the Project's activities (programs) either directly or by third party contractors/consultants. CDR will forward to the PIs advance payments to the contractors/consultants upon delivery of the work or service contracted. The PMT will be their fees as defined in the contract agreement signed between CDR and the PIs.

7. CDR. The execution of the Project is the responsibility of CDR who will be engaged for the day-to-day project administration. The flow of the Loan funds will

opened at the Central Bank of Lebanon under the name and jurisdictions of CDR. With and SA replenishments will be remitted by CDR to the Bank under authorized signature advance payments or for incurred expenses, after being verified and cleared by the CDR controls and procedures and will be honored through payments issued by CDR. The extension to CDR Accounting Department, should have the capability to compile the p cash forecasts and to maintain a parallel reporting system able to replicate CDR le PMRs. To facilitate this reconciliation an inter PMT/CDR account should be created ledger.

8. PMT. In order to overcome the shortcomings in CDR financial system, the PMT will be required to manage financial management transactions. The PMT will be responsible supervision of the activities including project planning, budgeting, invoice clearing information and reporting on these activities to CDR. The selection process will be recruited for the PMT will have adequate resources to administer the financial management Project including a full time financial officer, an accountant and an adequate account of being configured to the project reporting needs. The PMT accounting system should accurate, reliable, and timely accounting information on project's funding and activity individual component, sub-component and by PIs. It should also provide periodical PMT transactions with CDR accounts that in turn have to reconcile its ledger account special account. The proposed PMT will have the responsibility to coordinate work to be awarded implementation contracts. The PMT will have fiduciary responsibility towards these requirements, it has to ensure that its systems provide the necessary financial information to the project management at all levels during implementation. The PMT for the design of the reporting requirements at the level of the PIs. This design is the necessary data for the preparation of the quarterly PMRs. The PMT financial and will be made explicit in the RFP. The capability of the PMT to reply to the Bank's

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including the generation of the quarterly PMR will be one of the selection criteria define the roles, relationship and responsibilities of the PMT towards CDR and the

9. It is expected that the PMT accounting system needs six months, from effective finalization test and certify the system configurations for the production of the required transition period, interim arrangements will be developed at CDR to have in place a system reflecting CDR ledger. This step is needed to follow up and transfer to the activities that take place during this transition period. To assist CDR in generating agreement was reached during negotiations with the CDR management on the following

- * Appoint a qualified financial specialist to follow up on the project accounts.
- * Modify CDR procedures describing the flow of documents in order to assure its properly assigned employee.

- * Agree to the issuance of quarterly reports showing the project sources and uses funds by project activity, contracts expenditure report and procurement monitoring

10. PIs. The PIs are the selected NGOs to be in charge of designing and implementing subprojects. Despite the fact that NGO's have no particular laws regulating their financial standards, the practice is that this matter is left to the entity and its own governance due to their role in managing the Bank funds, PIs will be assessed on the basis of minimum financial requirements. One essential selection criteria for PIs will be the management systems to follow up on cash transactions, project activities and to generate needed by the PMT for the PMR preparation plus their audit arrangements. The TORs on and reporting obligations should be forwarded by the CDR to the Bank for review and which they will be made explicit in the RFP. In addition, the PMT should assess and systems prior to any transfer of funds.

11. The appointment of the PMT, fully staffed, is a condition of effectiveness. The based on TORs acceptable to the Bank including the capability requested to administer management aspects of the Project.

12. The PMT financial officer, in coordination with CDR Finance Department, will be the preparation of the PMT/CDR Manual of Procedures (MOP) detailing the following:

- * level of coordination between PMT financial officer and CDR Finance Department;
- * flow of documents and the time frame/invoice clearance and levels of authority;
- * supporting documents retention and safety;
- * periodic reconciliation procedures between CDR ledger and PMT records;
- * transparency of the Project activities and the audit trail for the review of CDR
- * contract integration into PMT system upon signature by CDR and the PIs;
- * PIs costing methods (differentiating between direct costs and overhead);

- * standardize in-kind contribution evaluation;
- * the chart of accounts adapted to the Project;
- * budgeting process;
- * financial reporting, including formats of PMRs, the reporting required from PIs of such reports;
- * accounting policies, procedures and controls needed at PIs level for financial s

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- * the description, development, and communication of reporting requirements from t
 - * the frequency and type of visits and other controls to be performed by PMT to mo and records;
 - * the TOR of the annual external audit for PIs; and
 - * interest earnings of CDR advances to PIs are of CDR and shall be returned to CDR
- III. Financial Management Reporting Arrangements
13. Interim Period. During the first 9 months from effectiveness date, CDR will r following quarterly reports:
- * Sources and Uses of Funds
 - * Uses of Funds by Project Activity
 - * Contract Expenditure Report
 - * Procurement Monitoring Tables

Format of reports were agreed upon during negotiation.

14. Starting 9 months after effectiveness. Quarterly PMRs for the Project issued accounting system. These reports would be management-oriented and would be used for and implementation. The PMRs should include the three following parts:

- (i) Financial Reports that include:
 - i-a Project Sources and Uses of Funds
 - i-b Uses of Funds by Project Activity
 - i-c Project Cash Withdrawals (Disbursement)
 - i-d Special Account Statement
 - i-e Project Cash Forecast
- (ii) Project Progress Reports that include:
 - ii-a Output Monitoring Report (Contract Management)
 - ii-b Output Monitoring Report (Unit of Output by Project Activity)
- (iii) Procurement Management Reports that include:
 - iii-a Procurement Process Monitoring - Goods and Works
 - iii-b Procurement Process Monitoring - Consultants' Services
 - iii-c Contract Expenditure Report - Goods and Works
 - iii-d Contract Expenditure Report - Consultants' Services

The format of the reports were agreed upon during negotiations and will be included MOP.

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15. Annually. Audited Project Financial Statements (PFS) will be submitted to the include:

- (i) Statement of sources and utilization of funds, indicating funds received from v project expenditures.
- (ii) Appropriate schedules classifying project expenditures by components, expendit Categories showing yearly and cumulative balances.
- (iii) Special Account Reconciliation Statement.
- (iv) Statement of Project Expenditure.

IV. Auditing Arrangements

16. CDR Level

CDR will remit to the Bank not later than six months after the end of each year the Project. The external audit report shall encompass all Projects' activities and sha internationally accepted auditing standards e.g., International Standards on Audit audit report of the Project Accounts shall include a separate opinion as to whether submitted during such fiscal year, together with the procedures of internal control preparation, can be relied upon to support related withdrawals. Also, the audit rep separate paragraph on the Special Account reconciling opening and year-end balances audit reports, the auditor will prepare a "management letter" identifying any obser

deficiencies, in the system and controls, that the auditor considers pertinent and recommendations for their improvements. The TOR for the auditor will be prepared and Bank's no objection, at least, nine months prior to the end of the Project fiscal year 17. PIs Level

All PIs shall maintain records and accounts adequate to reflect their operations and These accounts and financial statements will be audited yearly in accordance with the principles consistently applied. The PIs will furnish to PMT/CDR not later than 3 months each year copies of the audit report for:

(i) The program financial statements presented in the form of:

- * Statement of sources and utilization of funds, indicating contributions received from communities.

- * Appropriate schedules showing program expenditures and cumulative balances.

- * Project Account Reconciliation Statement.

This audit report shall include a separate opinion as to whether the requests for funds for such fiscal year to CDR, together with the procedures of internal controls involved can be relied upon to support related withdrawals. Also, the audit report shall include the Project Account reconciling opening and year-end balances. In addition to the above, will prepare a "management letter" identifying any observations, comments and deficiencies in the system and controls, that the auditor considers pertinent and shall provide recommendations for improvements. The receipt of other than an unqualified audit report for the certified project will result in the immediate suspension of disbursements. The standard TORs for the PIs auditors shall be as follows:

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submitted for the Bank's no objection and will be made explicit in the PIs' RFP. As part of the audit of the Project, the CDR appointed auditors will undertake a review of the soundness of the certified PIs to form an opinion on and to certify the financial statements as a whole. If requested, CDR auditor will be allowed access to the PIs' books and records of the program.

(ii) Certified copies of PIs' financial statements as so audited for the overall audit of the PI.

V. Action Plan for Financial Management System Set up (agreed upon during negotiations)

18. Phase 1: Prior to Effectiveness

At CDR

- * Appoint a financial specialist to follow-up on the project accounts. Prior to the start of the PMT accounting system, CDR will be responsible for the project financial management.

- * Modify CDR procedures to include the assigned staff in the document cycle.

- * Finalize the TORs of the PIs financial, reporting and auditing obligations.

At PMT

- * Select and engage the PMT (condition of effectiveness) with a qualified financial management procurement officer among its core staff.

Phase 2: After Effectiveness

At CDR and PMT

- * Finalize MOP between CDR and PMT--defining the procedures and time needed to process a transaction (payment) and agree on measures for periodic reconciliation between the two.

At CDR

- * Amend CDR external auditor contract to include the auditing requirements of the project. The present CDR external auditor will be assigned based on Bank's review of TOR to perform the audit of the Project.

At PMT

- * Certify PMT financial system--as being capable of generating reports to reflect resources and expenditures related to the Project.

VI. Disbursement Arrangements

19. At CDR level

To ensure that funds are readily available for the Project implementation, a Special Account in US dollars will be opened at the Central Bank of Lebanon and will be operated by the CDR in advance for the equivalent of about six months expenditures will be transferred to the CDR. The effectiveness of the Loan and receipt of a signed withdrawal application. The maximum initial advance is estimated at US\$1,000,000 equivalent. Replenishment applications will be submitted to the CDR for approval.

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submitted to the Bank by CDR. Authorized signatories, names and corresponding special signatures will be submitted to the Bank. Upon full testing of the PMT accounting system based on quarterly PMRs may begin. During the transition period, the SA will be replenished using traditional methods by means of SOEs for those expenditures below the threshold and direct payments accompanied by supporting documentation for the balance. A training seminar, on the above procedures during the Project launch workshop.

20. At PIs Level

Once a PI's system is certified to handle its financial transactions, disbursements on a request for funds. The PI shall open a Project Account in a local commercial bank account number and bank address, along with the names of two authorized signatories specimens to the PMT. The signatories are the only persons authorized to sign requests. The certified PI will then submit the requests for funds for an advance, specifying the amount for the first quarter, accompanied by a cash-flow forecast based on the budgeted amount. The PI should communicate the format of the requests for funds, cash-flow forecast and for the certified PI. Subsequent requests for funds should be submitted quarterly to the PMT. The PI shall submit monthly the reconciliation of the Project Account accompanied by financial and activity progress reports plus supportive documentation for incurred costs. The certified PI shall submit monthly the reconciliation of the Project Account accompanied by bank's statement.

The PMT staff (finance and/or procurement) should undertake visits to the certified PI to review the accounting and procurement documentation and records to ensure compliance with the Project Agreement and its governing procedures. Upon receipt of the requests for funds, the PMT reviews the documentation to ensure the amount of funds needed to be transferred, through CDR, to the certified PI. In case of non-compliance with the PMT communicated procedures and/or absence of reliable information from the PI, the disbursement will be suspended until compliance with requirements is met.

VII. Bank Supervision

21. The financial actions of the Project will require intensive supervision during implementation at the PMT/CDR and the PIs levels. The Bank supervision will be carried out by the Country Office. It will intensify during pre-effectiveness period to ensure the accounting system has been configured to replicate CDR ledger and to generate the PMRs. Then the first supervision mission after effectiveness will take the form of a training mission where the PMT will be trained on Bank rules, regulations and guidelines. The PMT will conduct supervision visits every four months for the first 20 months, then every six months thereafter. Bank supervision visits to PMT/CDR and field trips to selected PIs to review financial management procedures and payments procedures and documentation.

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VIII. Action Plan - Timetable

22. The following schedule summarizes the implementation of the financial management over the next 18 months.

| Action | Output | Agency | Action Date |
|--|--|-----------|-------------|
| Interim Procedures | | | |
| Appoint CDR specialist to follow-up on the project accounts. | Project accountant in place. | CDR | June |
| Modify procedures Prior to Effectiveness | Streamline of procedures | CDR | Jul |
| Finalize PIs financial TORs | Pls RFP | CDR | Jul |
| Sign contract to engage PMT (Condition for effectiveness) | Contract PMT | CDR | Nov |
| Post Effectiveness | | | |
| PMT/CDR Manual Of Procedures (MOP) | Facilitates and clarifies procedures, payment duration and transaction reconciliation. | 1CDR, PMT | Jan |
| Test the PMT reporting system | Format and content of PMNR | PMT | Jan |
| Amend CDR external auditor contract | Engagement letter is signed | CDR | Mar |
| Issue the first draft PMR (1st Quarter) | Management reports | PMT, CDR | May |
| Issue of the second draft PMR (2nd Quarter) | Final PMIR | PMT, CDR | Aug |

Generate official PMR
CDR Auditor iNovember 15, 2002
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Certification of AIS

Bank,

Jul

Annex 7: Project Processing Schedule

LEBANESE REPUBLIC: Community Development Project

| Project schedule | Planned | Actual |
|--|------------|------------|
| Time taken to prepare the project (months) | 5 | |
| First Bank mission (identification) | 03/05/2001 | 03/05/2001 |
| Appraisal mission departure | 04/23/2001 | 04/23/2001 |
| Negotiations | 05/01/2001 | 05/08/2001 |
| Planned date of effectiveness | 01/15/2002 | |

Prepared by:

Council for Development and Reconstruction and the World Bank

Preparation assistance:

Poverty mapping, MOSA and UNDP, 1995; Socio-economic household surveys since 1995; study on the micro finance sector in Lebanon, June 2000; World Bank Poverty Study, Bank Social Protection Note; World Bank NGO's assessment studies.

Bank staff who worked on the Project included:

| Name | Specialty |
|-----------------------------------|---|
| Bassam Ramadan, MNSHD | Sr. Economist (Task Team Leader) |
| Sherif Kamel Arif, MNSRE | Regional Environmental Coordinator/Sr. Environment |
| John Keith Rennie, MNSRE | Sr. Social Scientist |
| Concepcion E. Del Castillo, MNSRE | Sr. Social Scientist |
| Allan Rotman, MNSRE | Sr. Environment Specialist |
| Frederik Kranz, MNAV | Sr. Procurement Advisor (Consultant) |
| Ghada Youness, LEGOP | Sr. Counsel |
| Andrina Ambrose-Gardiner, LOAGI | Sr. Financial Management Specialist |
| Christine Helen Allison, SASSED | Lead, Human Development Specialist (Peer Reviewer) |
| David Seth Warren, LCSHS | Sr. Social Protection Specialist (Peer Reviewer) |
| Nabil Shehadeh, MNACS | Re. Financial Management Advisor |
| Robert Bou Jaoude, MNACS | Financial Management Specialist |
| Imad Saleh, MNACS | Procurement Specialist |
| Sati Arnaout, MNSHD | Development Specialist (Consultant) |
| Mario Antonio Zelaya, MNSHD | Social Development and Infrastructure Specialist (C |
| Randa Nemer, MNSHD | Environment Specialist (Consultant) |
| Mona Khalaf, MNSHD | Gender Specialist (Consultant) |
| Afifa Alia Achsien, MNSHD | Program Assistant |

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Annex 8: Documents in the Project File

LEBANESE REPUBLIC: Community Development Project

A. Project Implementation Plan

Draft Project Implementation Plan (PIP)

Draft Operations Manual (OM)

B. Bank Staff Assessments

Mapping and Review of Lebanese NGOs

The Lebanese Micro Finance Industry: Status and Challenge

Environmental Assessment Guidelines for Operations Manual

Social Assessment Report to Measure the Outcomes of Beneficiary Participation and L proposed Subprojects

Lebanon Social Protection Note

C. Other

Regional Socioeconomic Development Programme for South Lebanon, Government of Leban
UNDP

Integrated Rural Development Project, UNDP and FAO

The 1997 Household Living Conditions Survey,

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Annex 9: Statement of Loans and Credits

LEBANON: Community Development Project

Difference between

Original amount in

US\$ millions

expected and actual

disbursements

| Project ID | FY | Purpose | IB3RD | IDA |
|------------|--------|----------------------------------|--------|-------|
| P045174 | 2000 | General Education | 56.57 | 0.00 |
| P050544 | 2000 | First Municipal Infrastructure | 80.00 | 0.00 |
| P038687 | 1998 | Vocational & Technical Education | 63.00 | 0.00 |
| P038674 | 1997 | National Roads | 42.00 | 0.00 |
| P036087 | 1997 | Power Sect. Restructuring | 65.00 | 0.00 |
| P034037 | 1997 | Agriculture Infrs. Development | 31.00 | 0.00 |
| P034035 | 1996 | Administration Rehab. | 20.00 | 0.00 |
| P005345 | 1995 | Solid WastelEnvirowment | 55.00 | 0.00 |
| P034004 | 1995 | Health Project | 35.70 | 0.00 |
| P005344 | 1994 | Irrigation | 57.20 | 0.00 |
| P005340 | 1994 | TA for Revenue Enhancement | 19.90 | 0.00 |
| P005336 | 1993 | Eme gecyRecovery | 17.0 | 0.00 |
| Total | 700.37 | 0.00 0.00 433.70 | 204.37 | 65.17 |

LEBANON

STATEMENT OF IFC's

Held and Disbursed Portfolio

Apr.2001

In Millions US Dollars

Committed

tEC

Disbursed

IFC

| | Loan | Equity | ~~~~~ | ~~~~Quasi | Partic | ~~Loan | Sqiy |
|-------------------------------|--------|--------|-------|-----------|--------|--------|-------|
| 1997 AC4.17 | | | 0.00 | | 0.00 | 0.00 | 4.17 |
| 1993/96/98 BBAC | | 3.44 | 0.0 | | 0.00 | 4.56 | 3.44 |
| Bank of Beirut | 12.38 | 0.00 | 0.00 | 0.00 | 1.88 | 0.00 | |
| 1997 Banque Audi | | 9.81 | 0.00 | | 0.00 | 0.00 | 9.81 |
| 11993/96/98 Banque Libasaiase | | 0.75 | 0.00 | | 0.00 | 0.15 | 0.75 |
| 1994 Banque Saradar | | 0.00 | 11.00 | | 0.00 | 0.00 | 0.00 |
| 1199 7/99 Byblos Bank | | 35.00 | 0.00 | | 0.00 | 34.00 | 7.61 |
| 1993/96/99 Cimnenterie Naft | | 8.30 | 0.00 | | 0.00 | 11.70 | 8.30 |
| 1995 ETivL Services | | 12.50 | 0.00 | 10.00 | 28.13 | | 12.50 |
| 11997 Fransabank | | 3.30 | 0.00 | | 0.00 | 4.34 | 3.30 |
| 11993/94/96 Idarat | | 10.00 | 1.50 | | 0.00 | 0.00 | 5.00 |
| 1998 Idarat SH{V | | 3.00 | 0.00 | | 0.00 | 0.00 | 3.00 |
| 1998 Leb. Credit lns. | | 0.00 | 0.50 | | 0.00 | 0.00 | 0.00 |
| 2000 Lebanese Leasing | | 1.75 | 0.00 | | 0.00 | 2.91 | 1.75 |
| 1995/99 Libano-Francaise | | 6.88 | 0.00 | | 0.00 | 9.78 | 6.88 |
| 1994/96 SGLEB | | 5.16 | 0.00 | | 0.00 | 7.50 | 5.16 |
| 1994/96 Ujniceramic | | 0.00 | 0.00 | | 0.80 | 0.00 | 0.00 |
| 1993 | | | | | | | |
| Total Portfolio: | 116.44 | 13.00 | 10.80 | 103.07 | 73.55 | 12.50 | 10.80 |

Approvals pending commitment

| Pt' approval | Company | La | Equity | Quasi | Partic |
|---------------------------|---------|-------|--------|-------|--------|
| 2001 SaradaT - CL2 | | 8.00 | 0.00 | 2.00 | 0.00 |
| 1997 Transorient CL4 | | 0.00 | 0.00 | 0.00 | 7.50 |
| 1993 BYBLOS BANK | | 0.00 | 0.00 | 0.00 | 3.00 |
| 2001 Baltic SME | | 10.00 | 5.00 | 2.50 | 0.00 |
| 1997 BankBeirut CLA | | 0.00 | 0.00 | 0.00 | 7.50 |
| 1997 Banque Saradar | | 0.00 | 0.00 | 0.00 | 7.50 |
| Total pending conunitment | | 8.00 | 5.00 | 4.50 | 25.50 |

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Annex 10: Country at a Glance

LEBANESE REPUBLIC: Community Development Project

M. East Upper-

POVERTY and SOCIAL

& North middle-

| | | | | |
|---|---------|--------|-------------|-----------------------------------|
| Lebanon | Africa | income | Development | diamond |
| 1999 | | | | |
| Population, mid-year (millions) | | 4.3 | 291 | 573 |
| GNP per capita (Atlas method, US\$) | | 3,720 | 2,060 | 4,900 |
| GNP (Atlas method, US\$ billions) | | 15.9 | 599 | 2,811 |
| Average annual growth, 1993-99 | | | | |
| Population (3) | 1.7 | | 2.1 | 1.4 |
| Labor force (X) | | 3.2 | 3.0 | 2.1 |
| per | | | | |
| primary | | | | |
| Most recent estimate (latest year available, 1993-99) | | | | |
| Poverty (X of population below national poverty line) | | | | |
| Urban population (X of total population) | | 89 | 58 | 76 |
| Life expectancy at birth (years) | | 70 | 68 | 70 |
| Infant mortality (per 1,000 live births) | | 27 | 45 | 27 |
| Child malnutrition (X of children under 5) | | 3 | 15 | 7 |
| Access to improved water source (X of population) | | 100 | 71 | 78 |
| Illiteracy (% of population age 15+) | | 14 | 36 | 10 |
| Gross primary enrollment (% of school-age population) | | 111 | 95 | 109 |
| Male | | 113 | 102 | |
| Female | | 108 | 8a | |
| KEY ECONOMIC RATIOS and LONG-TERM TRENDS | | | | |
| 1979 | 1909 | 1998 | 1999 | |
| Economic ratios | | | | |
| GDP (US\$ billions) | | 2.7 | 16.7 | 16.6 |
| Gross domestic investment/GDP | | | 24.0 | 22.0 |
| Exports of goods and services/GDP | | 18.4 | 10.8 | 11.8 |
| Gross domestic savings/GDP | | | -11.5 | -11.6 |
| Gross national savings/GDP | | | 3.7 | 3.5 |
| Current account balance/GDP | | 13.0 | -20.8 | -15.1 |
| Interest payments/GDP | | 0.4 | 1.1 | 1.9 |
| Total debt/GDP | | 37.7 | 40.2 | 50.8 |
| Total debt service/exports | | 3.2 | 8.9 | 16.2 |
| Present value of debt/GDP | | | 4000 | |
| Present value of debt/exports | | | 133.1 | |
| Indebtedness | | | | |
| 1979-89 | 1989-99 | 1998 | 1999 | 1999-03 |
| (average annual growth) | | | | |
| GDP | | 8.3 | 2.0 | -1.0 |
| GNP per capita | | 6.0 | -0.8 | -3.1 |
| Exports of goods and services | | 10.5 | 5.9 | 8.2 |
| STRUCTURE of the ECONOMY | | | | |
| 1979 | 1989 | 1998 | 1999 | Growth of investment and GDP (%) |
| (X of GDP) | | | | 10 |
| Agriculture | | | | 12.8 |
| Industry | | | | 27.4 |
| Manufacturing | | | | 17.9 |
| Services | | | | 59.7 |
| 54 | 5 | | | 62.0 |
| Private consumption | | | | 97.4 |
| General government consumption | | | | 14.1 |
| Imports of goods and services | | | | 46.3 |
| 1979-09 | 1909-99 | 1998 | 1999 | Growth of exports and Imports (%) |
| (average annual growth) | | | | |
| Agriculture | | | | 2.8 |
| Industry | | | | 0.4 |
| Manufacturing | | | | 1.8 |
| Services | | | | 1.4 |
| Private consumption | | | | 4.3 |
| General government consumption | | | | 5.2 |
| Gross domestic investment | | | | 11.5 |
| Imports of goods and services | | | | 5.7 |
| Gross national product | | | | 7.0 |

Note: 1999 data are preliminary estimates.

The diamonds show four key indicators in the country (in bold) compared with its in

be incomplete.

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| | | | | | |
|---|-------|--------|---------|---------|-----|
| Lebanon | | | | | |
| PRICES and GOVERNMENT FINANCE | | | | | |
| Domestic prices
(% change) | 1979 | 1989 | 1998 | 1999 | |
| Consumer prices | .. | 42.7 | 3.8 | 0.5 | 3 |
| Implicit GDP deflator | .. | 73.0 | 7.8 | -0.1 | 2 |
| Government finance | | | | | |
| (% of GDP, includes current grants) | | | | | |
| Current revenue | .. | 4.7 | 17.6 | 19.4 | |
| Current budget balance | .. | -31.9 | -8.6 | -9.3 | |
| Overall surplus/deficit | .. | -34.4 | -13.6 | -14.3 | |
| TRADE | | | | | |
| (US\$ millions) | 1979 | 1989 | 1998 | 1999 | |
| Total exports (fob) | .. | .. | 716 | 677 | |
| Paper and paper products | .. | .. | 251 | 230 | |
| Food and foodstuffs | .. | .. | 121 | 112 | 9 |
| Manufactures | .. | .. | .. | .. | |
| Total imports (cif) | .. | .. | 7,070 | 6,207 | |
| Food | ..3. | .. | .. | .. | |
| Fuel and energy | .. | .. | .. | .. | |
| Capital goods | .. | .. | .. | .. | |
| Export price index (1995=100) | ..3 | 94 9s | s 97 | Be 99 | |
| Import price index (1995=100) | I. .. | .. | .. | .. | |
| Terms of trade (1995=100) | .. | .. | .. | .. | |
| BALANCE of PAYMENTS | | | | | |
| (125\$ millions) | 1979 | 1989 | 1998 | 1999 | |
| Exports of goods and services | .. | 499 | 1,616 | 1,677 | |
| Imports of goods and services | .. | 2,489 | 7,623 | 6,699 | |
| Resource balance | .. | -1,990 | -8,007 | -5,022 | -1 |
| Net income | .. | 690 | 220 | 100 | |
| Net current transfers | .. | 1,652 | 2,313 | 2,413 | |
| Current account balance | .. | 352 | -3,474 | -2,509 | -30 |
| Financing items (net) | .. | -395 | 2,913 | 1,263 | |
| Changes in net reserves | .. | 43 | 561 | 1,246 | |
| Memo: | | | | | |
| Reserves including gold (US\$ millions) | .. | .. | 9,207 | 10,454 | |
| Conversion rate (DEC, local US\$) | .. | 496.7 | 1,516.1 | 1,507.6 | |
| EXTERNAL DEBT and RESOURCE FLOWS | | | | | |
| 1979 1989 1998 1999 | | | | | |
| (US\$ millions) | | | | | |
| Total debt outstanding and disbursed | 278 | 1,023 | 6,726 | 8,446 | |
| IBRD | 22 | 37 | 199 | 234 | |
| IDA | 0 | 0 | 0 | 0 | |
| Total debt service | 10 | 92 | 450 | 825 | |
| IBRD | 3 | 3 | 20 | 25 | |
| IDA | 0 | 0 | 0 | 0 | |
| Composition of net resource flows | | | | | |
| Official grants | 68 | 69 | 107 | 150 | |
| Official creditors | 54 | -23 | 119 | 27 | |
| Private creditors | 0 | 2 | 1,408 | 2,404 | |
| Foreign direct investment | 0 | 2 | 200 | 2,154 | |
| Portfolio equity | 0 | 0 | 147 | 60 | |
| World Bank program | | | | | |
| Commitments | 0 | 0 | 63 | 0 | A |
| Disbursements | 12 | 0 | 48 | 49 | B |
| Principal repayments | 2 | 2 | 9 | 12 | C |
| Net flows | 10 | -2 | 38 | 37 | |
| Interest payments | 1 | 1 | 11 | 13 | |
| Net transfers | 9 | -3 | 28 | 24 | |

Development Economics

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Additional: Annex 11

LEBANESE REPUBLIC: COMMUNITY DEVELOPMENT PROJECT

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION (CDR)

TERMS OF REFERENCE FOR PROJECT COORDINATOR (PC)

Project preparation and implementation

1. Responsible for coordinating with the World Bank, the CDR's President and the MO clearances and approvals related with the CDP. Ensures the World Bank receives all communications from either the CDR or MOF regarding the CDP.
2. Responsible for coordinating the timely implementation of the CDP with the CDR's (planning, projects, legal and finance) and the board (approvals of PI contracts and the World Bank (reviews and no objections, disbursements) and the PMT (CDP prog monitoring and evaluation, contract management and payments) on the other.
3. Review and seeks approvals by the CDR and the World Bank of project related documents and disbursements, implementation manuals and other project related activities workshops to participating NGOs on the preparation of subproject proposals, procure
4. Prepares the appropriate procurement documents for the selection of the PMT and participates in the evaluation committee for selecting the PMT and PIs Consultants.
5. Reviews and obtains approvals of the CDR and the World Bank of updates to the Op
6. Ensures that there is coordination and complementarity with government and donor ensures the PMT establishes a system for regular consultation and exchange of information ministries, the CDR and the NGO community in Lebanon.

Finance and accounting

- -
1. Reviews and authorizes all payments (disbursements) made under the CDP to the PM consultants.

2. Ensures the PMT maintains proper accounting records for all CDP activities and ensures timely integration into a Financial Management Information System (FMIS) and reconciliation ledger.

Ensures the PMT compiles on a regular basis the financial status of the CDP in accordance with accounting standards and issues, on a quarterly basis, Project Management Reports (PMRs) to the Bank.

Project supervision and evaluation

1. Ensures that PMT monitors all activities linked to PI's subproject agreements.
2. Ensures that PMT uses appropriate management information system, and established keep NGO-specific statistics (in order to facilitate monitoring).
3. Reviews, informs and obtains approvals of the CDR and the World Bank on potential subproject costs and financing.
4. Follows-up the PMT's supervision of the project execution by the PIs and reviews and the World Bank on supervision reports and disbursement schedules prepared by the PIs.
5. Reviews the PMT's methodology for systematic evaluation of PI's performance (using evaluations, beneficiary assessments, etc.).
6. Reviews and follows-up on the PMT's assessment of overall NGO performance and shares these findings with the CDR, sector ministries and the World Bank.
7. Reviews the work of the PMT to ensure compliance with the provisions of the Loan Agreement, particularly as it regards to the environmental screening of subprojects environmental expert services to review the design and implementation of subproject Category B, and to ensure that appropriate mitigative measures are incorporated and

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Additional: Annex 12

LEBANESE REPUBLIC: COMMUNITY DEVELOPMENT PROJECT

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

TERMS OF REFERENCE FOR PROJECT MANAGEMENT TEAM (PMT)

Project preparation and procurement

1. Responsible for ensuring the timely implementation of the CDP by the PIs, and monitored through the CDR PC.
2. Develops appropriate, simplified documents and implementation instructions in accordance with the CDR's policies and procedures.

Manual (OM) and offers technical seminars and workshops to participating Pls to cla preparation of programs proposals, procurement procedures, and other project implem
 3. Prepares the appropriate tender documents for the selection of the Pls and TA c
 4. Participates in the evaluation committee for selecting the Pls and TA consultan
 5. Updates the OM on program appraisal criteria and guidelines, improves appraisal develop uniform monitoring and evaluation indicators for each type of subproject in
 6. Ensures coordination and complementarity with government and donor-sponsored ac
 7. Establishes a system for regular consultation and exchange of information with community in Lebanon
 8. Screens subprojects to identify those classified EA Category B for further revi
 Guidelines and that appropriate mitigative measures are incorporated in the design
 9. Ensures compliance with the applicable section of the Loan and Project Agreemen CDP.

Finance and accounting

1. Reviews and recommends approvals or other pertinent actions to be coordinated b made or to be made under the CDP to the Pls and TA consultants.
 2. Reviews and audits all disbursements made under the CDP by the Pls and informs through the CDR PC.
 3. Maintains proper accounting records for all CDP activities and ensures their pr Financial Management Information System (FMIS), and reconciliation with CDR ledger.
 4. Compile on a regular basis the financial status of the CDP and issues, on a qua Bank.

Project supervision and evaluation

1. Monitors all activities linked to subproject implementation.
 2. Uses appropriate management information systems, and establishes a PI database order to facilitate monitoring and evaluation).
 3. Informs CDR and the Bank through the CDR PC of potential delays and changes in requirements.
 4. Supervises the project execution by the Pls and the work of TA consultants.
 i 5. Prepares supervision reports and disbursement schedules for the CDR PC's revie
 6. Establishes a methodology for systematic evaluation of NGO and CDP performance evaluations indicators, beneficiary assessments, etc.).
 7. Assess overall NGO performance on an ongoing basis and shares these findings wi through the CDR PC.
 8. Provides the services of environmental specialists to supervise those subprojec that appropriate environmental mitigative measures are incorporated in the design a
 9. Ensures that PIs and consultants contracted by the CDR for the execution of the of the Loan Agreement and the Project Agreement, paying particular attention to the conditions.
 10. Provides all necessary support to the CDR and the Bank in the supervision of th
 11. Actively participates in all project reviews, particularly the mid-term review I..lementation Completion Report (IC...

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Additional: Annex 13

LEBANESE REPUBLIC: COMMUNITY DEVELOPMENT PROJECT

TERMS OF REFERENCE FOR

QUALIFICATION OF PROJECT INTERMEDIARIES (Pls)

Criteria

Description

1. Credibility Proven track record in implementing similar projects during the 1 and Legal beneficiaries not being limited to specific gender or religion.
 status: . Detailed and accurate books and records of its finances and should appropriately detailed reports.
 Periodic assessment of the results of its activity by established measurements and with set standards.
 Verification of an NGO's legitimate legal status.
 Confirming the organization's credibility through informal consultations with activ 'Lebanon in order to identify recently created ad hoc groups, which have been creat foreign funds, which have a questionable history in the transparent management of f lack legitimate grassroots links.
 Verifying that eligible NGOs understand and practice sound accounting principles an applicable) they have no objection to external auditing.

2. Verifying ties to local communities and the extent to which potential Representativity legitimate representative of their interest is an important criterion. Representativity of local NGOs by assessing the level of accountability to members communities, structures to reach and consult with target groups, democratic and inclusive making and responsiveness to beneficiary interests. Establishing community ties and trust is a long-term process. A project involving the creation of new groups or the activities into areas where they have had no previous contact should take this into account. 3. Specific Confirm the availability of the required personnel with relevant skills competencies identifying and implementing similar programs; of particular importance produce financial management reports suitable to meet the Bank's minimum requirements CDP. Joint-ventures of complementary experienced organizations may be considered if capability of working together. Review human resources and technical expertise by examining the adequacy of the personnel to specific roles envisaged for the NGO. For example, the characteristics to provide technical assistance and training will differ from those selected to implement. The strengths and competencies of individual NGOs vary enormously. NGOs may have a sector or geographic specialization. They may focus on participatory techniques, some both. It is therefore essential to determine which types of skills are required for hand and to choose the NGO accordingly.

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Confirm the presence of a monitoring system capable of providing timely information project implementation.

1 Ability to demonstrate familiarity with the project area and to show an established grassroots interventions, and credibility with local population.

4. Institutional Capacity The organization should have clear, well-defined and written policies relating to employees and volunteers, prohibiting conflicts of interest officers, employees, consultants, and volunteers.

The organization should demonstrate that it has provided adequate training for the volunteers during the last three years of operations.

The organization should demonstrate efficiency in the management of financial and human as evidenced by the level of overhead costs.

1 Institutional capacity to meet Project needs. This includes adequate staff, sound management, financial stability, sufficient facilities, equipment, vehicles, etc. Even optimistic about their ability to "scale-up", careful consideration should be given proposals, which significantly exceed the scale of an NGO's past activities.

5. Proven track record Proven track record in working with the poor and vulnerable group record at the local and national level. The assessment of NGO capacity should organization's stated goals and interests but on its proven track record. Where possible provided by the NGO about its past activities and impact should be cross-checked with The most effective way of evaluating an NGO's track record would be to consult those affected by the NGO's activities. An NGO's level of past experience in working with government or other international donors is another factor, which could be taken into account.

6. Relationship Credibility and acceptability to stakeholders and government and position i with relationship with government is a factor, which can be key to success.

Government relations are complex and as a general rule, collaboration should be political and do not engage in overt partisan political activities. Collaboration with considered opponents of the State can be problematic, as can collaboration with government NGOs that are effectively a creation of government and do not represent any independent

7. Criteria for Three (3) years experience in providing training on technical and NGOs providing entrepreneurs.

training and Adequate outreach, resources and extension services capabilities in business support

to micro-credit Capability of working with financial intermediaries lending to micro schemes training and support services to widen the coverage of access to credit operation.

Wide experience in training beneficiaries through field officers.

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Additional: Annex 14

LEBANESE REPUBLIC: COMMUNITY DEVELOPMENT PROJECT

SAMPLE OF SUBPROJECT AGREEMENT

BETWEEN

THE COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION (CDR) AND PROJECT INTERMEDIARIES (PIs)

Agreement dated _____ between the Council for Development and reconstruction on behalf of the Government of Lebanon (GOL), hereinafter referred to as the CDR, and _____ (abbreviated name of NGO concerned), party of the second

WHEREAS:

(a) Under the terms of the Loan Agreement no ... of ... (date) concluded between the Lebanon (hereinafter referred to as The Government) and the World Bank (hereinafter Bank), a loan in various currencies in an amount equivalent to US\$20 million has been financed to execute the Community Development Project (hereinafter referred to as the CDP). The Loan Agreement further stipulates that the responsibility for the execution of the CDP on behalf of the Government is delegated to the CDR, and that implementation shall be done through qualified national and international Non-Governmental Organizations (NGOs), which are project intermediaries (hereinafter referred to as PIs);

(b) The _____ (name of NGO concerned), which was selected by the CDR, following the guidelines for the procurement of consultants, as a qualified PI for the execution of the CDP, has prepared a grassroots development program called _____ (name of the Program) described in Annex I to the present agreement. The CDR finds the Program acceptable and in accordance with the stipulations of the CDP operations Manual. The CDR's financial assistance for execution of the said Program;

(c) Consequently upon the foregoing, the CDR has agreed inter alia to provide financial assistance to the _____ (name of NGO) on the conditions set forth hereinafter.

NOW THEREFORE, the parties to the present Agreement hereby agree as follows:

Article 1

DEFINITIONS

1.1 The term "financial assistance" designates a sum of money granted by the CDR to the _____ (name of NGOs), pursuant to the provisions of Article 2 of the present Agreement, by way of contribution by the CDR to the financing of the Program.

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Article 2

FINANCING

2.1 The CDR agrees to contribute to the financing required for execution of the Program with financial assistance to _____ (name of NGO) in the equivalent amount of US\$ _____. The _____ (name of NGO) will maintain separate project accounts to permit external audits, which shall comply with the specific requirements stipulated in the CDP Operations Manual. The CDR has the right to inspect these accounts or have independent auditors to review these accounts to verify that they are used for eligible subprojects included in the approved program.

2.2 The contract amount will be disbursed by the CDR in tranches as advances to the _____ deposited into a separate special Program account opened in the name of _____ (name of N banking institution where _____ (name of NGO) keeps its usual accounts).

The first tranche in an amount of ten percent (10%) of the contract amount will be disbursed at the signature of the present Agreement without a requirement of a bank guarantee by the CDR. 2.3 Each subsequent tranche will be disbursed when at least 50 percent of the initial tranche has been used, and up to reaching ninety percent (90%) of the contract amount. A ten percent amount will be retained until completion of the program. Replenishment of the advance against all necessary accounting documents (such as order notes, invoices, contract notices, etc.) vouching that the amounts already disbursed have indeed been used for the execution of the Program.

2.4 The amount of the financial assistance duly disbursed by the CDR is not reimbursed to the _____ (name of NGO) except in the cases referred to in Article _____ of the present Agreement.

2.5 In the event that under the Loan Agreement, the right of the Government to effect the Bank Loan's Special Account is temporarily or definitively suspended, for whatever reason, the financial assistance to the Program will be similarly and simultaneously suspended for the same period or definitively, as the case may be.

Article 3

EXECUTION OF THE PROGRAM

3.1 (name of NGO) shall execute the Program in accordance with applic of the CDP Operations Manual, the financial proposal defining the value of the over proposal defining the program and its execution and the revisions to the same as ne and the Loan Agreement, which are part of this contract. The execution of the progr all due diligence and efficiency, applying appropriate administrative, financial an methods. The (name of NGO) shall inform the CDR promptly of any circumst would hinder or be likely to hinder the execution of the Program, and shall maintai documentation and accounts giving the facts of all expenditures related to the Prog listed in the list of attachments to this contract form a part of this contract. Th Agreement prevail over any other documents in cases of any discrepancies or omissio documents.

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{}:

3.2 (name of NGO) shall report its work directly to the Project Manag (PMT) on all aspects of Program implementation as required in the CDP Operations Ma stipulated in this agreement.

3.3 (name of NGO) shall (a) purchase goods and services in accordance Bank procurement procedures included in the Loan Agreement and stipulated in detail Operations Manual; and (b) ensure that all the goods and services financed by the f used exclusively for the execution of the Program.

3.4 (name of NGO) expressly recognizes that the CDR and the World right to inspect the goods and services referred to in paragraph above, either alon representatives of the CDR. To that end, the CDR and the World Bank representatives access to the work sites, works, plants, and structures forming part of the program relating to the management of the Program.

3.5 Without prejudice to the provisions of paragraph 3.4 above, (name of NGO) promptly furnish the CDR with all information that the World Bank may wish to recei execution of the Program, the management and financial situation of (name and the benefits that could accrue to the target population upon completion of the

3.6 Subject to the provisions of Article 2.5 above, the CDR may suspend or terminat (name of NGO) to withdraw the undisbursed amounts of the financial assistance if (name of NGO) shall fail to comply with any of the obligations incumbent upon it by virtue of the present Agreement. If (name of NGO) shall fail to remedy a deficiency within 60 days after it has been so notified by the CDR, the CDR may req to reimburse all sums already withdrawn by (name of NGO) by virtue of the pres unless (name of NGO) demonstrates to the satisfaction of the CDR that the s already been used for the needs of the Program.

3.7 (name of NGO) shall furnish to the CDR: (a) not later than of progress report on the Program execution, the reasons for any delay that has occur Program and all measures taken or to be taken to remedy it and to ensure completion schedule, and (b) three months after completion of the Program, a program completio the activities executed under the Program and the measures taken to ensure that the Article 4

MISCELLANEOUS PROVISIONS

4.1 All notifications or requests that are required to be or that may be made by or virtue of the present Agreement shall be made in writing. Such notification or requ have been duly made when delivered into the hands of or by letter to the party to w the address of such party specified below or to any other address that such party s party making the said notification or request.

| | | |
|-------------|-----------|---------------|
| For the CDR | For | (name of NGO) |
| (Address) | (Address) | |

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{}:

4.2 All measures that are required to be or that may be taken and all documents tha that may be signed by virtue of the present Agreement shall be signed on behalf of behalf of (name of NGO) by (title of person sign).

| | |
|---------|---------------|
| CDR | (Name of NGO) |
| By | by |
| (Title) | (Title) |

Attachments:

1. Detailed approved program description.
2. (name of NGO) technical and financial proposal and the minutes of contract (technical aspects of the program and overhead fee as negotiated with the CDR).
3. CDP Operations Manual, Loan Agreement (LA) and Project Appraisal Document (PAD)

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MAP SECTION

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