

Lebanon Financing Facility for Reform, Recovery and Reconstruction (LFF)- Questions and Answers

Following the Port of Beirut explosion on August 4, 2020, the World Bank Group, the European Union and the United Nations developed the Reform, Recovery and Reconstruction Framework (3RF) in order to address Lebanon's immediate- and short-term needs.

The 3RF provides a costed and prioritized framework of key actions needed to support recovery and reconstruction efforts in Lebanon. It aims to 'build back better' through an integrated approach focused on people-centered recovery, preparing the ground for medium-term reconstruction, and initiating key structural reforms, based on the principles of transparency, inclusion, and accountability.

The 3RF includes a financing strategy that acknowledges the critical role that grant resources will need to play in bridging the gap between immediate humanitarian assistance and future financing for reconstruction. The 3RF also proposes a new Lebanon Financing Facility (LFF) to pool grant resources and strengthen coherence and coordination of financing. The LFF is one (but not the only) instrument to channel support to selected priorities under the 3RF. The LFF will focus on supporting the 3RF's recovery track and reform or institutional strengthening measures.

1. What is the Lebanon Financing Facility (LFF)?

The Lebanon Financing Facility (LFF) is a multi-donor trust fund established by the World Bank in close cooperation with the United Nations and the European Union, and with support from key donors. Its objective is to kickstart the immediate socio-economic recovery of vulnerable populations and businesses affected by the Port of Beirut explosion and to support the Government of Lebanon (GOL) catalyze reforms and prepare for medium-term recovery and reconstruction. The LFF will provide an important means for mobilizing support in a transparent, inclusive, timely and well-coordinated manner, especially in a context of high uncertainty.

The LFF will adopt innovative and flexible implementation modalities: It will seek to provide direct support to capable non-government organizations (NGOs) and civil society organizations (CSOs) as well as to private sector intermediaries to reach affected micro-, small- and medium-sized enterprises (MSMEs). The LFF also provides a mechanism to support program implementation by the United Nations and World Bank, thereby leveraging the strong expertise of both organizations.

2. What are the LFF Priorities?

The LFF will prioritize its activities under three main areas of focus, namely:

- **Socioeconomic and Business Recovery:** This focus area will address urgent recovery priorities of vulnerable communities and businesses in Beirut. Examples of socioeconomic recovery activities include delivery of social welfare services (e.g. mental health), urgent environmental interventions and the rehabilitation of small-scale urban infrastructure. A dedicated program will support business recovery and provide grant financing and technical assistance to eligible MSMEs.
- **Preparing for Reform and Reconstruction:** This focus area will support the design and implementation of targeted governance, business environment and social sector reforms that are critical for building citizen trust in state institutions. Support will also be provided to prepare for cost-intensive medium-term reconstruction of the Port of Beirut and affected neighborhoods through technical analysis, development of action plans, design support of public/private financing solution in the port, housing and/or cultural heritage sector.
- **Coordination, Monitoring, Accountability and Oversight:** This focus area will strengthen the capacity and institutional arrangements for multi-stakeholder dialogue, coordination and monitoring foreseen under the 3RF. Examples include support for establishing the proposed independent oversight body, strengthening citizen engagement and third-party monitoring.

3. When will the LFF be operational? What are its target size and duration?

The LFF has been formally established on December 18, 2020 and is expected to provide financing to a first set of projects in early 2021. The LFF will have an initial duration of 5 years. It seeks to raise US\$75-US\$100 million in its first year and reach up to US\$200 million in its second year. The LFF has been designed flexibly to serve as an efficient means for channeling donor support which may become available over time.

4. What is the geographic scope of the LFF?

The LFF will focus initially on Beirut's recovery. It also foresees support to the GOL in designing and/or implementing selected reforms which are not geographically limited to Beirut. Additionally, the LFF provides for the possibility of channeling support to programs beyond Beirut, for instance, via social protection programs, and subject to donor support.

5. What is the governance structure of the LFF?

The LFF Partnership Council (PC) – will guide and monitor LFF implementation. Key responsibilities of the PC include ensuring alignment of financing with 3RF priorities, guiding trust fund priorities, endorsing annual work plans and budgets, and reviewing progress. The LFF will take strategic guidance from the 3RF Consultative Group. The LFF PC will be co-chaired by the World Bank Country Director and a senior-level representative from the EU. Membership will consist of the UN Resident Coordinator (as observers); all LFF donors above a minimum contribution of US\$5 million; Government representatives; and CSO/NGO/private sector representatives (on a rotating basis) as observers.

6. What will the role of the Government be in the LFF?

The Lebanese government will be represented on the LFF's Partnership Council. The LFF program management team will also engage with other relevant government counterparts, and government organizations will be engaged at the sector/technical levels for all activities. In the short-term – especially given the current political uncertainty in the country – government-led implementation will be limited, and the LFF will prioritize implementation via the UN, NGOs/CSOs, and private sector intermediaries. That said, the LFF will seek to invest in central and local government capacity and institutions to promote inclusion, accountability and transparency as well as foster citizen trust. This work includes helping line ministries to take the lead on recovery and reconstruction efforts and on a broader governance and reform agenda while adopting more collaborative ways of working. Subject to reform progress and PC agreement, government-led implementation could replace alternative modalities.

7. How will the LFF engage NGOs/CSOs?

As currently envisioned, selected activities will be implemented by NGOs/CSOs under the LFF. Indicative areas include environmental recovery, provision of social welfare services for vulnerable groups, and promoting accountability and transparency. The proposal is to competitively select intermediary agencies (e.g. an international NGO) to implement activities under selected priority areas and provide grants to smaller local NGOs/CSOs. A key criterion for the selection of intermediary agencies would be their capability to meet the World Bank's fiduciary standards. Other selection criteria include tested implementation arrangements, transparent governance and operational independence.

8. How will the World Bank ensure transparency and efficiency in disbursing funds from the LFF?

The LFF will benefit from the World Bank's high fiduciary standards, through the application of its fiduciary framework for financial management, procurement, and environmental and social safeguards. To further improve transparency in implementation, procurement plans, procurement notices and contract awards will be published on publicly accessible portals that will be agreed upon with the implementing agencies under each project.

The World Bank's Anti-Corruption Guidelines are applied to all Bank financed projects, which among other issues, state that "the Bank requires that Borrowers (including beneficiaries of Bank financing); bidders (applicants/proposers), consultants, contractors and suppliers; any sub-contractors, sub-consultants, service providers or suppliers; any agents (whether declared or not); and any of their personnel, observe the highest standard of ethics during the procurement process, selection and contract execution of Bank-financed contracts, and refrain from Fraud and Corruption".

9. How will the LFF ensure adequate gender equality throughout program implementation?

The WBG's approach to operationalize gender equality in its interventions is focused on efforts and results geared towards narrowing the gender gap. All WBG supported initiatives in the MENA region, including the LFF are to be "gender tagged", i.e. projects need to: **(i)** identify/analyze existing gender gaps or disparities between women and men; **(ii)** design action(s) to narrow the identified disparities; and **(iii)** define indicator(s) monitoring the closing of gender disparities based on actions specified. The LFF will ensure that programs promote gender equality and community engagement and target women, youth and other vulnerable populations such as displaced and disabled people. The LFF Program Management Team will assess all activities proposed for LFF financing to "promote opportunities to contribute to reconstruction, ensuring social inclusion and gender objectives". The LFF Results Framework will ensure that all beneficiary level indicators are not only disaggregated by sex (individual beneficiaries by sex of household are head) for monitoring purposes, but that relevant indicators also include specific targets for women and men as a means to monitor progress towards closing any gender gaps that have been identified.

10. How will the LFF ensure that environmental and social risks are mitigated throughout the implementation cycle?

All LFF interventions will need to comply with the Environmental and Social Framework (ESF) of the World Bank as well as national environmental regulations. The implementing agencies of the different interventions will need to prepare environmental and social instruments that would assess the site-specific environmental and social risks and impacts related to their correspondent activities. All relevant projects will set up a Grievance Redress Mechanism (GRM) that will be widely disseminated and easily accessible to all, to ensure beneficiaries and other stakeholders have access to a grievance mechanism.

11. How will the program results be measured?

The LFF will have an overarching results framework reporting on outputs and results at the Program level. In addition, as with all World Bank-financed projects, each project under the LFF will have its own monitoring and evaluation arrangements, including a results impact that will describe the project impact and outputs through indicators that can be monitored over the project life. Furthermore, standard World Bank monitoring and reporting processes will be used (e.g. Implementation Status Reports and Implementation Completion Reports) and will be published on the World Bank Lebanon website in line with the World Bank's Access to Information Policy.

12. Are LFF donors able to preference or earmark their support for specific activities?

As a member of the governing body, Development Partners (DPs) have an opportunity to express their preferences and influence the Program during the discussion of the annual work program and budget. DPs also have inputs on the results framework. DPs can express a non-binding preference to finance specific sectors, themes and/or geographic areas. The World Bank cannot guarantee that the contribution will be used for the DP's specific preferences but will try to accommodate these preferences to the extent possible.

13. Is the LFF connected to IFC's efforts targeted towards private sector support?

To help expedite and streamline support for the private sector, a separate IFC administered trust fund is being considered. The IFC fund, aiming at establishing short-medium term private sector development solutions, including di-risking and blended finance, would be associated closely with the World Bank-managed LFF and operate under a common strategic framework with harmonized governance arrangements to ensure a joint approach and coordination between public and private sector activities. The current LFF target amount does not include IFC's fundraising target for supporting blended finance.

14. Is the LFF aligned with other development financing efforts that are already ongoing?

The LFF will complement other strategic financing efforts contributing to the country's recovery, reconstruction and reform process. Coordination between LFF-financed projects and direct support by development partners in response to the port explosion will take place at the 3RF Consultative Group and at sector level. The LFF can play a role in complementing these efforts by strengthening institutional systems and/or helping to fill programming or analytical gaps. The LFF also complements the Global Concessional Financing Facility (GCMF) which operates through the government and increases the concessionality of lending that targets host communities and refugees. Launched in 2016, the GCMF provides concessional financing to middle income countries large numbers of refugees at rates usually reserved for the poorest countries.

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