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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 71.8 MILLION

(US\$100.0 MILLION EQUIVALENT)

WITH CO-FINANCING FROM THE LEBANON SYRIAN CRISIS MULTI-DONOR TRUST FUND (LSCMDTF)

AND THE RESULTS IN EDUCATION FOR ALL CHILDREN TRUST FUND (REACH TF)

IN THE AMOUNT OF US\$124 MILLION

TO THE

LEBANESE REPUBLIC

FOR A

SUPPORT TO REACHING ALL CHILDREN WITH EDUCATION (RACE 2) PROGRAM-FOR-RESULTS

September 2, 2016

Education Global Practice
Middle East and North Africa

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CURRENCY EQUIVALENTS

(Exchange Rate Effective: July 31, 2016)

Currency Unit = LBP Lebanese Pound

1,506.50 Lebanese Pounds = US\$1

US\$1.393 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ALP	Accelerated Learning Program
AY	Annual Year
BLN	Basic Literacy and Numeracy
CERD	Center for Educational Research and Development
CI	Central Inspection
CoA	Court of Accounts
CPF	Country Partnership Framework
CTB	Central Tender Board
DfID	Department for International Development (UK)
DLI	Disbursement-Linked Indicator
DLR	Disbursement-Linked Result
DOPS	Pedagogical and Scholastic Guidance Office (<i>Direction d’Orientation Pédagogique et Scolaire</i>)
ECE	Early Childhood Education
E4C	Education for Competitiveness
EDP II	Second Education Development Project
EESSP	Emergency Education System Stabilization Project
EMIS	Education Management Information System
ESSA	Environmental and Social Systems Assessment
EU	European Union
FSA	Fiduciary Systems Assessment
GDP	Gross Domestic Product
IDA	International Development Agency
KG	Kindergarten
M&E	Monitoring and Evaluation
MEHE	Ministry of Education and Higher Education
MENA	Middle East and North Africa

MIC	Middle Income Country
MOF	Ministry of Finance
MOSA	Ministry of Social Affairs
NFE	Non-Formal Education
PAD	Program Appraisal Document
PAL	Public Accounting Law
PAP	Program Action Plan
PDO	Program Development Objective
PFM	Public Finance Management
PforR	Program-for-Results
PMU	Project Management Unit
POM	Program Operations Manual
RACE	Reaching All Children with Education in Lebanon
RBF	Results-Based Financing
REC	RACE Executive Committee
REO	Regional Education Office
SC	Steering Committee
SIMS	School Information and Management System
TORs	Terms of Reference
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Emergency Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
WB	World Bank

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LEBANESE REPUBLIC

Support to Reaching All Children with Education (RACE 2) Program for Results

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PAD DATA SHEET

Lebanese Republic

Support to RACE 2 Program for Results

PROGRAM APPRAISAL DOCUMENT

*Middle East and North Africa
Education Global Practice*

Basic Information

Date: August 26, 2016	Sectors: Primary Education, Secondary Education
Country Director: Ferid Belhaj	Themes: Human Development, Education for All
Practice Manager: Safaa El Tayeb El-Kogali	
Practice Group Vice President: Keith E. Hansen	
Program ID: P159470	
Team Leader(s): Noah Yarrow/Peter A. Holland	

Program Implementation Period:	Start Date: 22-Sept-2016	End Date: 31-Aug-2022
Expected Financing Effectiveness Date:	30-Mar-2017	
Expected Financing Closing Date:	28-Feb-2023	

Program Financing Data

[]	Loan	[X]	Grant	[]	Other		
[X]	Credit						
For Loans/Credits/Others (US\$M):							
Total Program Cost :		1,845		Total Bank Financing :		100.0	
Total Co-financing,		896.0		Other Development		849	

including forecasted
Development Partner
Financing :

Partner Financing
Needed/Financing Gap :

Financing Source

Amount

IDA	100.0
Lebanon Syrian Crisis Multi Donor Trust Fund	120.0
REACH TF	4.0
Total	224.0

Borrower: Lebanese Republic

Responsible Agency: Ministry of Education and Higher Education

Contact: Fadi Yarak

Title: Director General

Telephone No.: 961-1-722-110

Email: FYarak@MEHE.gov.lb

Expected Disbursements (in US\$M)

Fiscal Year	FY17	FY18	FY19	FY20	FY21	FY22	FY23		
Annual	6.1	38.2	51.4	34.4	72.1	15.0	7.0		
Cumulative	6.1	44.2	95.6	129.9	202.0	217.0	224.0		

Program Development Objective(s)

The Program Development Objective is to promote equitable access to education services, enhance quality of student learning, and strengthen the education systems in the Recipient's education sector in response to the protracted refugee crisis.

Compliance

Policy

Does the program depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy waiver sought from the Board?	Yes []	No [X]

Overall Risk Rating: High

Legal Covenant: Establishment of an internal audit function no later than twelve (12) months from the Effectiveness Date.

Name	Recurrent	Due Date	Frequency
Establishment of internal audit function	Yes	Within twelve (12) months after Program Effectiveness	Once
Description of Covenant The Ministry of Education and Higher Education (MEHE) will recruit a consultant to perform the internal audit function and train MEHE staff in internal audit according to approved Terms of Reference (TORs), no later than twelve (12) months from the Effectiveness Date.			
Legal Covenant: The Recipient shall, no later than three (3) months after the Effective Date, engage an Independent Verification Agent under terms of reference acceptable to the Association, to prepare and provide verification reports certifying the achievement of Disbursement-Linked Results (DLRs).			
Name	Recurrent	Due Date	Frequency
Recruitment of Independent Verification Agency	Yes	Within three (3) months after Program Effectiveness	Once
Description of Covenant MEHE will recruit an Independent Verification Agent to carry out in accordance with the timetable and the verification protocol set out in the Program Operations Manual, an assessment covering DLRs requested by MEHE for verification to determine: (i) whether the DLRs as requested have been met or the extent that DLRs have been met; and (ii) the disbursement amount for said DLRs based on the calculation formula as stipulated in the disbursement table set out in the Financing Agreement. Upon receiving the final verification reports from the Independent Verification Agent, the assessment shall be sent to the Association for its review and approval.			
Legal Covenant: Establish through MEHE, no later than one (1) month after the Effective Date and thereafter maintain throughout the implementation of the Program, a Steering Committee (SC) with composition, terms of reference and resources acceptable to the Association.			
Name	Recurrent	Due Date	Frequency
Establishment of Steering Committee	Yes	One month after Program Effectiveness	Once
Description of Covenant A SC will be established to oversee the achievement of the results under the Program partially financed by the World Bank. The Committee will be chaired by the Minister of Education, and will be comprised of representatives from MEHE and Center for Educational Research and Development (CERD), including technical personnel responsible for implementation. The establishment of the SC will be undertaken, in accordance with the terms of reference agreed upon with the World Bank, no later than one (1) month after the effective date of the financing agreement.			
Effectiveness Condition: The Recipient, through the Ministry of Education and Higher Education (MEHE), has adopted a Program Operations Manual (POM), in form and substance, satisfactory to the Association.			
Name	Recurrent	Due Date	Frequency
Adoption of Program Operations Manual	Yes	Effectiveness	Once
Description of Condition MEHE will adopt the POM by the Effectiveness Date.			

Withdrawal Condition: Withdrawal condition for DLRs as per Section IV, B1.b of Schedule 2 of the Financing Agreement.			
Name	Recurrent	Due Date	Frequency
Withdrawal condition	Yes	Starting first year of Program implementation	Once
Description of Condition			
No withdrawal shall be made for any DLR, until and unless the Recipient has furnished evidence, verified according to protocols set forth in the Verification Protocol and thus satisfactory to the Association, that said DLR has been achieved.			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Noah Bunce Yarrow	Team Leader (ADM Responsible)	Senior Education Specialist	GED05
Peter Anthony Holland	Co-TTL	Senior Education Specialist	GEDGE
Haneen Ismail Sayed	Team Member	Program Leader	MNC02
Karine M. Pezzani	Team Member	Operations Officer	GED05
Mohamed Yassine	Team Member	Operations Analyst	GED05
Samira Nikaein Towfighian	Team Member	Analyst	GED05
Mei Wang	Counsel	Senior Counsel	LEGAM
Andrianirina Michel Eric Ranjeva	Team Member	Finance Officer	WFALA
Lina Fares	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	GGO05
Rima Abdul-Amir Koteiche	Financial Management Specialist	Senior Financial Management Specialist	GGO23
Moses Sabuni Wasike	Team Member	Senior Financial Management Specialist	GGO21
Rock Jabbour	Team Member	Financial Management Analyst	GGO23
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Mirvat Haddad	Team Member	Program Assistant	MNCLB
Emma Paulette Etori	Team Member	Senior Program Assistant	GED05

I. STRATEGIC CONTEXT

A. Country Context

1. **The Syrian refugee crisis has resulted in unprecedented social and economic challenges to Lebanon.** Over the past decades, Lebanon has been affected by recurrent domestic and regional conflicts that resulted in high economic and social costs. In spite of the country's resilience in weathering frequent internal and external shocks, the ongoing conflict in Syria has caused a tremendous increase in the number of refugees in Lebanon. While the country hosts 450,000 Palestinian refugees¹, the conflict in Syria has brought an additional 1.5 million Syrian refugees², placing Lebanon as the country with the highest number of refugees-per-capita in the world, at an estimated 33 percent of the country's total population of 5,850,000³. This dramatic surge in population is placing a strain on the country's resources, public services, and infrastructure while affecting local communities who are already experiencing high levels of poverty. This situation, combined with the current political deadlock in Lebanon, poses the risk of further destabilizing the country's fragile political, social and economic situation.

2. **With the support of the international community, Lebanon has succeeded in extending its support to refugees while maintaining levels of access to, and quality of services for Lebanese.** The international community has been strongly committed to supporting the Government of Lebanon (GoL) in addressing the needs of both Syrian refugees and the vulnerable Lebanese population. Recent conferences in London and Washington, DC, helped mobilize greater resources to ensure humanitarian and development assistance and strengthen the country's resilience. Additional support is required to enable the GoL to ensure continued access to services, even for academic year 2016-2017, according to United Nations Children's Emergency Fund (UNICEF).

B. Sectoral and Institutional Context

3. **Among the population of Syrian refugees in Lebanon, 487,723⁴ are children of school age 3-18 years old.** Despite tremendous efforts of the Lebanese government and the support of the international community to provide education services to the Syrian population, 59 percent⁵ of Syrian refugees between the ages of 3-18 are out of formal schooling. This has both short- and long-term consequences. For families coping with the daily struggles of displacement, this presents an added burden today. Based on prior crises and extensive evidence, the lack of schooling today is likely to contribute to a life of poverty and struggle tomorrow, exacerbating the risk of future conflict and destabilization in the region. For Lebanon, the protracted nature of the crisis and the immense demand for schooling have resulted in strains on service delivery systems including public education quality for both host community and refugee children. Given this context, the International Development Association (IDA) has exceptionally mobilized concessional financing for Lebanon to address these immediate needs and create the foundation for longer-term system recovery.

¹ Palestinian refugees number from UNRWA (United Nations Relief and Works Agency for Palestine Refugees), November 2015

² Government estimation from RACE 2 executive summary, April 2016.

³ Population estimate from UN population division, November 2015.

⁴ UNHCR registered Syrian refugees, November 2015.

⁵ Enrollment numbers from RACE 2 executive summary, April 2016.

4. **In response to the Syrian refugee crisis impact on the education system in Lebanon, the Government of Lebanon, with support from the international community, launched the Reaching all Children with Education (RACE) initiative.** Initiated in 2013, RACE sought to improve access to formal education for Syrian refugee children and underprivileged Lebanese children in the country, and has had some clear success. The number of Syrian students in the Lebanese public education system has dramatically increased as RACE was implemented, going from 18,780 students aged 3-18 in school year 2011-12 to 141,722 students in school year 2015-16⁶. Nonetheless, this sevenfold increase in just 5 years has still managed to strain the formal education system's ability to maintain both the level of quality of the education system and the same level of access for Lebanese students (see Table 1).

Table 1. Enrollment Trends of Lebanese and Syrian students⁷

School Year	2011-12	2012-13	2013-14	2014-15	2015-16
Number of UNHCR registered refugees aged 3-18	<6,000	45,350	327,900	501,765	487,723
Number of Lebanese enrolled in all public school grades K-12	248,826	247,723	238,928	237,872	249,494
Number of Syrian refugees enrolled in public pre-school	3,794	5,281	12,557	6,632	17,719
Number of Syrian refugees enrolled in public school Grades 1-9, all shifts	14,190	36,905	79,240	91,493	122,716
Number of Syrian refugees enrolled in public secondary school Grades 10-12, all shifts	796	1,351	1,830	1,155	1,287
Percentage of students in first-shift public schools that are Syrian refugees, all grades	8%	18%	26%	17%	23%
Number of Syrian refugees in second-shift public schools	N/A	N/A	30,418	59,024	83,675

5. **The success of RACE and the clear need for additional support led the Lebanese Ministry of Education and Higher Education (MEHE) and partners to coalesce around a longer-term system-level strategy to increase both access and quality, i.e. RACE 2.** Over the next phase of support (RACE 2, 2016-2021), MEHE and partners will prioritize the following: i) scaling up equitable access to educational opportunities in the formal public education system, ii) improving the quality and inclusiveness of the teaching and learning environment, and iii) strengthening the national education system, policies, and planning and monitoring capacity. This will be achieved by redoubling efforts and providing additional financial support. It is expected that efforts under the RACE 2 initiative will contribute to minimizing the short and medium-term costs of displacement for refugee families, while strengthening the long term capacity of the Lebanese education system to prepare both Lebanese and Syrian children for life and work once regional stability returns.

6. **RACE investments have been successful in increasing access particularly at the primary level, though children in pre-primary and secondary are still largely out of school.** Despite the impressive progress achieved under RACE, Lebanese children are under-enrolled at the secondary school level (Grades 10, 11, and 12), particularly at the lowest income levels. This under-enrollment is also prevalent

⁶ Enrollment numbers from Ministry of Education and Higher Education (MEHE) and Center for Educational Research and Development (CERD), March 2016.

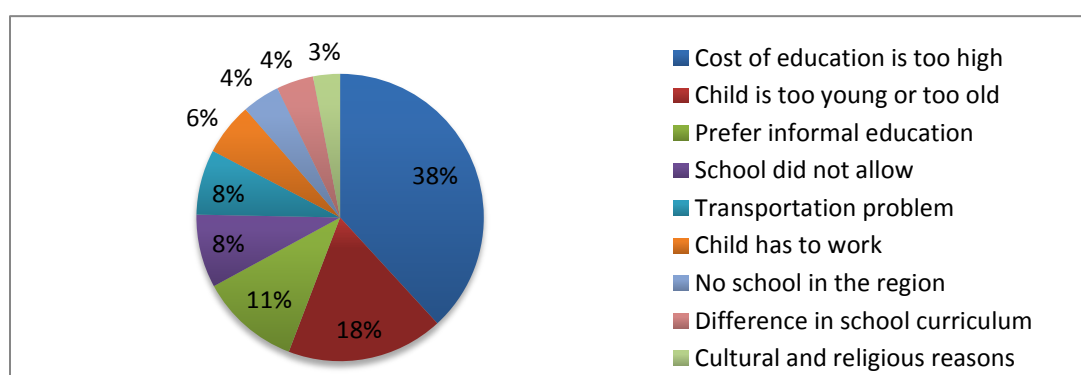
⁷ Number of refugees from UNHCR (November of each respective year), enrollment numbers of MEHE and CERD (as of March 2016), the number of non-Syrian students (Iraqis, Palestinians, others) in second-shift is negligible.

among the refugee population: 53 percent of Syrian refugees in the 6-14 age group are enrolled in formal schooling, while only 4 percent of those in the 15-18 age group are in formal schooling, depriving most of this age group from the adequate preparation for an active participation in society and the labor market. There is also a need to increase pre-primary enrolment. An estimated 84 percent of Lebanese children enroll in pre-school while fewer than 20 percent of refugee children in the 3-5 age group enroll in pre-school, thwarting the many benefits of early childhood education for refugees and increasing the cost of remedial education in later grades.

7. **Even when students are able to attend school, the quality of learning is a serious concern.** The immense pressures that the increased demand for schooling have imposed on Lebanon's education system, including overcrowding and shorter school hours for the second shift, have significant implications for the quality of education for all students. While teaching and learning materials have been widely financed and distributed for host and refugee students under RACE 1, the ability of schools to transform these inputs into learning appears mixed. The longstanding gap in learning outcomes between public and private education providers is at risk of increasing. Monitoring of refugee children's learning to date has been limited, with no currently available analysis of learning outcomes. Gains in access risk being undermined by losses due to inadequate quality, which is one of the drivers of dropout rates among Syrian and Lebanese children.⁸

8. **Supply-side constraints are not the only challenge to equitable access, especially for secondary school-age children.** Demand-side barriers to secondary education are large, especially the associated costs, and issues of parental preferences (see Figure 1). In some regions, such as the Bekaa, transportation costs also represent a high barrier to accessing education services. In addition, there is anecdotal evidence that fear of violence and challenges of social acceptance, as well as difficulties in providing the required registration and residence permits impede school registration.⁹

Figure 1: Reasons for Being out of School for Children Aged 5 to 17 (data for 28,351 out-of-school children out of a sample of 57,577 refugee children)¹⁰



9. **This new phase of the RACE strategy builds on the momentum established thus far and attempts to broaden success for equitable access to quality education services by working at the education systems level.** The World Bank is working closely with the United Nations Children's

⁸ *Out of School Children in Lebanon*, UNICEF, UNHCR, Save the Children, *School Attendance in Bekaa*, UNHCR, January 2016.

⁹ *Out of School Update Nov 2015*, UNHCR and *Situation analysis of Youth in Lebanon Affected by the Syrian Crisis*, April 2014 (multi-agency)

¹⁰ UNHCR Household Survey, March 2016.

Emergency Fund (UNICEF), the United Nations High Commissioner for Refugees (UNHCR), and other relevant stakeholders to support MEHE in revising the RACE strategy for the coming five years. RACE 2 covers school years 2016/17 through 2020/21, and includes system-level investments, detailed below. RACE 2 will require an estimated US\$424 million in financing per year to complete (excluding ongoing Government financing, see Table 3). Current investments in RACE 1, including the Emergency Education System Stabilization Project grant from the World Bank's (WB) Lebanon Syrian Crisis Multi-Donor Trust Fund, are performing well, with 41 percent disbursed in the first 9 months of effectiveness and several early results already achieved, including covering costs of textbooks for all public school students in kindergarten (KG) through Grade 9, and financial support to schools.

C. Relationship to the CPF and Rationale for Use of Instrument

10. **The proposed Program goals closely align with the priorities developed in the Systematic Country Diagnostic, the Country Partnership Framework (discussed by the World Bank Board of Executive Directors on July 14, 2016, Report No. 94768-LB), and the MENA Regional Strategy (October 2015).** Education was among the priority areas for action identified in the SCD. The new CPF, which draws upon the SCD, will guide the further development of the Program. The CPF notes that conflict, insecurity and fragility, including the recent Syria crisis, are overarching constraints for Lebanon and specifically that the Syrian crisis and ensuing Syrian refugee influx affect Lebanon's economy and exacerbate existing problems of access to, and quality of, education and other services. Following the pillar of the MENA regional strategy to renew the social contract, the Program aims to improve access to quality education services for the most vulnerable. In addition, the Program seeks to strengthen the national education system in order to cope with the influx of refugees, which is directly linked to the pillar of the MENA strategy to enhance resilience to refugee/IDP shocks. Finally, the Program is part of the recovery and reconstruction of the Lebanese education system, which is dealing with an existential shock in the form of 487,723¹¹ Syrian children of school age, who outnumber the number of Lebanese children enrolled in public schools.

11. **The rationale for the use of the Program-for-Results (PforR) instrument, which will reward the achievement of results upon their credible verification, is four-fold.** First, it shifts the policy dialogue, both externally and internally within ministries. Rather than marshal through the myriad inputs and activities related to education that typically represent a continuity of previous financing patterns, Results-Based Financing (RBF) starts from the end result sought and works backwards to what is needed. This helps focus the discussion within education authorities, and the Bank's dialogue with MEHE and the Center for Educational Research and Development (CERD), on the results that are truly priority areas for the Government. Second, it attracts and retains much needed attention – from policymakers to parents – to the Program outcomes. The sustained attention translates into resources, whether fiscal or in the form of staffing, to make sure the Program remains on schedule for achieving the results at the level of the education system. Third, it serves to align important actors in the pursuit of results. It also serves as a vehicle around which international partners can coalesce, using one unified government-owned program as the platform to coordinate planning, implementation, monitoring, and evaluation. Attaching disbursements to results then brings complementarity between the initiatives that international actors are supporting. Finally, it fosters a much needed culture of measurement that can eventually be institutionalized through systems strengthening.

¹¹ UNHCR registered Syrian refugees, November 2015.

12. The proposed Program links closely to the World Bank Group *Twin Goals* of ending extreme poverty and boosting shared prosperity in a sustainable manner, as well as to the core intervention *Education for Competitiveness (E4C)*. By focusing on making education service delivery more inclusive with alternative pathways to increased learning, the proposed Program is expected to enhance opportunities for a better future for both refugees and the host population children. The activities undertaken as a part of RACE 2 link to four of the core pillars of E4C: Early Childhood Development, Early Grade Numeracy and Literacy, Information for Accountability and 21st Century Skills and Values.

II. PROGRAM DESCRIPTION

A. Government program and Bank-supported Program

13. The second phase of the Government of Lebanon's RACE 2 program (2016-2021) is estimated to cost approximately US\$2.1 billion over five years. This figure does not include the government's increasing recurrent and investment expenditures on education, which are essential to cover the provision of education to refugees, as RACE is additional to regular government expenditures. The program was developed in an open and participatory manner led by MEHE and including CERD and other national and international actors. It builds on the successes and lessons of the first phase of RACE (2013-2015), and broadens the scope to focus on issues of quality and systems strengthening. RACE 2 is structured around three pillars: i) Equitable Access, ii) Enhanced Quality, and iii) Strengthened Systems. Each of these is described below.

Pillar 1: Equitable Access

14. The first pillar aims to achieve "enhanced access to, and demand from, children, youth, and their caregivers; for equitable formal or regulated non-formal education." Within this pillar, there are two outputs that activities will contribute to:

A.1 Children, youth, and their caregivers are provided with the necessary support to increase their demand for formal education or regulated non-formal education.	A.2 Children and youth have improved and equitable access to appropriately equipped public schools, especially in under-served areas.
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Pillar II: Enhanced Quality

15. The second pillar strives for "enhanced quality of education services and learning environments provided, to ensure grade-appropriate learning outcomes for children and youth." Specifically, activities will contribute to the following three output areas:

B.1 Teachers and educational personnel have enhanced capacities to provide learner-centered pedagogy in public schools or learning spaces.	B.3 Communities are capacitated to actively engage in the promotion of learning and well-being of students in learning spaces.
B.2 Educational personnel at the school-level are capacitated and empowered to proactively contribute to better school governance and safe/enabling learning environments.	

Pillar III: Strengthened systems

16. The third pillar is focused on “enhanced governance and managerial capacities of MEHE and CERD to plan, budget, deliver, monitor, and evaluate education services.” This pillar aims to achieve the following outputs:

C.1 An effective and accurate Education Management Information System (EMIS) is established and functional.	C.3 Appropriate policy frameworks are endorsed and implemented to regulate education programs and services, strengthen school management, and professionalize teaching services.
C.2 Revised curricula for schools and learning spaces are developed and endorsed to improve quality learning, life-skills and employability for children and youth.	C.4 MEHE and CERD at the central and regional levels are strengthened to lead and coordinate the planning, implementation, and evaluation of the relevant RACE 2 activities.

17. **Within the Government program, the proposed operation will support specific RACE 2 Program objectives linked to formal education.**¹² The Bank-supported Program objectives are spread across all three pillars, and exclude activities that are directly implemented by international partners, such as UNICEF and UNHCR. Although these activities are not part of the Bank-supported Program, they continue to be core elements of the overall RACE 2 program. Activities financed by international partners but implemented by MEHE are typically within the scope of the Bank-supported Program.

18. The Program consists of the following activities:

Part 1. Increasing equitable access by Lebanese and non-Lebanese children to formal schooling in primary and secondary schools through supply-side activities, such as, school construction, expansion, and rehabilitation, in addition to the provision of furniture and equipment to schools.

Part 2. Enhancing quality of education services through, *inter alia*, the provision of targeted support and tailored trainings to teachers; formative student assessments to identify struggling students; and outreach activities to communities and stakeholders.

Part 3. Strengthening the Recipient’s education systems at both the central and regional levels through, *inter alia*, supporting data collection infrastructure to improve internet connectivity to all participating schools, providing related training on the data collection, entry and verification; increasing the numbers of staff handling accounting, procurement, program planning and implementation; and developing a new national curriculum, including teacher guides and student learning materials, learning objectives for each grade, teacher performance standards; and a comprehensive learning assessment strategy.

19. **The overall RACE 2 program depends on a broad set of partnerships for success.** The public education system cannot absorb all Lebanese and refugees of school age, and thus depends on actors in the private and non-profit sectors to provide education services as well. While MEHE and CERD will implement many of the RACE 2 activities, donors, UN agencies and their partners may be best placed to carry out some of the demand-side activities that are crucial to achieving the RACE 2 objectives. Similarly, many of the targets in the formal education sector in later years can only be met through support to the non-formal education sector in the current period, since the particular needs of refugee students require a multi-pronged approach. Some children have been out of school for a year or more and need instruction in non-formal settings to catch-up on subject matter and adapt themselves to

¹² To distinguish the overall RACE 2 program from the smaller Bank-supported Program, a capital ‘P’ is used to identify the Bank-supported Program.

instruction in French or English, a characteristic of the Lebanese education system. Finally, the RACE 2 strategy is for all children, Lebanese and non-Lebanese, and it is aligned with the long-term sustainability needs of the education system as a whole, in its response to the protracted refugee crisis.

B. Program Development Objectives (PDO) and key results

20. The Program Development Objective is to promote equitable access to education services, enhance quality of student learning, and strengthen the education systems in Lebanon's education sector in response to the protracted refugee crisis. The key results are as follows:

- Increase in the proportion of school aged Lebanese and non-Lebanese children (3-18) enrolled in formal education (disaggregated by school type, education cycle, nationality, and gender);
- Increase in the proportion of students passing their grades, and transitioning to the next grade (disaggregated by school type, grade, nationality, and gender);
- Timely and robust data available for evidence informed policy-making and planning.

C. Program-for-Results (PforR) Program Scope

21. **To achieve the Bank-supported RACE 2 Program result areas, a broad set of activities by MEHE and partners are required.** These activities are linked to the expansion of supply of education services, improvements in the quality of those services (including student learning outcomes), and an increase in the long-term ability of MEHE and CERD to manage, plan, monitor and deliver those services, according to their institutional mandates¹³. RACE 2 was created in response to a crisis and is not a sector plan, though it forms the foundation of an eventual sector plan, which would include tertiary education. Table 2 presents the overall RACE 2 program, and situates some of the key elements being supported through the Bank-supported Program, namely through the use of Disbursement-Linked Indicators (DLIs).

22. **The DLI under Pillar I, "Equitable Access" relates to the number of children that are enrolled in formal education.** Importantly, the proposed age range (3-18 years) extends beyond the compulsory education band for Lebanon (6-15 years). As agreed through the RACE 2 framework, this is to incentivize greater enrollment at the Early Childhood Education level (3-5 years), as well as the secondary level (15-18 years). This number represents all children enrolled in formal public education. Activities under the Equitable Access pillar include supply-side activities for expanding the access to formal schooling, such as school construction, expansion, and rehabilitation.

23. **There are four DLIs that contribute to Pillar II, "Enhanced Quality".** The DLIs will incentivize actions to help children stay in school, measure what they are learning, and support teachers to better help students most in need. The first is enhanced quality of education services and learning environments measured through grade completion and transition to higher grades. The second is the improvement of teacher performance through the measurement and evaluation of teacher performance and provision of support and training. The third is the measurement of student learning with the view to improve learning outcomes. Finally, the fourth measures the active engagement of community members with schools to prevent dropouts and increase transparency. The activities under this pillar are expected to contribute to these results include targeted support for teachers based on classroom-observations performed by MEHE's Office of Pedagogical and Scholastic Guidance (DOPS) and tailored trainings offered by CERD. This support and training linked to specific needs identified through classroom-observation will be further connected to student performance in formative student

¹³ For more on MEHE and CERD's institutional mandates, please see Annexes 1 and 4.

assessments. Students identified as requiring additional assistance will receive supplemental support. Monitoring and accountability for results will be strengthened by increased outreach to communities and stakeholders, particularly parents. This chain of interconnected activities extending from teachers through support services to individual students and outward to communities will be articulated in school improvement plans to be supported by a program of grants and other activities to improve teaching and learning throughout the public school system.

24. **There are four DLIs proposed for the Strengthened Systems pillar, which will incentivize capacity development and foundational policy work to ensure a lasting impact of the Program.** The first Systems DLI is timely and robust data available for evidence-based policy-making. The second Systems DLI incentivizes the updating of the national curriculum, for all levels of the education system. The third DLI is linked to the foundational conditions for learning, rewarding key policy areas of teachers and student assessments, and the fourth strengthens MEHE and CERD's capacity to review, evaluate, and update Program implementation. The activities under this pillar to improve the timeliness and accuracy of data collection (which is essential for decision-making by MEHE and CERD) include the procurement of data collection infrastructure including computers and increased internet connectivity to all schools along with training on the data collection software and guidelines for data entry, verification and deadlines. This is expected to greatly improve timeliness and accuracy of education metrics, and allow disaggregation by gender, year in school, and nationality, among other key variables. In addition, MEHE and CERD capacities will be assessed to better understand current functionality as compared to projected needs. Systems strengthening at the central and regional levels will be implemented, including sustained increases in the numbers of staff in units with current shortages, such as accounting, procurement, projects planning and implementation, and CERD departments. CERD will lead the development of a new national curriculum, which will include learning objectives for each grade, and together with MEHE, will develop and endorse teacher performance standards, as well as a comprehensive learning assessment strategy.

Table 2. RACE 2 Program Results Areas and Proposed DLIs

RACE 2 Program Result Areas	Disbursement-Linked Indicator (DLI)		Total financing to DLI (in US\$ million)
I: EQUITABLE ACCESS			
Outcome A: Enhanced access to, and demand from, children, youth, and their caregivers for equitable formal or regulated non formal education	DLI#1	DLI#1 Number of school aged children (3-18) enrolled in formal education in participating schools	95
II: ENHANCED QUALITY			
Outcome B: Enhanced quality of education services and learning environments provided, to ensure grade-appropriate learning outcomes for children and youth	DLI#2	DLI#2 Proportion of students transitioning grades	27
Output B.1: Teachers and educational personnel have enhanced capacities to provide learner-centered pedagogy in public schools or learning spaces	DLI#3	DLI#3 Teacher performance measured and evaluated	6
Output B.2: Educational personnel at the school-level are capacitated and empowered to proactively contribute to better school governance and safe/enabling	DLI#4	DLI#4 Number of participating schools that implement formative and summative assessments for students in Grade 3 in reading and math	18.4

RACE 2 Program Result Areas	Disbursement-Linked Indicator (DLI)		Total financing to DLI
learning environments			
Output B.3: Communities are capacitated to actively engage in the promotion of learning and well-being of students in learning spaces	DLI#5	DLI#5 Proportion of participating schools with active community partnerships	15.6
III: STRENGTHENED SYSTEMS			
Output C.1: An effective and accurate Education Management Information System (EMIS) is established and functional	DLI#6	DLI#6 Timely and robust data available for evidence informed policy making and planning	15
Output C.2: Revised curricula for schools and learning spaces are developed and endorsed to improve quality learning, life-skills and employability for children and youth	DLI#7	DLI#7 Curriculum revised to improve quality of learning	28
Output C.3: Appropriate policy frameworks are endorsed and implemented to regulate education programs and services, strengthen school management, and professionalize teaching services	DLI#8	DLI#8 Foundational Framework and Policies are developed and adopted to support teaching and learning	16
Output C.4: MEHE and CERD at the central and regional levels are strengthened to lead and coordinate the planning, implementation, and evaluation of the relevant RACE 2 activities	DLI#9	DLI#9 MEHE and CERD's improved capacity to plan and implement the Program	3

25. **The Bank-supported Program beneficiaries are the students, teachers, communities of Lebanon, refugees, and MEHE and CERD.** Total cumulative direct beneficiaries of the Program include approximately 540,000 public school students and staff over the life of the Program. This includes an estimated 500,000 students who will benefit from increased quality in service delivery, some of whom might have dropped out or who might not have enrolled in school without the Program support, and an estimated 40,000 teachers and school administrators who will receive support and training through the Program. MEHE and CERD personnel will also benefit from increased capacity. Policy-makers and education sector stakeholders will benefit from increased availability of data on key education system outcomes, among other benefits. Investments in infrastructure and system functionality will remain with MEHE and CERD long-term, regardless of the duration of the refugee crisis.

26. **Role of development partners.** The size of the Bank-supported RACE 2 Program is estimated at about US\$1.8 billion, or about US\$369 million per year. This is a significant increase in annual program financing over RACE 1 to reflect greater enrollments and a greater package of services to students. In addition to the IDA credit (US\$100 million) and trust fund grant financing provided through the Bank (US\$124 million), other funds through development partners are estimated to be US\$172 million of commitments, covering many of the costs for the next 18 months. It is estimated that about US\$150 million could be available for each of the four subsequent years for RACE 2 from current partners. This is a small amount of the approximately US\$12 billion that was pledged at the London conference for the Syrian Crisis Response in February 2016, a portion of which is expected to be allocated to education in Lebanon. The financing gaps in Table 3 are therefore also indicative.

27. **Partner financing and activities beyond the scope of the Bank-supported Program are also important.** For example, cash transfer programs financed and implemented by partners are expected to increase demand for education, which will help reach the ultimate RACE 2 objectives of enrolling all children. Similarly, technical support for curriculum development may be expected to play a role in the achievement of important results linked to the curriculum. Other support, including research and capacity strengthening activities and technical assistance from donors are expected to contribute to achievement of the overall RACE 2 results framework.

28. **In terms of coordination, the RACE Executive Committee played a coordinating role during the implementation of RACE 1 between donors, UN agencies, and the Government.** The Committee is expected to continue to play this role for the duration of RACE 2 and to enable the incorporation in future years of new financing from other institutions for the currently under-financed RACE 2 goals.

Table 3. RACE 2 and Bank-Supported Program Financing (as of June 2016)

	RACE 2 (US\$ million)	of which Bank supported Program (US\$ million)
Total Financing Needs	2,122	1,845
Financing Sources		
IDA Credit	100	100
Grants (through):	322	296
Lebanon Syrian Crisis TF ¹⁴	120	120
REACH MDTF	4	4
UNICEF ¹⁵	144	129
UNHCR ¹⁶	14	11
Others ¹⁷	40	32
Forecasted ¹⁸	600	600
Additional Development Partner Financing Needed/ Financing Gap	1,100	849

D. Disbursement Linked Indicators and Verification Protocols

29. **Disbursements will be made on the basis of verified results attainment.** Verification will be undertaken in ways that are both credible and sustainable by using, to the fullest extent possible, existing government systems for oversight and monitoring, paired with independent or third party agents. In this way, the operation will contribute to strengthening these systems, such as CERD's spot checks of administrative data. The verification protocols vary according to the nature of the DLI. Verification of results achievement will be undertaken directly by a firm paid for using grant proceeds with support from other donor partners. This firm will be selected following IDA procurement procedures, including international competitive firm selection. For DLIs 1, 2, 3, 4, and 5, verification will require triangulation of administrative data with independent verification and consultations with beneficiaries and partners to confirm the submitted data. The verification protocols include

¹⁴ Planned for December 2016.

¹⁵ Includes funds committed and pipeline from donors as of June 2016.

¹⁶ Includes funds committed and pipeline from donors as of June 2016.

¹⁷ Primarily through NGOs.

¹⁸ It is estimated that about US\$150 million could be available for each of the four subsequent years for RACE 2 from current partners.

unannounced visits by the independent firm to a random sub-sample of schools for the purpose of direct data collection. For other DLIs related to systems (DLIs 6, 7, 8 and 9), verification will include direct collection of primary data. The verification protocol is summarized in Annex 3.

E. Capacity Building and Institutional Strengthening

30. The assessments conducted during Program preparation (see Annexes 4, 5 and 6) concluded that, in order to efficiently carry out Program activities and results, the technical, management, and fiduciary capacity of the key implementing entities need to be significantly strengthened as follows:

31. **Management and technical capacity.** As the implementer of RACE 2, MEHE will need to have its capacity strengthened in core areas of project planning, management, procurement, financial management and monitoring and evaluation (M&E). The Program will support the identification of the staffing needs at MEHE, including the appointment and training of civil servants at critical positions in these institutions. The capacity of CERD will also be strengthened in core areas in order to effectively deliver according to its mandate. Performance standards will be set for staff and disseminated in order to evaluate staff performance and address capacity development issues.

32. **Fiduciary capacity.** Based on the World Bank fiduciary assessment, the proposed actions for strengthening fiduciary capacity are:

(a) The capacity of the main Program implementation entities will need to be enhanced to ensure adequate control and auditing of Program activities: (i) an internal audit function will be carried out at MEHE to oversee overall procurement and financial processes as well as advise on proper streamlining and propose corrections to the RACE 2 program. Given the current limited capacity at MEHE, this task would be initially outsourced to consultant/s who would also assist MEHE in building its capacity to be able to carry out an internal audit function; (ii) an independent private external auditor will undertake annual financial statements' audits of the Program activities implemented directly by MEHE and CERD, in agreement with the Bank and other development partners financing MEHE-executed activities.

(b) The capacity of oversight governmental bodies, i.e., Central Tender Board (CTB) and Court of Accounts (CoA) will need to be strengthened by hiring staff and building their capacity to enhance their performance. A separate Bank-executed technical assistance¹⁹ would be carried out to both train CoA staff on the "ex-ante" prior review function related to procurement matters, as well as support CTB in exercising a regulatory role and in handling complaints.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

33. MEHE will use, to a large extent, the implementation arrangements under the first phase of RACE. These arrangements will be enhanced following the recommendations of the fiduciary and technical assessments conducted during Program preparation. MEHE will appoint CERD, which is a legally and financially autonomous governmental entity, to implement several Program-related activities related to curriculum development and teacher training. Proposed institutional and implementation arrangements are as follows:

¹⁹ These capacity-building activities for CTB and CoA would therefore fall outside the scope of MEHE's responsibility and will be agreed separately with CTB and CoA.

Program Oversight

34. **A Steering Committee (SC) will be established to oversee the achievement of the results under the Program partially financed by the World Bank.** The Committee will be chaired by the Minister of Education, and will be comprised of representatives from MEHE and CERD, including technical personnel responsible for implementation. The establishment of the SC will be undertaken, in accordance with the terms of reference agreed upon with the World Bank, no later than one (1) month after the effective date of the financing agreement.

35. **RACE Education Committee (REC).** The REC – which was set up under the first phase of RACE – will continue to provide technical guidance and policy input and implementation monitoring. The REC is chaired by the Minister of MEHE and is composed of: the Director General of General Education, the President of CERD, the RACE Program Management Unit (PMU) Manager, and representatives from Development Partners and UN agencies. The REC generally meets twice a month and can call upon key experts and technical specialists from MEHE and CERD technical departments to support information sharing and to allow for more effective policy advice.

Program Implementation and Coordination

36. **MEHE:** MEHE will be responsible for ensuring that RACE 2 activities are effectively implemented. MEHE is partially delegating fiduciary responsibilities and daily coordination for RACE 2 activities to the RACE Program Management Unit (PMU), which will carry out procurement activities including project planning and monitoring. The RACE PMU will be reinforced through technical assistance, training, and assignment/recruitment of staff. MEHE will appoint CERD to implement curriculum-related and other activities. CERD will be reinforced through technical assistance in curriculum design, teacher preparation frameworks (including training), and learning assessments.

Fiduciary Arrangements

37. **Financial Management.** MEHE will assume overall responsibility for the Program's oversight, including fiduciary stewardship, which itself includes monitoring of the Program's funding and commitments and fiduciary performance. In this capacity, MEHE will monitor the application of procedures outlined in the Fiduciary Chapter as well as in the "School Grant Operating Manual", which will be part of the overall Program Operations Manual (POM).

38. **Flow of Funds.** MEHE will establish arrangements for the fiduciary oversight of activities, including processing payments for goods, works and services. In addition, MEHE will establish arrangements for remitting advances to schools and overseeing their accountability and reporting. For the grant portion, MoF will apply the suitable mechanism adopted for the transfer of funds as per the Public Accounting Law (PAL). Therefore, a bank account A will be opened at the Central Bank of Lebanon in US dollars where the RACE 2 REACH TF and LSCMDTF grant funds will be transferred through the Ministry of Finance (MoF) grants and donations account. Bank account A will be managed by MEHE through arrangements that will be reflected in the POM. Another bank account B will be opened at the Central Bank of Lebanon in US dollars to receive the IDA credit funds from the MoF pool loan account, and will be managed by MEHE.

39. **Reconciliation.** Although Program-for-Results operations do not link disbursements to individual expenditure transactions, the aggregate disbursements under the Program will not exceed the total

expenditures by MEHE under the Program over its implementation period. After the Closing Date, the Bank will compare the cumulative level of disbursements against the achievement of all DLIs, with the overall Program expenditures. If the cumulative disbursements from the World Bank exceed the total amount of the government's Program expenditures as identified in the external Program audit reports, upon notice from the World Bank, the government will be required to refund the excess amount to the Bank.

40. **Program External Audit.** The Court of Accounts (CoA), Lebanon's Supreme Audit Institution, is responsible for checking the use of public funds by Government entities and its compliance with existing laws and regulations. However, the fiduciary assessment carried out by the World Bank during Program preparation found that the CoA has limited human and financial resources. An independent private external auditor will be contracted, in agreement with other development partners financing MEHE-executed activities, to undertake annual financial statements' audits of the whole RACE 2 Program. The terms of references for the external auditor will be agreed with MEHE, the World Bank, as well as with other donors financing this program. The annual audit report of the Program financial statements will be provided to the Bank no later than six months after the end of each calendar year.

41. **Program Internal Audit.** In light of the importance of an effective fiduciary performance oversight function, an internal audit function will be assured within MEHE and reporting to the Minister. Considering present capacity limitations, this function will be outsourced to a consultant. As part of the terms of reference, the consultant will also assist MEHE in building its capacity to be able to carry out an internal audit function, through disseminating knowledge and training on internal audit methodologies. In addition, the consultant will assist with the development of internal audit procedures and internal audit manuals taking in consideration the Lebanese laws and regulations. The scope of the internal audit function covers the RACE 2 program and any other operations/activities as requested by MEHE.

42. **Reporting.** For the IDA credit portion, and for accounting and recording purposes, MEHE will be required to submit to MoF a detailed statement of expenditures at least at the end of each fiscal year. For the grant portion, reporting to MoF from MEHE will follow the directives of this Program Appraisal Document (PAD).

43. **Procurement.** The RACE PMU will be responsible for procurement of works, goods, and services for all activities including having a dedicated unit, which will handle procurement for construction and rehabilitation. This includes: procurement planning, review and approval of designs, hiring of consultants, tendering, bid evaluation and recommendation of contract awards, construction site possession, management of contract implementation, coordination with relevant public entities, ensuring timely implementation and payments, monitoring timely contract amendments and facilitating hand over process of built infrastructure, or procured goods.

44. As part of procurement monitoring, CTB and CoA play key roles in providing technical oversight, the portal for publishing notices and contracts award, exercising ex-ante and ex-post reviews, and handling public complaints. CTB will continue to play its role of developing the procurement standard documents, including contracts template, and other standardized templates for advertisement, evaluation and amendments; availing its portal for publishing advertisements, and contract awards; and for developing procurement data base and indicators. In addition, CTB will play a role in addressing procurement complaints. CTB will also provide support in monitoring the timeliness of bid preparation and evaluation, and subsequent contract awarding. In parallel, CoA will continue to exercise procurement oversight by reviewing contract award prior to signing when the contract value is above

the prior review thresholds as set in the legal agreements, ensuring supervision on contracts implementation, as well as post review on contracts below the review thresholds.

Program Operational Manual (POM)

45. A Program Operational Manual (POM) for MEHE will be prepared to reflect the implementation arrangements for the entire RACE 2 program as well as the internal procedures and processes used to deliver and implement Program activities. This will cover the areas of procurement, to include the processing loop of CoA, financial management and disbursement, and monitoring and evaluation of the Program. A School Grant Operating Manual will also be part of the POM. The POM will also include updated procedures for environmental and social management associated with the construction of schools to address gaps identified in the environmental and social systems assessment (ESSA). The POM will be adopted before the Program becomes effective and updated as a living document when needed.

B. Results Monitoring and Evaluation (M&E)

46. The RACE PMU will be responsible for monitoring the achievement of the Program objectives, results, and all DLIs, and for providing consolidated reports on the implementation progress of Program activities as well as financial statements, according to the RACE 2 procedures. The RACE PMU is currently assisted by an M&E specialist responsible for preparing progress reports and submitting them to the REC twice a year. Through the Program, the capacity of MEHE in M&E will continue to be strengthened through technical assistance, training and recruitment of staff as needed.

47. At the beneficiary level, schools will be responsible for collecting data and submitting reports on school grants to MEHE. Proposed arrangements for remittance of grant funds to schools and accountability reporting to MEHE will be reflected in the School Grant Operating Manual and will include a requirement for schools to periodically account back to MEHE through: (i) the use of a simplified module for accounting records and periodic reporting which will be integrated into the School Information and Management System (SIMS)²⁰; (ii) the periodic submission of documents supporting fund reports; and (iii) engaging commercial banks in which school accounts are operated to collate and report bank account balances to MEHE. SIMS was developed and began implementation and deployment to public schools all over the country in May 2016. Data is collected by MEHE and shared with CERD for analysis.

C. Disbursement Arrangements

48. **Disbursement requests:** Once satisfied with the completion of the targets, MEHE will inform the verification firm and provide the necessary documentation as per the DLIs/DLRs Verification Protocol in Table A3.2 (in Annex 3), within one (1) month, of the achievement (or partial achievement) of the Disbursement-Linked Results (DLRs). The verification firm will verify the results within three (3) months using the DLIs/DLRs Verification Protocol. In order to validate the disbursement request submitted by MEHE, the verification firm will verify all target indicators through both a desk review and physical inspection as needed. The Bank will review the documentation submitted along with the verification report (if required as per the Verification Protocol) and request any additional information considered necessary. Upon confirmation from the Bank of the achievement (or partial achievement) of the Result and the amount eligible for withdrawal through an official notification, MEHE will send a disbursement

²⁰ SIMS is part of the broader Education Management Information System (EMIS), which is currently being put in place.

request through the submission of a withdrawal application using the Bank's standard disbursement forms signed by an authorized signatory. Transfers will be made to MoF account for grants and donations and then transferred to the bank account A at the Central Bank of Lebanon for the grant funds and to MoF pool loan account and then transferred to bank account B at the Central Bank of Lebanon for the IDA credit funds.

49. **Advance:** the Government has requested that an advance of up to 25 percent of each financier be made available. When the DLIs are achieved, the amount of the advance is deducted (recovered) from the amount due to be disbursed under the DLI. The advance amount recovered by the Bank is then available, as needed, for additional advances ("revolving advances"). The Bank requires that the Recipient refund any advance (or portion of the advance) if the DLIs have not been met (or have been only partially met) by the Closing Date of the Program, promptly upon notice thereof by the Bank.

50. **Prior Results:** The Bank will disburse up to 25 percent of the financing proceeds on account of the DLIs met by the Borrower between March 31, 2016 and the date of the financing and grant agreements.

51. The achievement of the DLIs will be financed through a mix of funding modalities including an IDA credit with co-financing from grant sources. The co-financing arrangements amongst the different DLIs are detailed under table A3.3 of this document.

IV. ASSESSMENT SUMMARY²¹

A. Technical

Strategic rationale

52. **Helping host countries share the burden of receiving Syrian refugees is a global strategic priority.** The international community, together with MEHE, have been addressing this need through the RACE program which started in 2013. This next phase proposes to pivot from a strict focus on supply-side access to focus on demand-side issues as well as on quality and on systems strengthening. These last two are national, regional, and global priorities, since it is *learning* rather than simply 'schooling' that will equip future generations with the knowledge and skills to join a productive workforce and drive economic growth and human development. It is equally critical to help Lebanon's education system sustain the delivery of quality services going forward and ultimately enable it to emerge stronger from this crisis.

Technical soundness

53. **The technical assessment concurred with the prioritization of access-linked activities to increase supply.** Investment in infrastructure is a MEHE priority and responds to an urgent need. Statistics provided by the Developing Rehabilitation Assistance to Schools and Teachers Improvement (D-RASATI survey, 2011) and recently updated under the Second Education Development Project (EDP II, 2014) indicate that among the 1,262 existing public schools, approximately 75 percent need repairs. Of these, approximately 25 percent need major repairs and among these, 40 specific schools are considered structurally unsafe. Additionally, only 42 percent of schools are owned by MEHE,

²¹ Studies and reports cited in the World Bank technical assessment are not necessarily endorsed by MEHE.

contributing to low levels of maintenance in the non-owned schools. On the demand-side, a recent survey in Lebanon confirmed that the greater the distance to school, the less likely children are to be enrolled; hence, support to transportation will be critical in ensuring and maintaining enrollment (Alsharabati, Lahoud, and Nammour, 2016). Second, although outside the scope of the Bank-supported Program, it is clear that cash transfers have had a meaningful impact on refugee populations in Lebanon. A recent impact evaluation of UNHCR's initiative to distribute some of its aid in Lebanon through cash transfers showed that families receiving cash assistance were half as likely to send their children to work instead of to school (Masterson, 2016). Money was spent to meet basic needs, with no evidence of funds used for luxury or temptation goods. The quasi-experimental study showed no evidence of perverse incentives such as pull effects of crowding in ineligible recipients or otherwise artificially increasing the number of refugees (Masterson, 2016).

54. **The assessment also agreed with the emphasis placed on training, classroom observation and school grants, as well as the importance of community liaisons.** However, it cautioned that training activities and training materials produced by CERD would be most effective if paired with continuous monitoring and guidance provided by both the school-based management (school principal, subject coordinators, etc.) and by counselors from DOPS. Classroom observations and teacher performance assessments should be based on clear and specific criteria set by the teacher standards and related tools developed and endorsed by MEHE and CERD. With regards to community liaisons, there is ample evidence that child protection issues are being insufficiently addressed, especially within the refugee communities. A recent review of the RACE program identified reducing bullying and violence in schools as a critical first step toward better child protection (Jalbout, 2015). The bullying takes many forms, including for older children that are placed in classrooms with younger children. Discrimination among students has been documented in a number of cases. The prevalent harassment is an important driver behind students dropping out of school. Bridging the community-school divide, through appointing actors to take on the responsibility of follow-up of both Syrian and Lebanese students could go a long way in reducing this driver of dropout.

55. **Finally, without proper information as to the extent to which students are actually learning, an objective assessment of the quality of the education services is not possible.** MEHE and CERD will develop a comprehensive learning assessment framework, which will include formative assessments at the school level. Particular attention will be given to Grade 3 to detect early difficulties in basic reading, writing, and numeracy skills. With regards to system monitoring, the assessment concluded that supporting the development and incentivizing the completion of a proper EMIS may be the greatest contribution the Program can make to the overall RACE 2 program. Due to the absence of timely and accurate data, it is extremely difficult for MEHE to properly allocate resources to schools most in need, or otherwise direct efforts of the Ministry to those that would benefit most. Timely data will go a long way in ensuring current spending more efficient and better targeted.

Expenditure framework

56. **The RACE 2 program expenditure framework presents the overall US\$2.1 billion, and, within that, the US\$1.8 billion Bank-supported Program.** Activities are structured according to the RACE 2 outputs areas, and the main expenditure categories featured are works for school construction/rehabilitation, furniture and equipment, transfers to schools, teaching and learning materials, transportation costs, and a number of staff-related costs including consultancies. The Government of Lebanon has been actively following-up with donors on pledges made at the London conference to secure the needed financing (see Table 3). The Program Expenditure Framework also analyzes the budget planning and execution, drawing on the findings from the recent Public Expenditure

Review conducted in Lebanon's education sector.

Results chain analysis and reasoning for the selected DLIs

57. **The selection of DLIs covers a logical progression all along the results chain.** Such progressions can also be found within the DLIs, over time. The first DLI incentivizes the incorporation of all children into the education system. The second then takes the next step, incentivizing that those children: (i) complete the year, and (ii) transition through into the next year, throughout the levels. However, that alone is insufficient: other DLIs incentivize monitoring and supporting teacher performance (DLI 3) and better monitoring learning across core subjects (DLI 4). Rounding out this improved learning environment is the focus on stronger community engagement (DLI 5), which – in addition to helping address important demand-side issues – will help ensure a safe learning environment for all students. Finally, DLIs 6, 7, 8 and 9 tackle the institutional conditions needed for these gains to persist beyond the life of the Program, through building the systems for timely data (DLI 6), updating and modernizing the curriculum (DLI 7), ensuring the foundations for learning, such as teacher policies and a learning assessment strategy (DLI 8), and strengthening the management functions and other MEHE capacity (DLI 9).

Economic rationale

58. **Subject to reaching its stated objectives, the base case forecast of the RACE 2 program shows significant returns over its lifetime.** Based on a cost estimate of US\$1.8 billion spread across a five year period and annual nominal revenues of US\$11.89 billion, the Net Present Value (NPV) of the program is US\$563.4 billion at a 5.9 percent discount rate²². A further breakdown of these results can be found in the Program Expenditure Framework under Annex 4 (Summary of Technical Assessment).

B. Fiduciary

59. A World Bank fiduciary assessment was conducted covering the Program institutional and implementation arrangements, fiduciary management capacity and implementation performance (Annex 5). The assessment identified some substantial weaknesses in both financial management and procurement systems and concludes that the overall fiduciary risk is “High”.

60. The main issues identified that could affect the Program are:

- a. Financial management: (i) absence of a formal annual budget process (the Government has been operating without formally approved budgets since 2006); (ii) insufficient accounting and control systems and limited resources at MEHE; and (iii) non-existence of internal audit function, and limited resources at CoA and a mandate focusing primarily on ex-ante reviews.
- b. Procurement: (i) MEHE's limited technical capacity to undertake large volume procurement activities, as well as to manage contracts; (ii) CTB's limited resources to be able to play its regulatory role, resolve complaints, standardize bidding documents and reporting, collecting data, and training civil servants; and (iii) CoA's limited resources for expediting the procurement prior reviews.
- c. Other risks include the insufficiency of the internal controls system in place at the school level to meet international accounting standards, resulting in a high fiduciary risk.

²² The discount rate is calculated by taking the 30-year treasury rate and assuming 3 percent over and above that value.

61. In order to address these issues and risks, enhancement measures will be built into the Program to strengthen fiduciary arrangements and institute an appropriate internal control framework. These are summarized in Table 4.

62. **Fraud and corruption.** As part of the fiduciary assessment, the degree to which the Program systems handle the risk of fraud and corruption, including complaint mechanisms, was assessed. Proposed Program institutional arrangements will include several fraud and corruption prevention, deterrence, and detection mechanisms in existing arrangements, including comprehensive and clearly articulated procedures governing the use and accountability of funds:

- a) a strong internal control and compliance monitoring mechanism including: (i) a new internal audit function; (ii) periodic Program progress monitoring by the Steering Committee; (iii) strong compliance monitoring of grants to schools by MEHE; and (iv) effective independent auditing and financial reporting arrangements;
- b) establishing arrangements for timely responsiveness in addressing and resolving audit findings and complaints received through the complaint mechanism;
- c) effective arrangements for segregation of accountability and reporting functions by various fiduciary oversight entities.

Table 4. Measures to Strengthen Fiduciary Arrangements

Topic	Issue	Proposed Enhancement or Mitigation
<i>Planning and Budgeting</i>	Absence of an annual budget process and bureaucratic processes in the review and clearance of budget execution activities.	The Program expenditure framework will be guided by detailed review of expenditure estimates and alignment with Program objectives and activities during the design of this operation. Program expenditures will continue to be closely monitored during the life of the Program. The flexibility provided by the Public Accounting Law (PAL) in designing accountability mechanisms for “budget contribution” grants and the law issued related to the loan will be applied in the design of program fiduciary arrangements, while leveraging strengthening of country systems.
<i>Program accounting and financial reporting</i>	MEHE’s capacity to effectively monitor overall Program activities is significantly stretched by the large number of school construction/rehabilitation activities, the requirement to effectively administer school grants and the expected large number of systems improvements contracts.	Under the Program MEHE’s oversight capacity will be strengthened through the establishment of: a Steering Committee (SC), an internal audit function (which will also be a dated covenant), and a streamlined mechanism for administering grants to schools. Adequate Financial reporting on both funds financing will need to be in place to report on Program spending. In addition, within the existing information system under development, a reporting mechanism will be integrated to capture schools’ uses and sources of funds with supporting evidence at the school level.
<i>Internal controls</i>	Wide ranging capacity deficiencies at all levels, owing to staffing shortages and systemic weaknesses.	The Program will include activities leading to system changes and enhanced controls for improved management oversight, internal audit, effective schools construction and rehabilitation contracts management and improved accountability for grants to schools. A POM will detail all Program processes and procedures with due regard to fiduciary requirements.
<i>Program external audit</i>	CoA’s capacity is limited as its mandate is	The RACE 2 Program’s financial statements annual auditing

Topic	Issue	Proposed Enhancement or Mitigation
	largely consumed by ex-ante review. And its audit approaches are outdated.	will be performed by an independent auditor with ToRs agreed with respective donors, MEHE and the Bank.
Procurement Planning, Procedures	Risks are related to: (i) quality of technical specifications and ToRs; (ii) quality of bidding documents; (iii) rigor of bid evaluation; (iv) quality of works, goods or services delivered, and (v) timely implementation.	Mitigation measures to increase The RACE PMU, CTB and CoA's capacity by hiring staff and/or outsourcing critical parts of the process to a contracted firm in order to support: (i) the strengthening of MEHE's capacity through the systematic inclusion of a technical support; (ii) standardization of bidding documents and contract templates; (iii) capacity building and training program; and (iv) streamlining and rationalization of institutional processing.
Procurement oversight, and accountability	Procurement oversight is carried out by the CoA.	Support to CoA will be provided through: (i) additional resources and capacity building; (ii) strengthening of the audit review and increasing prior review thresholds; and (iii) oversight of procurement planning and performance.
	Procurement Regulation and Complaint is carried out by the CTB. In addition, data collection is not observed to be done systematically and is not used to measure procurement performance. Publication of contract award and decisions is not mandatory.	Support to CTB will be provided through: (i) additional resources and capacity building; (ii) strengthening of the regulatory role; (iii) strengthening of the revision of complaints; and (iv) institutionalizing procurement data collection and publishing procurement related decision (debriefing, complaint resolution, contract publication, advertisement of procurement opportunities, etc.).
	Technical supervision of works contracts: technical studies and technical supervision by external services are not used systematically.	An internal audit function will be established in MEHE, will increase the quality control of delivered contracts outputs and procurement oversight in addition to monitoring other core accountability and performance activities of the Program.
Contract administration	The RACE PMU's resources are insufficient to monitor contracts, including the large number of school construction and rehabilitation works.	The RACE PMU's capacity to monitor and manage contracts will be increased by contracted support and complemented by the proposed to be established internal audit function.

63. **Anticorruption entity.** There is no single governmental institution that deals with anti-corruption in Lebanon. However, there is the Lebanese Transparency Association, an NGO that has been very active in this area (www.transparency-lebanon.org). In addition, the Parliamentarian Committee of the Justice is being supported by the UNDP to draft and revise pertinent legislation including those dealing with protection of whistle blowers, access to information, and other measures to enhance transparency in the public sector. Proposed changes are consistent with standards and guidelines promulgated by the United Nations Convention Against corruption (UNCAC) to which Lebanon is a party.

64. **Anticorruption Guidelines.** The Bank's Guidelines on Preventing and Combatting Fraud and Corruption in Program-for-Results financing will be applicable to the Bank-supported Program as a whole and were agreed upon with the Recipient.

C. Environmental and Social Effects

65. An Environmental and Social Systems Assessment (ESSA) was carried out to ensure that the operation maximizes potential environmental and social benefits. Among the main recommendations of the assessment are the following:

- Measures concerning Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA) new construction and rehabilitation activities, along with procedures for

ensuring due diligence and monitoring. Tender documents will include greening activities for elements such as solid waste.

- With regards to social aspects, mechanisms for ensuring transparency in beneficiary information, strengthening the existing case management under the hotline as a robust grievance redress mechanism, and working to ensure that Child Protection Officers have a clear mandate and authority to act to mitigate against negative social impacts under the Program.

66. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

D. Risk Assessment

67. **The overall Program risk is “High”.** There are significant risks to the achievement of the PDO and key results, some of which are not easily managed or mitigated, as they are systemic. This includes political and governance risks that exist at the level of the Program, the implementing ministry and the country as a whole, as well as risks associated with fully financing the RACE 2 strategy and closing the financing gap. Other risks, such as macroeconomic and sector strategy and policy risks are substantial, given the possible movements in economic growth and policy as well as potential changes in government focus over the lifetime of Program implementation. While the Program has been designed to mitigate these as much as possible, including by keeping the DLIs focused and clear, targeting more outputs than outcomes, a high tolerance for risk is justified by the urgency of the situation and the potential of the investment to help the Government of Lebanon achieve the goals of RACE 2.

68. **Political and governance (Rated “High”).** Due to the “consociational” nature of the Lebanese government, decision-making in Lebanon requires consensus among a large number of divided political actors. Resulting stalemates in the executive and legislative branches of government often severely constrain reform efforts, the ability to pass important legislation and regulations, and to confirm key appointments. This paralysis is also affecting World Bank lending operations where lengthy approvals at ministerial and Cabinet levels are required. The risk is that the IDA credit – which requires parliamentary approval – might experience large effectiveness or implementation delays. In order to mitigate this risk, the RACE 2 operation will combine two types of funding (IDA credit and grant funding, which only requires Cabinet's approval).

69. **Macroeconomic Risk (Rated “Substantial”).** Lebanon's macroeconomic environment is highly vulnerable and presents a substantial risk for the Program. The service orientation of the economy is very sensitive to political instability, and its growth prospects are largely a function of the performance of other Arab states –the principal consumers of Lebanon's services (UK Trade & Investment, 2015). As such, the ongoing conflict in neighboring Arab countries, and its potential impact on Lebanon's domestic politics, are a primary source of uncertainty for the country's macroeconomic performance. In addition,

Lebanon's economy is characterized by an unsustainable public debt dynamic. Its limited revenue mobilization, high debt level, large twin deficits (fiscal and current account), and highly dollarized pegged economy (International Monetary Fund (IMF), 2014) only compound to the country's significant macroeconomic vulnerabilities.

70. **Sector strategies and policies (Rated "Substantial").** The five-year national Education Sector Development Plan (ESDP) was launched in 2010 and has informed the scope of focus of the two Bank's ongoing operations. The Plan was developed prior to the Syrian refugee crisis and does not address this challenge. The RACE initiative, which was launched in May 2014 (first phase of RACE) and updated in August 2016 (RACE 2), provides the strategic context for this Program, bringing greater clarity and certainty to the policy environment. The nature of the challenges posed to the Lebanese education system by the influx of Syrian refugee children cannot be fully mitigated nor is it possible to fully manage the changes in personnel and policy direction that are a reality in doing business.

71. **Technical design (Rated "Substantial").** While the design has focused on ambitious but achievable results and a detailed understanding of what capacities and activities are required to achieve these results, this is the first sector in the country to use the PforR instrument. While the technical design presents a compelling theory for change for how the activities will lead to results, the sector has faced a number of challenges over the last decade in all three Program dimensions: access to education, quality of education, and systems strengthening. Limited capacity in data and monitoring and evaluation systems have limited the potential for evidence-informed policy making. The design therefore rests on a number of assumptions that will be tested during implementation.

72. **Institutional capacity for implementation and sustainability (Rated "High").** Given the expanded scope of RACE 2, there is a risk that MEHE and CERD may not be able to cope with the increased volume of activities that RACE 2 requires. In particular, the school construction and rehabilitation activities will require an expanded capacity to set construction and equipment specification and to manage the entire procurement process.

73. **Fiduciary risk (Rated "High").** Fiduciary risks and proposed mitigations measures are described under Fiduciary Assessment in Section IV.

74. **Environmental and Social risk (Rated "Substantial").** While no specific negative environmental or social impacts are foreseen for the Program, the risks are substantial, particularly because of the vulnerabilities of refugee children and the relationships between refugee and host communities. These risks and mitigation measures are described in detail in the ESSA.

75. **Stakeholder risk (Rated "Substantial").** Stakeholders include key actors within the system (e.g. teachers, schools administrators, and other sector staff) as well as members of local communities that stand to benefit from the Program. With regards to system actors, there are risks relating to employees such as contractual teachers, and other participants that may feel underrepresented in Program activities. In terms of local communities, given the rapidly evolving context, outreach between official government efforts and beneficiary communities may not be as frequent and fluid as optimal, resulting in un-actualized potential of Program activities, such as high student absenteeism. These risks and mitigation measures are described in detail in the ESSA.

76. **Other risk (Rated "High").** The main other risk that has been identified is the Program Expenditure Framework, and in particular its financing. Despite pledges from donors for RACE 2, contributions tend to be annual, limiting MEHE's ability for multi-year programming and budgeting. As of July 2016, it is expected that the total RACE 2 program will amount to about US\$2.1 billion, with

substantial contributions still to be received from the donor community for the school year 2016-2017. The GoL is working with the international community to close the remaining financing gap in order to achieve RACE 2 program objectives. If the gap is not closed, achievement of results under the Program could be put at risk.

E. Program Action Plan

77. Based on the technical, fiduciary, and environmental and social assessments, a Program Action Plan has been developed (Annex 8). The proposed plan consists of a set of actions to strengthen entities involved in Program implementation or oversight to deliver Program results. The proposed actions are also intended to promote a more sustainable system, which will enable these institutions to effectively perform their mandate in the long term. The Program Action Plan includes the key actions below. These will be monitored by the World Bank as part of the Program Implementation Support Plan (Annex 9):

- **Establishing a Steering Committee** to ensure effective Program implementation in accordance with agreed arrangements.
- **Developing a Program Operations Manual.** A POM will need to be adopted by Program effectiveness.
- **Conducting a comprehensive capacity needs assessment of MEHE and CERD.** This will be done through technical assistance to be covered under the Program upon Program implementation.
- **Building the capacity of MEHE, RACE PMU, and CERD in core areas of project planning, management, fiduciary functions and M&E to effectively implement Program activities and MEHE's strategy.** Based on the findings of the needs assessment, the required technical assistance and training will be provided through the Program to reinforce the capacity of MEHE and CERD. This will include the set-up of a functional procurement unit at the RACE PMU with adequate and trained staff as well as an M&E function to work on the program.
- **Improve data availability, transparency, and accountability.** The Program will support measures to institutionalize procurement data collection and publish procurement related decisions (debriefing, complaint resolution, contract publication, advertisement of procurement opportunities, etc.) at MEHE. In addition, the Program will strengthen the capturing of data at the school level, i.e. capturing the sources and used of funds and other relevant information along with the necessary uploads of supporting documents in the information system that is under final stage of development in a timely manner.
- **Assuring an internal audit function at MEHE.** This will be done through the recruitment of a consultant to conduct internal audit function reporting to the Minister of MEHE as well as to help in carrying out the internal audit function starting the first year of Program implementation. The scope of the internal audit will be the RACE 2 Program. As part of its terms of reference, the consultant will be assisting MEHE with the establishment of a mainstreamed function within it by working collaboratively with assigned MEHE staff, disseminating knowledge on internal audit methodologies, support MEHE team to develop manuals to ensure effectiveness of program operations and procedures using good practices methodologies, and other guidance materials to help establish and sustain the function. Having trained staff from MEHE along with audit manuals to perform the internal audit function will be part of DLI 9 relating to MEHE's improved institutional capacity.
- **External Audit for the Program.** An independent external audit will be appointed to audit the RACE 2 Program and issue annual audit reports for the Program financial statements. The ToRs will be agreed between MEHE, the Bank, and development partners supporting RACE 2 Program and currently

requiring similar audits, such as, *inter alia*, UNHCR and UNICEF, with the view of having a single joint audit for the program.

- **Grievance redress mechanism.** Strengthening the existing hotline to make it a more robust grievance redress system at MEHE. PMU level to address complaints associated with social-related issues such as discrimination, sexual harassment, and bullying in schools. Integrating a secure, confidential and easily accessible system to report gender-based violence cases and ensure follow up. This will be carried out together with partners, to build on existing activities.

Annex 1: Detailed Program Description

1. **The proposed operation will support the second phase of the Government of Lebanon's Reaching All Children with Education (RACE) program.** Initially launched in 2013, the operation will support RACE 2 (2016-2021), estimated to cost approximately US\$2.1 billion. As such, the Program Development Objective is:

“To promote equitable access to education services, enhance quality of student learning, and strengthen the education systems in Lebanon's education sector in response to the protracted refugee crisis.”

2. **Lebanon's education system is governed principally by two entities: MEHE and CERD.** MEHE is responsible for overseeing the overall education sector, from the approval of national policies to the provision of service delivery in public schools, as well as regulation of private schools and other education service providers. CERD, an autonomous agency under the custodial authority of MEHE, is responsible for strategic planning nationwide, at the pre-university level. Among its functions are curricula design, the development of textbooks and other teaching materials, the issuance of guidelines for official exam specifications, and teacher preparation, including teacher training.

3. The Lebanese education system is structured around three (3) cycles of mandatory education (age 6 to 15) with three (3) grades in each cycle. There is also a kindergarten stage with 3 grades (age 3 to 6) and a secondary education stage with 3 grades (age 15 to 18). The private sector is highly predominant in the education sector with approximately 70 percent of the student population attending private schools (14 percent in private schools subsidized by the Government, and 55 percent in non-subsidized private schools). The average student success rates in the official examinations for the 9th and 12th grades in public and private schools are 61 and 73 percent respectively, which are low given the high expenditure levels in the sector. Moreover, an analysis of international and national-level survey data reveals that between-school differences are large and associated with factors such as school size, socioeconomic status, and quality of school buildings and instructional resources.

4. **The RACE 2 program aims to achieve three outcomes and nine outputs that are structured around three pillars:** i) Equitable Access, ii) Enhanced Quality, and iii) Strengthened Systems. Each of these are described below. The results framework for the overall RACE program was developed in a consultative fashion, under the leadership of MEHE. Working groups were established per pillar, with MEHE being represented and leading each, with a member of the donor community appointed to co-lead each working group. Within the overall government program, the Bank-supported Program consists of those activities within RACE that are entirely executed by MEHE. This implies about US\$1.8 billion of the costed activities over 5 years. Excluded activities are those such as non-formal education implemented by UNICEF or others, as well as cash transfer programs that would be implemented outside MEHE.

5. **The results chain of the RACE 2 program, and the corresponding DLIs in the Bank-supported Program, provide a complete story from select activities to the desired end results (see Figure 1).** Under Pillar 1, the first DLI focuses on attracting and incentivizing more children into formal schooling. The next DLI (under Pillar 2) is structured to keep children in school through to secondary education, first by incentivizing their attendance, and then their completion and transition through the cycles. With more children now staying in school, DLIs 3 and 4 focus on measuring what children are learning, and

measuring teacher performance to improve learning. DLI 5 focuses on bridging the school/community divide, critical to ensuring that students are receiving the home support needed for success. Finally, under Pillar 3, four DLIs work toward ensuring that the data, curriculum, policies (e.g. teacher policies), and capacity are all in place to bring about the results sought in the first two pillars.

6. **The DLI in support of Pillar 1, equitable access, takes into account the fact that not all students need the same type of support.** Under-enrollment in secondary education by Lebanese children will need to be tackled differently than the challenges relating to dropouts of refugees at the end of 5th Grade, but both sets of issues will be addressed under RACE in order to achieve DLI 1. This is the starting point of the results chain: providing access to formal public education through both demand and supply-side interventions.

7. **Pillar 2, enhanced quality, is supported by four DLIs, each one calibrated to a specific step in the results-chain.** DLI 2 starts with grade completion and transitioning to the next grade, effectively incentivizing a pipeline of students at the beginning of three three-year cycles. The following link (DLI 3) measures how teachers are teaching, and estimates the effect of the support teachers are receiving, with the view of improving teacher performance. DLI 4 supports teachers in assessing where students in Grade 3 are struggling, so as to best respond to student needs and ultimately improve student learning. Encompassing the full network of support required to keep children in school and learning, the final link in the results chain under this pillar is community engagement, ensuring that parents and communities are engaged under DLI 5.

Figure A1.1 RACE Pillars and Results Chain



8. **Strengthened systems is the pillar for the third and final group of DLIs, and these are higher-order system level outcomes.** Progress in these system-wide functions are pre-requisites to the achievement of other DLIs, while at the same time they will strengthen and be strengthened by the achievement of lower-level DLIs. This mutually supporting dynamic is clear in DLI 6. Effective decision-making at the central level of the ministry is predicated on timely and accurate collection and transmission of data at the school level; in turn, this data-driven decision-making will enable support and resources to flow to those schools most in need, enabling them to perform essential functions as well as collect and report data in a timely manner. The other DLIs under this pillar include curriculum, policies relating to teacher standards and teacher professional development, the development of a comprehensive learning assessment strategy, and capacity building, all essential for a functional education system.

I. RACE 2 PILLAR 1: EQUITABLE ACCESS

9. **The first pillar aims to achieve “enhanced access to, and demand from, children, youth, and their caregivers; for equitable formal or regulated non-formal education.”** Within this pillar, there are two outputs to which activities will contribute:

- A.1 Children, youth, and their caregivers are provided with the necessary support to increase their demand for formal education or regulated non-formal education;
- A.2 Children and youth have improved and equitable access to appropriately equipped public schools, especially in under-served areas.

10. **Activities across all of these output areas are likely to contribute toward the overall RACE objectives under pillar 1:** Proportion of school-aged children (3-18) enrolled in formal and non-formal education. These activities consist of supply side activities such as school construction and rehabilitation, as well as demand side activities. These will be considered separately below.

11. **On the supply side, the program proposes to carry out a number of interventions. MEHE will spend approximately US\$155 million to construct, expand or rehabilitate up to 665 schools, expanding public system capacity by approximately 45,000 seats.** This will include the addition of new classrooms, updating schools to conform with WASH (Water, Sanitation and Hygiene) standards, but also efforts to ensure that schools are more inclusive, particularly for students with disabilities. All additional construction should be based on need and to fill gaps, at an estimated cost of US\$2 million per school, though this amount will vary by school size and location. Furthermore, schools will also be equipped according to the Effective School Profile (ESP). Equipment will include desks, chairs, and boards; in addition to ICT equipment and laboratories. Newly constructed, rehabilitated or expanded schools will be provided with equipment and furniture and, where necessary, teachers, school director and support positions will be filled either through new hires or by transferring civil servants from schools which have high teacher to pupil ratios.

12. **On the demand side, activities under the overall RACE program are largely attributable to those that would be carried out directly by international partners such as UNICEF (hence, they have been excluded from the Bank-supported Program).** Under the guidance of MEHE, local and international organizations will intensify community outreach activities to vulnerable communities and refugees to provide them with the necessary information about opportunities for formal and non-formal schooling. In order to increase demand, the Program also plans to decrease education costs for

households by subsidizing school tuition fees, distributing textbooks and learning materials, and facilitating transportation to schools. Cash transfers are also considered in order to decrease, for households, the opportunity costs of sending children to school. For example, UNICEF is planning a cash transfer program aimed at families with school age children to encourage enrollment and attendance.

13. **Bridging supply and demand activities will be activities undertaken in support of non-formal education.** Some children, particularly those who have been out of school for a year or more, may lack the academic and/or language skills to enroll in formal education. They may also have obligations such as labor-force participation or childcare that prevent them from attending formal schools. CERD has developed a non-formal curriculum to serve this population of students, and non-formal instruction, including accelerated instruction, is being provided through UNICEF and other partners. For some students, this is a terminal program from which they hope to receive basic literacy and numeracy skills. For other students, the accelerated format can allow them to catch up to and re-integrate into formal education. In addition, MEHE is currently in the process of hiring additional psychosocial counselors into the DOPS service to support students in need. CERD also has a psychosocial department that will contribute to the RACE 2 Program. With the support of UNICEF, MEHE is currently preparing a psychosocial program for students, and rolling out the training to teachers and other school-level actors. While the approaches for non-formal education for formal education differ, MEHE is ensuring that they are coherent in their overall objectives.

II. RACE 2 PILLAR 2: ENHANCED QUALITY

14. **The second pillar strives for “enhanced quality of education services and learning environments provided, to ensure grade-appropriate learning outcomes for children and youth.”** Specifically, activities will contribute to the following three output areas:

- B.1 - Teachers and educational personnel have enhanced capacities to provide learner-centered pedagogy in public schools or learning spaces;
- B.2 - Educational personnel at the school-level are capacitated and empowered to proactively contribute to better school governance and safe/enabling learning environments;
- B.3 - Communities are capacitated to actively engage in the promotion of learning and well-being of students in learning spaces.

15. **Within each of these output areas, specific disbursement-linked indicators have been selected from RACE 2 that relate to the Bank supported Program.** To achieve them, the Program proposes to support a number of interventions and activities that will contribute to these results, including training for school leaders and teachers, grants to schools to strengthen school-based management, activating a network of community liaisons, and undertaking a number of evaluation and learning assessment activities to help teachers detect more precisely which students are struggling with what parts of the curriculum.

16. **With regards to training activities under B.1, MEHE and international partners will support the training of teachers and educational personnel on learner-centered teaching, classroom management, and differentiated learning, including for those with special needs.** Much of this training and support can immediately begin building on existing activities supported under RACE 1 and related system support. Teachers and educational personnel will be trained on effective instructional techniques, student assessment and providing psychosocial support for learners, with particular attention for fostering diversity and gender equity. Trainings will be accompanied by monitoring and guidance from

counselors who visit the schools regularly to observe teachers and provide feedback. Other activities will include the development and distribution of teaching materials including teaching guides.

17. **There is solid evidence for improvements associated with these approaches.** Well-designed teacher guides have been shown to be effective in multiple contexts, including Lebanon, in improving classroom instruction and student learning (Bruns and Luque, 2015). Similarly, effective non-violent classroom management has also been associated with increased teacher self-efficacy and increased student learning. In the longer term, these trainings and teacher supports will be linked to the development of the new curriculum, with training and support materials reflecting the new student learning standards to be adopted.

18. **For school grants (B.2), the Program will support the training of school principals and administrators on the identification of school needs and the preparation of school improvement plans that meet both the schools' immediate and medium-term needs.** This builds on existing school grants programs run by MEHE and the RACE PMU. Financing in the form of grants will be provided to schools to achieve their school improvement plans. Particular focus will be on empowering school directors through providing support, authority and accountability to ensure their schools are working to provide a safe and inclusive learning environment, in addition to schools working on improving student retention and learning achievements and outcomes of students.

19. **The output of increased community engagement in student learning and well-being (B.3) will be achieved through a number of activities, including the school grants mentioned above.** In addition, community liaisons are expected to work with second-shift children and parents to support safe arrival to school and home by accompanying students to and from school, and following up with parents and children identified as being at risk of dropping out.

20. **Under this pillar, MEHE will also seek to improve the monitoring and evaluation of teaching quality, learning outcomes, and learning environments through a group of interconnected activities.** These will likely include the digitization of teacher observation records so that teacher progress and support measures can be tracked over time. It will also include the development of new, no-stakes formative assessments in lower grades to identify students in need of support. In the longer term, it will be possible to identify classrooms and schools in need of targeted support as a result of patterns of student performance over time.

III. RACE 2 PILLAR 3: STRENGTHENED SYSTEMS

21. **The third pillar is focused on “enhanced governance and managerial capacities of MEHE and CERD to plan, budget, deliver, monitor, and evaluate education services.”** This pillar aims to achieve the following outputs:

- C.1 - An effective and accurate Education Management Information System (EMIS) is established and functional;
- C.2 - Revised curricula for schools and learning spaces are developed and endorsed to improve quality learning, life-skills and employability for children and youth;
- C.3 - Appropriate policy frameworks are endorsed and implemented to regulate education programs and services, strengthen school management, and professionalize teaching services;

- C.4 - MEHE and CERD at the central and regional levels are strengthened to lead and coordinate the planning, implementation, and evaluation of the relevant RACE 2 activities.

22. **One of the main challenges faced during the implementation of the first phase of RACE is the unavailability of timely and reliable data, structured data collection systems, and systems-capacity to analyze data that could inform policy decisions or programmatic interventions.** There are currently multiple data collection mechanisms working in parallel, in addition to long delays in the ability for MEHE or CERD to collect and use school-level data for decision-making. As a result, MEHE and CERD will develop a data management framework detailing how data about schools, students, teachers, and other personnel is collected, validated, categorized, and used by different stakeholders. An EMIS will be deployed in order to support the timely collection of the data, so that decision-making at both the school and the central MEHE and CERD levels is based on accurate and updated data.

23. **For output C.2, the current Lebanese formal curriculum dates from 1997 and has not seen major changes since that date.** It is strongly centered on specific concepts or information that students should know, rather than on competencies and skills that learners should acquire. MEHE and CERD are committed to revise the curriculum under RACE 2 so that it is competency-based, learner-centered, and relevant for the 21st century needs of the workforce. In addition to the formal curriculum, MEHE and CERD will develop and roll out additional non-formal education programs that could work as pathways to formal education, particularly for children who have been out-of-school for a period of time.

24. **In order to ensure equitable access to educational opportunities and to improve the quality of education services and learning environments, MEHE will develop and endorse appropriate policies and implement them.** Particularly, MEHE will remove legal and documentation barriers for refugees to enroll in schools and register for exams. MEHE will also recognize learning achievement through certification of formal and non-formal schooling. MEHE and CERD will also develop and endorse frameworks for child protection, health counseling, and special needs education to ensure that formal and non-formal learning spaces are safe and inclusive spaces. In terms of monitoring of teaching and learning, MEHE and CERD will endorse the effective teacher standards and will develop a teacher performance management system in order to effectively monitor, evaluate, and improve teacher performance. A national learning assessment framework will also be developed to measure learning outcomes. Finally, a framework for school-based management will also be developed and endorsed to empower school leadership and promote school autonomy.

Table A1.2. RACE Program Expenditure Categories

RACE Activity/Expenditure	MEHE Indicative Plan for Using IDA credit + REACH TF + LSCTF (in US\$ million)	RACE Program (in US\$ million; indicative)
Activities under Increased Access pillar:	\$150	\$1,349
Works for school construction, school expansion, and school rehabilitation	70	200
Goods for school furniture and school equipment including ICT	20	40
Staff costs and consultancies to support outreach activities and other activities ultimately benefiting increased in enrolments	10	13
Good and materials to support interventions such as carrying out information campaigns to increase demand for education	20	25
Transportation	10	222
Financial contributions to school funds and parent council funds	20	50
Other activities supporting Access including student retention support, student enrollment support and other activities		799
Activities under Enhanced Quality pillar:	\$44	\$243
Financial contributions to DOPS centers / staff costs, consultancies and transportation costs to cover activities such as classroom-observations performed by DOPS	15	20
Trainings and related teacher support activities, offered by CERD and/or DOPS	10	20
Outreach activities to communities and stakeholders	4	10
School grants to finance school needs including school improvement plans	5	50
Goods and materials to improve teaching and learning	10	20
Other activities supporting Enhanced Quality including remedial instruction, homework support and other activities		123
Activities under Strengthened Systems pillar:	\$30	\$253
Goods and services for system strengthening activities such as, <i>inter alia</i> , to facilitate data collection (e.g. computers, telephones, internet connectivity)	10	20
Training according to the needs of MEHE and CERD	5	10
Consultancies to support the development of policies, curriculum development, assessment strategy development	5	10
Staff costs relating to, <i>inter alia</i> , accounting, procurement, projects planning and implementation,	10	20

technical implementation, administrative support, and CERD departments.		
Other activities supporting Strengthened Systems including piloting costs for revised curriculum and other activities		193
TOTAL	\$224	\$1,845

Annex 2: RACE 2 Program Results Framework Matrix

Results Areas Supported by PforR	PDO/Outcome Indicators (Key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results Indicators (critical processes, outputs or intermediate outcomes indicators needed to achieve each aspect of the PDO)	DLI #	Unit of Meas.	Baseline (2016)	End Target (2021)	Frequency	Data Source
Outcome A: Enhanced access to, and demand from, children, youth, and their caregivers for equitable formal or regulated non formal education	Increase in the proportion of school aged Lebanese and non-Lebanese children (3-18) enrolled in formal education (disaggregated by school type, education cycle, nationality, and gender)	Number of school aged children (3-18) enrolled in formal education	1	Number	Public Schools: <u>Lebanese:</u> TOTAL 249,494 Prep-ECE - Pre-Primary 38,217 Cycle 1 (Grade 1-3) 44,288 Cycle 2 (Grade 4-6) 54,450 Cycle 3 (Grade 7-9) 60,055 Secondary 52,484 TVET Data not available <u>Non-Lebanese:</u> TOTAL 153,241 Prep-ECE - Pre-Primary 19,298 Cycle 1 (Grade 1-3) 86,533 Cycle 2 (Grade 4-6) 32,522 Cycle 3 (Grade 7-9) 11,108 Secondary 2,280 TVET 1,500 Private Schools: 735,000 (Lebanese and Non-Lebanese):	Public Schools: <u>Lebanese:</u> TOTAL 262,500 Prep-ECE - Pre-Primary 40,209 Cycle 1 (Grade 1-3) 46,597 Cycle 2 (Grade 4-6) 57,288 Cycle 3 (Grade 7-9) 63,186 Secondary 55,220 TVET TBD (i.e., 1% increase each scholastic year) <u>Non-Lebanese:</u> TOTAL 287,969 Prep-ECE 20,000 Pre-Primary 32,617 Cycle 1 (Grade 1-3) 145,129 Cycle 2 (Grade 4-6) 54,669 Cycle 3 (Grade 7-9) 16,701 Secondary 3,853 TVET 15,000 Private Schools : N/A	Annually	MEHE/CERD
		Number of children and youth whose registration		Number	Formal Education: <u>Lebanese:</u> TOTAL 197,010	Formal Education: <u>Lebanese:</u> TOTAL 262,500	Annually	PMU

		fees for public formal education and ALP are partially or fully subsidized			Prep-ECE - Pre-Primary 38,217 Cycle 1 (Grade 1-3) 44,288 Cycle 2 (Grade 4-6) 54,450 Cycle 3 (Grade 7-9) 60,055 Secondary - TVET Data not available <u>Non-Lebanese:</u> TOTAL 153,241 Prep-ECE - Pre-Primary 19,298 Cycle 1 (Grade 1-3) 86,533 Cycle 2 (Grade 4-6) 32,522 Cycle 3 (Grade 7-9) 11,108 Secondary 2,280	Prep-ECE - Pre-Primary 40,209 Cycle 1 (Grade 1-3) 46,597 Cycle 2 (Grade 4-6) 57,288 Cycle 3 (Grade 7-9) 63,186 Secondary - TVET TBD <u>Non-Lebanese:</u> TOTAL 287,969 Prep-ECE 20,000 Pre-Primary 32,617 Cycle 1 (Grade 1-3) 145,129 Cycle 2 (Grade 4-6) 54,669 Cycle 3 (Grade 7-9) 16,701 Secondary 3,853		
		Number of public school buildings that meet MEHE's Effective School Profile (ESP) standards		Number	377	884	Annually	MEHE
		Number of public schools newly built or expanded to meet quality standards specified in GoL's Decree 9091		Number	0	40 built; 125 expanded	Annually	MEHE
		Number of MEHE-owned public school buildings meeting ESP standards equipped in line with MEHE specifications		Number	200	500 public schools	Annually	MEHE
		Number of public school buildings (by MEHE		Number	TBD	>1000	Annually	MEHE

		owned/rented) furnished in line with MEHE specifications						
Outcome B: Enhanced quality of education services and learning environments provided, to ensure grade- appropriate learning outcomes for children and youth	Increase in the proportion of students passing their grades, and transitioning to the next grade (disaggregated by school type, grade, nationality, and gender);	% of children and youth aged 03-15 above the corresponding graduation age who have completed a Cycle		Percentage	Lebanese Cycle 1: 96% Cycle 2: 87% Cycle 3: 78% Non-Lebanese Cycle 1: 68% Cycle 2: 51% Cycle 3: 52%	Lebanese Cycle 1: >96% Cycle 2: >87% Cycle 3: >78% Non-Lebanese Cycle 1: >68% Cycle 2: >51% Cycle 3: >52%	2020 for Lebanese; Annually for Non- Lebanese	MICS Round 6, VASyR, UNHCR community- based reporting; MEHE information management
		% students who were at school last year remain at school this year		Percentage	Lebanese 99% for all Cycles Non-Lebanese 99 for Cycle 1 94 for Cycle 2 93 for Cycle 3	Same rates maintained	2015 and 2019 or 2020 for all; Annually for non- Lebanese	MICS Round 6, VASyR, UNHCR community- based reporting; MEHE information management
		Proportion of students transitioning grades	2	Percentage	Lebanese 100 for transition from Cycle 1 to 2 94 for transition from Cycle 2 to 3 91 for transition from Cycle 3 to Secondary Non-Lebanese 96 for transition from Cycle 1 to 2 82 for transition from Cycle 2 to 3 82 for transition from Cycle 3 to Secondary	Same rates maintained	2015 and 2019 or 2020 for all; Annually for non- Lebanese	MICS Round 6, VASyR, UNHCR community- based reporting; MEHE information management
		Number of students in public schools successful in Grade 3 and		Number	Grade 3: 0 Grade 6: 0 (Baseline at 0 because	Grade 3: TBD after pilot Grade 6: TBD after pilot	Annually	CERD

		Grade 6 learning assessment tests			learning assessment is to be developed by CERD based on new curriculum)			
		Number of teachers, education personnel, and educators trained		Number	Teachers : 14,000 per year Education personnel: 4,497 Educators : 0	Teachers : 14,500 per year Education personnel: TBD Educators : TBD	Annually	CERD
		Percentage of trained teachers whose teaching performance meets national performance standards	3	Teachers	0%	>75%	Annually	DOPS
		Number of public school classrooms that have received a MEHE-endorsed package of teaching materials		Number	0	11,570 classroom packages on average per year	Annually	PMU
		Number of DOPS counsellors trained		Number	Total: 475 Academic: 405 PSS: 17 Health: 39	1,900	Annually	DOPs
		Number of public schools that implement formative and summative assessments for students in Grade 3 in reading and math	4	Number	0	180	Annually	DOPs
		Number of schools that implement and monitor their School Improvement Plan (SIP) within the same academic		Number	260	780	Annually	PMU/MEHE

		year						
		Number of public schools that conduct 2 or more health checks per year		Number	0	>1000	Annually	DOPS
		Number of public schools implementing GoL-endorsed child protection policy, protocols and mechanisms		Number	0	>750	Annually	DOPS
		Percentage of cases of violence involving students that require follow-up/referral and for which referral mechanisms were followed		Percentage	0	>90%	Annually	PMU, DOPS, /UN Agencies
		Percentage of children and youth with special needs identified and referred by public schools		Percentage	0	>90%	Annually	DOPS
		Number of public schools with Community Liaison Officers	5	Number	0	430	Annually	UNHCR
		Percentage of cases of violence which were reported by communities for which referral mechanisms were followed		Percentage	0%	>75%	Annually	DOPS/PMU/UN Agencies
		Percentage of children and youth		Percentage	0%	>75%	Annually	DOPS

		with special needs identified who are referred by communities for additional support						
		CERD Annual Statistics Yearbook is published by 01 August every year for the last academic year (inclusive of all refugee-education data)	6	Text	CERD Annual Statistics Yearbook is published by December for the previous academic year (without refugee-education data)	Lebanese and non-Lebanese data by 01 August for the last academic year published	Annually	CERD Annual Statistics Yearbook
Outcome C: Enhanced governance and managerial capacities of MEHE and CERD to plan, budget, deliver, monitor, and evaluate education services	Timely and robust data available for evidence informed policy-making and planning	Mid-cycle and end-cycle RACE II program review completed		Text	Not available	Available	2019 and 2021	PMU
		Annual RACE II Operational and Financial Plan and Report available		Text	Not available	Available	Annually	PMU and Audit Report
		Unified framework for data management, data collection protocols, and compliance systems endorsed and operational	8	Text	Not available	Operational	N/A	CERD
		Percentage of public schools with education data management system functioning		Percentage	0	>90%	Annually	CERD
		Percentage of schools with disaggregated data on refugee student enrolment		Percentage	0	>90%	Annually	PMU

		available by 01 February of each year for current academic year	7					
		Curriculum revised to improve quality of learning		Text	Existing curriculum		N/A	CERD
		CERD adequately capacitated and equipped to develop interactive content and e-platform		Text	Interactive curriculum and e-platforms do not yet exist	Interactive curriculum available; e-platforms operational	N/A	CERD
		National textbooks piloted, evaluated, and finalized for print		Text	Existing textbooks	Finalized national textbooks ready for print	N/A	CERD
		Comprehensive national learning assessment strategy developed and operational	8	Text	Not available	Operational	N/A	CERD
		National Teacher Assessment Framework and teacher observation tools developed and operational	8	Text	Available	Revised as per the new curriculum designed by CERD	N/A	CERD
		Endorsed framework for school-based management operational		Text	Available	Operational	N/A	PMU
		Revised School Health Program operational		Text	Existing School Health Program	Revised SOPs for health checks endorsed operational	N/A	PMU
		Policy and mechanisms to monitor violence		Text	Uniform protocols and mechanisms to monitor child violence do not exist	Operational	N/A	DOPS

		against children in schools endorsed and operationalized by MEHE (with MOSA, MOJ, MOI)						
		Policy framework for special needs education endorsed and operational		Text	Not available	Operational	N/A	PMU and DOPS
		Document on Risk Screening of Public Schools in Lebanon under the National School Safety Program (NSSP) available		Text	Not available	Available	N/A	PMU
		RACE II coordination platform led by PMU established and fully functional		Text	REC exists as the only coordination body	Functional coordination platform inclusive of MEHE departments, donors, UN agencies, and NGOs implementing RACE II	N/A	PMU
		Staffing review and technical assistance plan for PMU, CERD, and DOPS available		Text	Staffing and human resource plan not available for PMU, CERD, and DOPS (Source: World Bank Project Appraisal Document for Lebanon 2016)	Available	N/A	World Bank
		Quality control standards for planning, procurement and financial management for PMU and CERD endorsed and operational	9	Text	Uniform quality control standards for planning, procurement, and financial management do not exist	Operational	N/A	World Bank

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Table A3.1 Disbursement-Linked Indicator Matrix

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement				
				Year 1	Year 2	Year 3	Year 4	Year 5
DLI#1 Number of school- aged (3-18) children enrolled in formal education in participating schools	95	42.4%	400,000	100,000 additional students enrolled				
DLI#2 Proportion of students transitioning grades								
<i>DLR# 2.1:</i> 4 percentage points increase from the baseline (determined in Y1) in student transition rate of Grade 4 transition to Grade 5	9	4.0%	TBD	Increase of 4 percentage points				
<i>DLR #2.2:</i> 4 percentage points increase from the baseline (determined in Y1) in student transition rate of Grade 7 transition to Grade 8	9	4.0%	TBD	Increase of 4 percentage points				
<i>DLR #2.3:</i> 4 percentage points increase from the baseline (determined in Y1) in student transition rate of Grade 10 transition	9	4.0%	TBD	Increase of 4 percentage points				

	Total Financing	As % of Total		Indicative timeline for DLI achievement				
to Grade 11								
DLI#3 Teacher performance measured and evaluated	6	2.7%	No evidence of impact		First Impact Evaluation Study (IES) conducted		Second IES conducted	
DLI #4 Number of participating schools that implement formative and summative assessments for students in Grade 3 in reading and math	18.4	8.2%	Not currently monitored		50		180	
DLI #5 Proportion of participating schools with active community partnerships	15.6	7.0%	0% for second-shift schools		50%		80%	
DLI#6 Timely and robust data available for evidence informed policymaking and planning.								
DLR #6.1 A data and information management framework developed and adopted by MEHE and CERD	3	1.3%	Misalignment in data collection and data management functions across different MEHE and CERD units	Expected to be completed by Y1				
DLR #6.2 Annual data available from participating schools on disaggregated data on student	12	5.4%	Data on student enrollment not available until end of school year		Student enrollment data by March 1 st	Student enrollment data by March 1 st	Student enrollment data by March 1 st	Student enrollment data by March 1 st

	<i>Total Financing</i>	<i>As % of Total</i>		<i>Indicative timeline for DLI achievement</i>				
enrollment by March 1 in each year; and annual data available from participating schools on disaggregated data on student grade passing rates by August 31 each year for current academic year					Passing rates data by August 31st	Passing rates data by August 31st	Passing rates data by August 31st	Passing rates data by August 31st
DLI#7 Curriculum revised to improve quality of learning								
<i>DLR # 7.1</i> Curricula Higher Committee approved a work plan and standard operating procedures for developing the Curriculum	4	1.8%	Minister decision is needed to form the Curricula Higher Committee	Expected to be completed by Y1				
<i>DLR #7.2</i> Curriculum design completed	15	6.7%	Design of curriculum not yet initiated	Curriculum design for KG	Curriculum design for Cycle 1		Curriculum design for Cycle 3	
<i>DLR # 7.3</i> Curriculum piloting completed in 6 schools for each cycle	9	4.0%	None			Curriculum pilot for KG	Curriculum pilot for Cycle 1	Curriculum pilot for Cycle 3
DLI #8 Foundational framework and policies are developed and adopted to support teaching and learning								
<i>DLR # 8.1</i> MEHE and CERD developed and endorsed new teacher performance standards, teacher performance	4	1.8%	Effective teacher standards were drafted	Expected to be completed by Y1				

	Total Financing	As % of Total		Indicative timeline for DLI achievement				
observation tools and procedures to implement said standards and tools								
<i>DLR # 8.2</i> CERD developed and endorsed a framework for teacher professional development and performance management	4	1.8%	Framework for teacher professional development and performance management does not exist		Expected to be completed by Y2			
<i>DLR # 8.3</i> MEHE and CERD designed a comprehensive learning assessment strategy	4	1.8%	Lebanon conducts national examinations and participates in some international examinations but a Comprehensive Learning strategy does not exist	Strategy expected to be developed by Y1				
<i>DLR # 8.4</i> MEHE and CERD implemented the above-mentioned comprehensive learning assessment strategy	4	1.8%	Lebanon conducts national examinations and participates in some international examinations but a Comprehensive Learning strategy does not exist				Assessment applied as per strategy	

	<i>Total Financing</i>	<i>As % of Total</i>		<i>Indicative timeline for DLI achievement</i>				
DLI # 9 MEHE and CERD's improved capacity to implement the Program <i>DLR #9</i> Four (4) internal audit reports produced per year by MEHE in compliance with standards agreed between MEHE and the Bank	3	1.3%	No internal audit function	4	4	4	4	4

Table A3.2 DLIs/DLRs Verification Protocol Table

DLI #	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLRs and data/results verification		
			Data source/ agency	Verification Entity	Procedure
DLI # 1	Population of students enrolled in public formal schooling (KG through Grade 12). The increase in enrollment numbers is calculated with reference to the baseline value at YEAR 0. Data should be reported disaggregated by type of school, education cycle, nationality (Lebanese, non-Lebanese), and gender.	Yes	Enrollment lists from MEHE	Third Party	Enrollment data should be provided in March and verified within a month period. There should be a review of enrollment numbers through site visits and spot checks in a sample of randomly selected public schools.
DLI # 2.1	Calculated by dividing the number of public school students in the target year who enroll in Grade 5 for the first time (not repeated students) by the number of public school students who enrolled in Grade 4 at the beginning of the preceding scholastic year. Data to be disaggregated by nationality (Lebanese, non-Lebanese) and gender.	Yes	Enrollment lists from MEHE	Third Party	Enrollment data should be provided in March and verified within a month period. There should be a review of enrollment numbers through site visits and spot checks in a sample of randomly selected public schools.
DLI # 2.2	Calculated by dividing the number of public school students in the target year who enroll in Grade 8 for the first time (not repeated students) by the number of public school students who enrolled in Grade 7 at the beginning of the preceding scholastic year. Data to be disaggregated by nationality (Lebanese, non-Lebanese) and gender.	Yes	Enrollment lists from MEHE	Third Party	Enrollment data should be provided in March and verified within a month period. There should be a review of enrollment numbers through site visits and spot checks in a sample of randomly selected public schools.
DLI # 2.3	Calculated by dividing the number of public school students in the target year who enroll in Grade 11 for the first time (not repeated students) by the number of public school students who enrolled in Grade 10 at the beginning of the preceding scholastic year. Data to be disaggregated by nationality (Lebanese, non-Lebanese) and gender.	Yes	Enrollment lists from MEHE	Third Party	Enrollment data should be provided in March and verified within a month period. There should be a review of enrollment numbers through site visits and spot checks in a sample of randomly selected public schools.
DLI # 3	Impact evaluation study of teacher support programs. Two support programs will be studied: The first one consists of classroom observations and feedback and guidance provided by the academic counselor and the school principal. The second program includes the first (observations and guidance) and adds training provided by CERD. The study will then have three groups of teachers: one group with only observation and guidance, one with observation and guidance + CERD training, and one control group with no intervention. The study will have a baseline at the beginning of the year, followed by the respective intervention, and an	No	Classroom observation records and teacher training records	Third Party	Baseline and endline data is collected, along with the intervention records (classroom observation and teacher training records).

DLI #	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLRs and data/results verification		
	endline at the end of the year. Teacher performance is compared between baseline and endline and among groups.				
DLI # 4	Schools are conducting rapid, no-stakes formative assessments given by Grade 3 teachers at the beginning of the year to evaluate student learning needs, particularly in math and reading. A summative assessment is also conducted at the end of Grade 3 to monitor progress.	Yes	School records of assessments	Third Party	Check assessments records for a sample of schools.
DLI # 5	For second-shift schools, a community partnership is formed through the establishment of community liaisons as per MEHE's procedure.	Yes	School records	Third Party	Review of school records to verify minutes of meetings for the executive committee of the parent council and for the activity of community liaisons.
DLI # 6.1	A framework detailing data collection, data validation, and data usage mechanisms and processes; identifying roles and responsibilities of different units at MEHE and CERD; and setting system and timeline requirements for the data systems. Data for refugee students may be maintained in a separate database, as specified in the framework.	No	Framework document approved and signed by Minister	Third Party	Review of approved framework document.
DLI # 6.2	Disaggregated data by school type, geographical area, grade, Lebanese/non-Lebanese, gender. Data should be available in a digital central database in March. CERD publishes the disaggregated enrollment data for all schools on its website in August of each year.	Yes	CERD website (http://www.crdp.org/en)	Third Party	Review of enrollment and grade completion numbers and of the implementation of CERD data verification protocol.
DLI # 7.1	Decision to form the Curricula Higher Committee is issued by the Minister. The Curricula Higher Committee includes national stakeholders and representatives from the Education sector (e.g. CERD, MEHE, Educational Inspectorate, and Faculty of Education among others). The committee meets and approves the curriculum development work plan, which will be approved by the Minister. Standard Operating Procedures (SOPs) are prepared by CERD and approved by the Curricula Higher Committee. The work plan and SOPs are published on the CERD website.	No	CERD website (http://www.crdp.org/en)	Third Party	Checking the CERD website for the curriculum development plan and SOPs.
DLI # 7.2	Curriculum design document should include student learning outcomes, and scope & sequence, which should be developed for the subjects in each grade. Curriculum design documents need to be approved by the Curricula Higher Committee. Financing for the curriculum will include all cycles.	No	Signed Document at CERD	Third Party	Checking that design documents were approved by the Curricula Higher Committee.

DLI #	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLRs and data/results verification		
DLI # 7.3	For every cycle, a pilot will take place in any 6 schools selected for the purpose of piloting this particular cycle. Pilot of the curriculum will consist of samples from one chapter of core subjects (Math, Languages, Science) in one grade per cycle (KG, Cycle 1, Cycle 2, Cycle 3, Cycle 4). The pilot requirements are set by CERD. CERD will also develop a pilot report template that will be filled for each school to describe the results of the pilot.	No	Pilot reports	Third Party	Checking pilot reports.
DLI # 8.1	Effective teacher standards developed and reviewed by CERD in partnership with MEHE/DOPS and Educational Inspectorate. Standard Operational Procedures and observation tools required for the operationalization and implementation of the teacher standards are also issued and applied at school, regional, and central levels. Minister approves effective teacher standards and observation tools and SOPs issued and disseminated by MEHE to schools.	No	Signed effective teacher standards, observation tools, and SOPs	Third Party	Visit one DOPS center per governorate and check if endorsed observation tools are applied.
DLI # 8.2	A unified framework to build the capacity of teachers and improve their teaching performance is produced and approved. It includes teacher training philosophy and methodology and a learning roadmap. It incorporates the teacher standards and competencies required from teachers. It includes the coordination mechanism between CERD and MEHE/DOPS and uses a holistic approach to teacher professional development by including continuous mentorship, classroom observation and guidance, plan for teaching resources development, plan for peer learning, etc. Minister approves the framework for teacher professional development.	No	Framework document approved and signed by Minister	Third Party	Checking final version of document from MEHE and CERD.
DLI # 8.3	A comprehensive long-term learning assessment strategy, including different types of student assessments (international and national exams, as well as other student assessments) is developed abiding by each type's specifications. It defines MEHE and CERD's unified framework for assessing student learning and informing good practices for governance, teaching, and learning. The strategy is to be approved by the Minister and should be made public on MEHE and CERD's websites.	No	MEHE and CERD website	Third Party	Checking CERD and MEHE websites for the signed approved document.
DLI # 8.4	Application of an assessment as per the approved strategy.	No	Official	Third	Checking CERD and MEHE websites for

DLI #	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLRs and data/results verification		
	Assessment can be national or international, sample or census-based. The results of the assessment should be made public on MEHE and CERD's websites.		document detailing assessment results (e.g. OECD document for PISA)	Party	the results of the application of one of the assessments.
DLI # 9	Internal audit function operational as specified in the Program Operations Manual (POM). Internal audit reports should be produced quarterly according to the agreed standards which are defined in the Program Operations Manual (POM).	No	Internal Audit Reports	Third Party	Reviewing internal audit reports for compliance with quality standards set forth in the POM.

Table A3.3 Bank Disbursement Table

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Total Amount of the Financing Allocated (in US\$)	To be financed by IDA ²³ (in US\$)	To be financed by REACH TF (in US\$)	To be financed by LSCTF (in US\$)	Disbursement Calculation Formula
DLI #1: Number of school-aged (3-18) enrolled in formal education in participating schools	<i>DLR#1:</i> 500,000 children by completion of the Program	[95,000,000]	65,000,000		30,000,000	For every additional 500 students (rounded to the closest 500th) from the baseline (of 400,000 children in academic year 2015-2016), US\$475,000 is disbursed (US\$325,000 from the IDA credit and US\$150,000 from the LSCTF grant). For subsequent years, the number of students enrolled in the previous years against which IDA disbursed is subtracted. A maximum of US\$30,000,000 (US\$20,500,000 from the IDA credit and US\$9,500,000 from the LSCTF grant) can be disbursed each year.
DLI #2: Proportion of students transitioning grades	<i>DLR #2.1:</i> 4 percentage points increase from the Baseline (to be determined in Y1) in student transition rate of Grade 4 transition to Grade 5. <i>DLR #2.2:</i> 4 percentage points increase from the Baseline (to be determined in Y1) in student transition rate of Grade 7 transition to Grade 8.	<i>DLR #2.1:</i> [9,000,000] <i>DLR #2.2:</i> 9,000,000]			<i>DLR #2.1:</i> 9,000,000 <i>DLR #2.2:</i> 9,000,000	For every 1 percentage point increase from the baseline in each grade transition (to be determined in Y1), US\$2,250,000 is disbursed. For subsequent years, the percentage points increase against which the Association disbursed in previous years is subtracted. A maximum of US\$4,500,000 can be disbursed each year per DLR.

²³ This financing is expected as a contribution from the Lebanon Syria Crisis Multi-Donor Trust Fund (LSCTF) to be processed as an additional financing in support of the Program provided donor financing is received by the LSCTF and that the proposal is endorsed by the LSCTF. The DLIs related to this financing shown in this table are provided for information purposes to evidence the complementarity of the Program co-financing support.

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Total Amount of the Financing Allocated (in US\$)	To be financed by IDA ²³ (in US\$)	To be financed by REACH TF (in US\$)	To be financed by LSCTF (in US\$)	Disbursement Calculation Formula
	<i>DLR #2.3:</i> 4 percentage points increase from the baseline (determined in Y1) in student transition rate of Grade 10 transition to Grade 11.	DLR #2.3: [9,000,000]			DLR #2.3: 9,000,000	
DLI #3: Teacher performance measured and evaluated	<p><i>DLR #3.1:</i> First Impact Evaluation Study (IES) conducted and findings of the IES disseminated to relevant education sector policy makers.</p> <p><i>DLR #3.2:</i> Second IES conducted and findings of the IES disseminated to relevant education sector policy makers.</p>	<p>DLR# 3.1: [4,000,000]</p> <p>DLR# 3.2: [2,000,000]</p>		DLR# 3.1: 4,000,000	DLR# 3.2: 2,000,000	N/A

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Total Amount of the Financing Allocated (in US\$)	To be financed by IDA ²³ (in US\$)	To be financed by REACH TF (in US\$)	To be financed by LSCTF (in US\$)	Disbursement Calculation Formula
DLI #4: Number of participating schools that implement formative and summative assessments for students in Grade 3 in reading and math.	<i>DLR #4.1:</i> 50 in Year 2 <i>DLR #4.2:</i> 180 in Year 4	[18,400,000]			18,400,000	For every 1 school, US\$80,000 is disbursed.
DLI #5: Proportion of participating schools with active community partnerships.	<i>DLR #5.1:</i> 50% of second-shift schools with active community partnerships in Year 2. <i>DLR #5.2:</i> 80% of second-shift schools with active community partnerships in Year 4.	[15,600,000]			15,600,000	For every 5% of second-shift schools that had active community partnerships, US\$600,000 is disbursed.

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Total Amount of the Financing Allocated (in US\$)	To be financed by IDA ²³ (in US\$)	To be financed by REACH TF (in US\$)	To be financed by LSCTF (in US\$)	Disbursement Calculation Formula
DLI #6: Timely and robust data available for evidence informed policy making and planning.	<p><i>DLR #6.1:</i> A data and information management framework developed and adopted by MEHE and CERD.</p> <p><i>DLR #6.2:</i> Annual data available from participating schools on disaggregated data on student enrollment by March 1 in each year and Annual data available from participating schools on disaggregated data on student grade passing rates by August 31st each year for current academic year.</p>	<p>DLR#6.1: [3,000,000]</p> <p>DLR#6.2: [12,000,000]</p>			<p>DLR#6.1: 3,000,000</p> <p>DLR#6.2: 12,000,000</p>	<p>DLR#6.2: US\$1,500,000 disbursed in full for achievement by the March 1 deadline in each Annual Year (AY). For every 1-month delay in meeting said deadline, annual disbursement is decreased by 10%.</p> <p>US\$1,500,000 disbursed in full for achievement by the August 31st deadline in each AY. For every 1-month delay in meeting said deadline, annual disbursement is decreased by 10%.</p>
DLI #7: Curriculum revised to improve quality of learning.	<p><i>DLR #7.1:</i> Curricula Higher Committee approved a work plan and standard operating procedures for developing the Curriculum</p> <p><i>DLR #7.2:</i> Curriculum design completed</p>	<p>DLR#7.1: [4,000,000]</p> <p>DLR#7.2: [15,000,000]</p>	<p>DLR#7.1: 1,000,000</p> <p>DLR#7.2: 12,000,000</p>		<p>DLR#7.1: 3,000,000</p> <p>DLR#7.2: 3,000,000</p>	<p>DLR#7.2: US\$5,000,000 (US\$4,000,000 from the IDA credit and \$1,000,000 from the LSCTF grant) disbursed upon completion of the curriculum design for each one of the</p>

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Total Amount of the Financing Allocated (in US\$)	To be financed by IDA ²³ (in US\$)	To be financed by REACH TF (in US\$)	To be financed by LSCTF (in US\$)	Disbursement Calculation Formula
	<i>DLR #7.3:</i> Curriculum piloting completed in 6 schools for each cycle.	DLR#7.3: [9,000,000]	DLR#7.3: 6,000,000		DLR#7.3: 3,000,000	<p>following:</p> <p>1) Kindergarten Education; 2) Grades 1-3 (Cycle 1); 3) Grades 7-9 (Cycle 3).</p> <p>DLR#7.3: US\$3,000,000 (\$2,000,000 from the IDA credit and US\$1,000,000 from the LSCTF grant) disbursed upon completion of piloting the Curriculum in 6 schools for each one of the following:</p> <p>1) Kindergarten Education curriculum; 2) Grades 1-3 (Cycle 1) curriculum; 3) Grades 7-9 (Cycle 3) curriculum.</p>

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Total Amount of the Financing Allocated (in US\$)	To be financed by IDA ²³ (in US\$)	To be financed by REACH TF (in US\$)	To be financed by LSCTF (in US\$)	Disbursement Calculation Formula
DLI #8: Foundational Framework and Policies are developed and adopted to support teaching and learning.	<p><i>DLR #8.1:</i> MEHE and CERD developed and endorsed new teacher performance standards, teacher performance observation tools and procedures to implement said standards and tools.</p> <p><i>DLR #8.2:</i> CERD developed and endorsed a framework for teacher professional development and performance management.</p> <p><i>DLR #8.3:</i> MEHE and CERD designed a comprehensive learning assessment strategy.</p> <p><i>DLR #8.4:</i> MEHE and CERD implemented the above-mentioned comprehensive learning assessment strategy.</p>	<p>DLR#8.1: [4,000,000]</p> <p>DLR#8.2: [4,000,000]</p> <p>DLR#8.3: [4,000,000]</p> <p>DLR#8.4: [4,000,000]</p>	<p>DLR#8.1: 4,000,000</p> <p>DLR#8.2: \$4,000,000</p> <p>DLR#8.3: 4,000,000</p> <p>DLR#8.4: 4,000,000</p>			N/A

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Total Amount of the Financing Allocated (in US\$)	To be financed by IDA ²³ (in US\$)	To be financed by REACH TF (in US\$)	To be financed by LSCTF (in US\$)	Disbursement Calculation Formula
DLI #9: MEHE and CERD's improved capacity to implement the Program.	<i>DLR #9:</i> Four internal audit reports produced per year by MEHE in compliance with standards agreed between MEHE and IDA.	[3,000,000]			3,000,000	US\$600,000 disbursed for four internal audit reports produced per year.
TOTAL AMOUNT		[224,000,000]	100,000,000	4,000,000	120,000,000	

Annex 4: Technical Assessment²⁴

1. **The proposed operation will support the second phase of the Government of Lebanon's Reaching All Children with Education (RACE) program.** The technical assessment was conducted during the preparation of the operation, and consisted of an analysis of all program documents, reports, and related studies, and was complemented with interviews of key stakeholders throughout preparation. The assessment consists of three sections:

- The first describes the overall RACE program, providing an evaluation of the proposed technical arrangements, and identifies some key areas for improvement.
- The second outlines the Program's expenditure framework.
- The third conducts an economic analysis of the proposed Program.

2. **Launched in 2013, this second phase of RACE covers the period 2016-2021.** Following on the successful completion of RACE's first phase, the new operation coincides with the second phase of RACE (2016-2021), and is estimated to cost US\$2.1 billion. The PforR operation will be aligned with these dates, and therefore includes disbursement-linked indicators spread across five years.

3. **Overall, the technical assessment finds that the RACE 2 program has been satisfactorily designed.** The program incorporates many lessons identified from phase 1, and the selection of interventions to achieve stated objectives is largely grounded in evidence from both within Lebanon and globally. Still, the assessment identified some opportunities for further improving the program, specifically with regards to the institutional strengthening of MEHE and other national actors.

Section I: RACE 2, and the Program Description

4. **The RACE 2 program aims to achieve nine outputs that are structured around three pillars:** i) Access, ii) Quality, and iii) Systems Strengthening. Each of these are described below. Within each pillar, the Bank-supported Program aims to support the achievement of specific output areas. Table A4.1 presents the overall RACE program, and situates some of the key elements being supported through the use of Disbursement-Linked Indicators.

5. **The results framework for the overall RACE 2 program was developed in a consultative fashion, under the leadership of MEHE.** Working groups were established per pillar, with MEHE being represented and leading each, with a member of the donor community appointed to co-lead each working group.

PILLAR 1: EQUITABLE ACCESS

6. The first pillar aims to achieve "enhanced access to, and demand from, children, youth, and their caregivers for equitable formal or regulated non-formal education." Within this pillar, there are two outputs that activities will contribute to:

A.1 Children, youth, and their caregivers are provided with the necessary support to increase their demand for formal education or regulated non-formal education; A.2 Children and youth have improved and equitable access to appropriately equipped public schools, especially in under-served areas.

²⁴ Studies and reports cited in the World Bank technical assessment are not necessarily endorsed by MEHE.

7. **Activities across all of these output areas are likely to contribute toward the proposed disbursement-linked indicator under pillar 1: Proportion of school-aged children (3-18) enrolled in formal public education (disaggregated).** For the purposes of the assessment, these activities consist of supply side activities such as construction and rehabilitation. Demand-side activities will be considered separately below.

8. **On the supply side, the Program proposes to carry out a number of interventions. MEHE will spend approximately US\$155 million to construct, expand or rehabilitate up to 665 schools, expanding public system capacity by approximately 45,000 seats.** This will include the addition of new classrooms, updating schools to conform to WASH (Water, Sanitation and Hygiene) standards, but also efforts to ensure that schools are more inclusive, particularly for students with disabilities. All additional construction should be based on need and to fill gaps, at an estimated cost of US\$2 million per school, though this amount will vary by school size and location. Furthermore, schools will also be equipped according to the Effective School Profile (ESP). Equipment will include desks, chairs, and boards, in addition to ICT equipment and laboratories. Newly constructed, rehabilitated or expanded schools will be provided with equipment and furniture and, where necessary, teachers, school director and support positions will be filled either through new hires or by transferring civil servants from schools that have very high teacher to pupil ratios.

9. **On the demand side, activities under the Program are largely attributable to those that would be carried out directly by international partners such as UNICEF.** Under the guidance of MEHE, local and international organizations will intensify community outreach activities to vulnerable communities and refugees to provide them with the necessary information about opportunities for formal and non-formal schooling. In order to increase demand, the Program also plans to decrease education costs for households by subsidizing school tuition fees, distributing textbooks and learning materials, and facilitating transportation to schools. Cash transfers are also considered in order to decrease households' opportunity costs of sending children to school. For example, UNICEF is planning a cash transfer program aimed at families with school age children to encourage enrollment and attendance.

Analytical Underpinnings of Pillar 1

10. **The GoL has successfully increased access but requires support to maintain and extend gains in equity.** MEHE increased access for refugee children of school age from 14,190 students enrolled in school year 2011-12 to 122,716 students enrolled in 2015-16, representing an increase of 865 percent. This has been achieved through a number of extraordinary measures, including the opening and staffing of public schools in the second shift and the development of a non-formal education curriculum. This past success demonstrates both the will and the capacity to deliver on key objectives, but it also requires sustained support. It is expected that future gains in enrollment will be based primarily on increases in refugee enrollments, but it is hoped that additional numbers of Lebanese can be served with improved quality as well.

11. **The assessment concurred with the prioritization of these access-linked activities to increase supply under the Program for the following reasons.** Investment in infrastructure is a priority of MEHE and responds to an urgent need. Statistics provided by the D-RASATI survey (2011) and recently updated under the Second Education Development Project (EDP II, 2014) show that among the 1,262 existing public schools, 75 percent need repairs. Of these, 25 percent need major repairs and among these, 40

specific schools are considered to be structurally unsafe. In addition, of 400 school buildings owned by the Ministry that were designed as schools and surveyed, 22 percent are considered overcrowded.²⁵ This overcrowding occurs despite the fact that total capacity in the Lebanese public school system exceeds current first-shift enrollment.²⁶ This is due in part to the fact that some public educational infrastructure is located in areas where student demand exceeds supply, while other infrastructure is located in areas where student demand is below available supply. Some of this mismatch between where the schools are located and where the children live can and is being addressed through transportation (bussing), however, there is a clear need to invest in education infrastructure in some locations in Lebanon where student demand exceeds available supply and bussing is not practical.

12. **The assessment also concurred with the prioritization of the demand-side activities.** First, a recent survey confirmed that the greater the distance to school, the less likely children are to be enrolled; hence, support to transportation will make a difference (Alsharabati, Lahoud, and Nammour, 2016). Second, working from recent evidence from the Lebanese context, it is clear that the cash transfer program has had a meaningful impact on the refugee populations. A recent impact evaluation of UNHCR's initiative to distribute some of its aid to refugees through cash transfers starting in 2013-2014 showed that families receiving cash assistance were half as likely to send their children to work instead of to school (Masterson, 2016). Money was spent to meet basic needs, with no evidence of funds used for luxury or temptation goods. What is more, the quasi-experimental study showed no evidence of perverse incentives such as pull effects of crowding in ineligible recipients or otherwise artificially increasing the number of refugees (Masterson, 2016).

PILLAR 2: ENHANCED QUALITY

13. The second pillar strives for “enhanced quality of education services and learning environments provided, to ensure grade-appropriate learning outcomes for children and youth.” Specifically, activities will contribute to the following three output areas:

- B.1 - Teachers and educational personnel have enhanced capacities to provide learner-centered pedagogy in public schools or learning spaces;
- B.2 - Educational personnel at the school-level are capacitated and empowered to proactively contribute to better school governance and safe/enabling learning environments;
- B.3 - Communities are capacitated to actively engage in the promotion of learning and well-being of students in learning spaces.

14. **Within each of these output areas, specific disbursement-linked indicators have been selected from RACE 2 that relate to the Bank supported Program.** To achieve them, the Program proposes to support a number of interventions and activities that will contribute to these results, including training for school leaders and teachers, grants to schools to strengthen school-based management, activating a network of community liaisons, and undertaking a number of evaluation and learning assessment activities to help teachers detect more precisely which students are struggling with what parts of the curriculum.

²⁵ Based on infrastructure data collected in 2011, using less than 2.8 square meters of space per student in either first or second shift to indicate overcrowding.

²⁶ Total capacity is calculated at 437,895 using 2.8 square meters per student, while total enrollment in the first shift is about 315,000. As of May 2016, MEHE is in the process of updating the physical infrastructure assessment.

15. **With regards to training activities, MEHE and CERD, with the support of international partners, will support the training of teachers and educational personnel on learner-centered teaching, classroom management, and differentiated learning, including for those with special needs.** Much of this training and support can start immediately, building on existing activities supported under RACE 1 and related system support. Teachers and educational personnel will be trained on effective instructional techniques, student assessment and providing psychosocial support for learners, with particular attention for fostering diversity and gender equity. Trainings will be accompanied by monitoring and guidance from counselors who visit the schools regularly to observe teachers and provide feedback. Other activities will include the development and distribution of teaching material including teaching guides. In the longer term, these trainings will be linked to the development of new curriculum, with training and support materials based on the new student learning standards expected to be developed as a part of the new curriculum.

16. **For school grants, the Program will support the training of school principals and administrators on the identification of school needs and the preparation of school improvement plans that meet both the schools' immediate and medium-term needs.** This builds on existing school grants programs run by MEHE. Financing in the form of grants will be provided to schools to achieve their school improvement plans. Particular focus is on schools working to provide a safe and inclusive learning environment, in addition to schools working on improving student retention and learning achievements and outcomes of students.

Analytical Underpinnings of Pillar 2

17. **Protecting and supporting quality is essential to the long-term future of the public education system.** Refugee students are currently 19 percent of total public school enrollment in the first shift, and 100 percent of the second shift. In prior years, MEHE has been able to maintain levels of instructional quality and learning on par with other countries in the region, particularly at the secondary level. Significant support will be required to maintain and extend these levels of student learning.

18. **The assessment concurred with the emphasis placed on training, classroom observation and school grants.** However, it was cautioned that training activities would be most effective if paired with continuous monitoring and guidance provided by both the school-based managers (school principal, subject coordinators, etc.) and by counselors from DOPS. While training globally is often ineffective at changing teacher practices and improving student learning outcomes (e.g. Bruns and Luque, 2015), it can be effective at both: "...the intervention category which most commonly produces large improvements in student learning is pedagogical interventions that match teaching to students' learning..." (Evans and Popova, 2015). Classroom observations and teacher performance assessment should be based on clear and specific criteria set by the teacher standards developed by MEHE and CERD. Following evidence from, among others, (e.g. Papay et al. 2016), teacher peer-learning should be encouraged by pairing identified high-performing teachers with teachers in need of assistance to meet and work on specific skill areas identified from classroom observations. Coaching-based training interventions can also be effective, while computer and other ICT classroom aides are expected to support improved instruction (following Conn 2014, Bruns and Luque 2015 and Evans and Popova 2015), which will be linked in later years to the newly developed curriculum.

19. **The assessment also concurred with the need for community liaisons.** There is ample evidence that, especially within the refugee communities, child protection issues are being insufficiently

addressed. A recent review of the RACE program identified reducing bullying and violence in schools as a critical first step toward better child protection (Jalbout, 2015). The bullying takes many forms, including for older children that are placed in classrooms with younger children. Discrimination among students has been documented in a number of cases. The prevalent harassment is an important driver behind students dropping out of school. Bridging the community-school divide, through appointing actors to take on the responsibility of personalized follow-up of both Syrian and Lebanese students on behalf of school administrators, could go a long way in reducing this central risk of dropout. Community liaisons will also be charged with improving relations with teachers, and will follow-up on teacher requests, such as homework, areas previously identified as correlated with keeping Syrian and Lebanese kids from dropping out of Lebanese schools (Alsharabati et al, 2016). MEHE and other actors such as the UN agencies have committed to redoubling their efforts in this area.

20. **Finally, without proper information as to the extent to which students are actually learning, addressing student needs in a differentiated way is not possible.** Under RACE 2, MEHE and CERD will develop and implement a national learning assessment framework, which will include formative assessments at the school-level. Particular attention will be given for Grade 3 to detect early difficulties in basic reading, writing, and numeracy skills; and for Grade 6 to detect difficulties in the sciences, mathematics, and language subjects.

PILLAR 3: STRENGTHENED SYSTEMS

21. The third pillar is focused on “**enhanced governance and managerial capacities of MEHE and CERD to plan, budget, deliver, monitor, and evaluate education services.**” This pillar aims to achieve the following outputs:

- C.1 - An effective and accurate Education Management Information System (EMIS) is established and functional;
- C.2 - Revised curricula for schools and learning spaces are developed and endorsed to improve quality learning, life-skills and employability for children and youth;
- C.3 - Appropriate policy frameworks are endorsed and implemented to regulate education programs and services, strengthen school management, and professionalize teaching services;
- C.4 - MEHE and CERD at the central and regional levels are strengthened to lead and coordinate the planning, implementation, and evaluation of the relevant RACE 2 activities.

22. **These outputs will be achieved through the following activities:** rolling out new education management information system, substantial institutional capacity building, curricular reform, and policy work that includes reducing all barriers to registering for education services.

23. **One of the main challenges faced during the implementation of the first phase of RACE is the unavailability of timely and reliable data, structured data collection systems, and systems-capacity to analyze data that could inform policy decisions or programmatic interventions.** There are currently multiple data collection mechanisms working in parallel, in addition to long delays in the ability for MEHE or CERD to collect and use school-level data for decision-making. As a result, MEHE and CERD will develop a data management framework detailing how data about schools, students, teachers, and other personnel is collected, validated, categorized, and used by different stakeholders. MEHE will also deploy an EMIS in order to support the timely collection of the data, so that decision-making at both the school and the central MEHE and CERD levels is based on accurate and updated data.

24. **The current Lebanese formal curriculum dates back from 1997 and has not seen any major changes since that date.** It is strongly centered on specific concepts or information that students should know, rather than on competencies and skills that learners should acquire. MEHE and CERD are committed to revise the curriculum under RACE 2 so that it is competency-based, learner-centered, and relevant for the 21st century needs of the workforce. In addition to the formal curriculum, MEHE and CERD will develop standardized non-formal education programs that could work as pathways to formal education, particularly for children who have been out-of-school for a period of time.

25. **In order to ensure equitable access to educational opportunities and to improve the quality of education services and learning environments, MEHE, together with CERD, will develop and endorse appropriate policies and implement them under RACE 2.** Particularly, MEHE will remove legal and documentation barriers for refugees to enroll in schools and register for exams. MEHE and CERD will also recognize learning achievement through certification of formal and non-formal schooling. MEHE, together with CERD, will also develop and endorse frameworks for child protection, health counseling, and special needs education to ensure that formal and non-formal learning spaces are safe and inclusive spaces. In terms of monitoring of teaching and learning, MEHE and CERD will endorse the effective teacher standards and will develop a teacher performance management system in order to effectively monitor, evaluate, and improve teacher performance. A national learning assessment framework will also be developed to measure learning outcomes. Finally, a framework for school-based management will also be developed and endorsed to empower school leadership and promote school autonomy.

26. **Finally, in order to support these development efforts, MEHE and CERD will require capacity strengthening in terms of staffing to plan, budget, deliver, monitor, and evaluate education services.** The Program will support the identification of the staffing needs at both MEHE and CERD, and the appointment of civil servants at critical positions in these institutions. Performance standards will be set for staff and disseminated in order to evaluate staff performance and address capacity development issues. Of particular focus are roles in procurement, financial management, strategic planning, and monitoring and evaluation.

Analytical Underpinnings of Pillar 3

27. MEHE is currently forced to focus on designing immediate solutions to daily crises, and has only limited capacity to engage in the type of long-term, detailed planning and strategy required to implement RACE 2. The successful implementation of RACE 1 and the design of RACE 2 demonstrate a determination to maintain and increase essential education system functionality. Large and sustained support is urgently required to maintain and expand planning, monitoring and implementation capacity.

28. **Concerning system monitoring, the assessment concluded that supporting the development and incentivizing the completion of a proper EMIS might be the greatest contribution the Program makes to the overall RACE 2 program.** As described above, due to the absence of timely accurate data, it is excessively difficult for MEHE to properly allocate resources to those schools most in need, or otherwise direct efforts of the Ministry to those that would benefit the most. Timely data will go a long way in rendering current spending more efficient and better targeted.

Section II: Program Expenditure Framework

29. **The Program Expenditure Framework analyzes the costing of expenditures, provides some estimates for program financing and the residual financing gap, and discusses the budget planning and**

execution. Working from a recent Public Expenditure Review conducted in Lebanon's education sector, as well as scenarios for the program conducted using a customized costing model for RACE 2, this section assesses the program's financial sustainability and funding predictability, reviews the budget structure and classification, and discusses the adherence of Program expenditures to government priorities.

Overall Program Costs, Funding Gap, Financial Sustainability and Funding Predictability

30. **The RACE 2 program represents a total of about US\$2.1 billion of expenditures.** This figure does not include the government's increasing recurrent and investment expenditures on education, which are essential to cover the provision of education to refugees that complements RACE 2. These estimates are calculated using the June 2016 version of the RACE 2 program costing model (core scenario). Of this total, the Bank-supported Program is estimated at about US\$1.8 billion, once activities that are entirely within the purview of international partners, such as non-formal education, are excluded.

31. **The overall RACE 2 program therefore faces a gap of US\$1,100 million.** With the IDA (US\$100 million) and grant financing (US\$124 million), firm commitments to the RACE 2 program total about US\$172 million mainly for costs in the next 18 months. Given previous levels of international support to RACE, it is estimated that an additional US\$150 million would be available for each of the subsequent four years of the program. However, it is important to note that even these resources have yet to be fully committed.

32. **The short-term financial conditions appear sound.** The last IMF Article IV consultation concluded estimated overall GDP growth to continue through until 2020, leading to a slight increase in total fiscal revenue (excluding grants). Correspondingly, total public expenditure is projected to rise slightly in the coming years, from an estimated 28.7 percent of GDP in 2014, to 30.8 percent of GDP by 2020 (IMF, 2015). Although precise estimates are not available, it is expected that the education sector would benefit from this slight increase in expenditure, given in preponderance in the budget.

33. **Although the allocation of domestic financing to the education sector looks promising, and has been growing in real terms (Figure A4.2), it has not kept pace with overall growth (Figure A4.3).** This has resulted in a reduction in both the overall percentage of GDP allocated to education, as well as the share of public financing that goes to the sector.

Figure A4.2. MEHE Actual Expenditures (US\$ M)²⁷

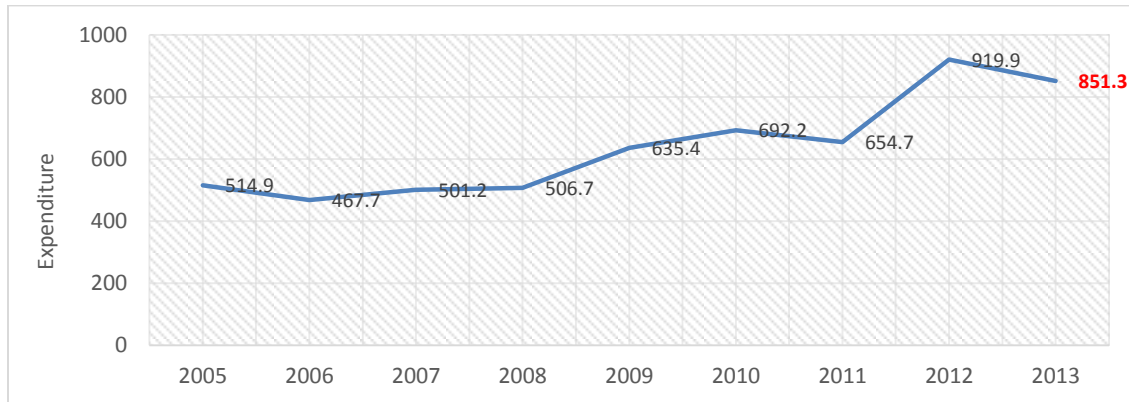
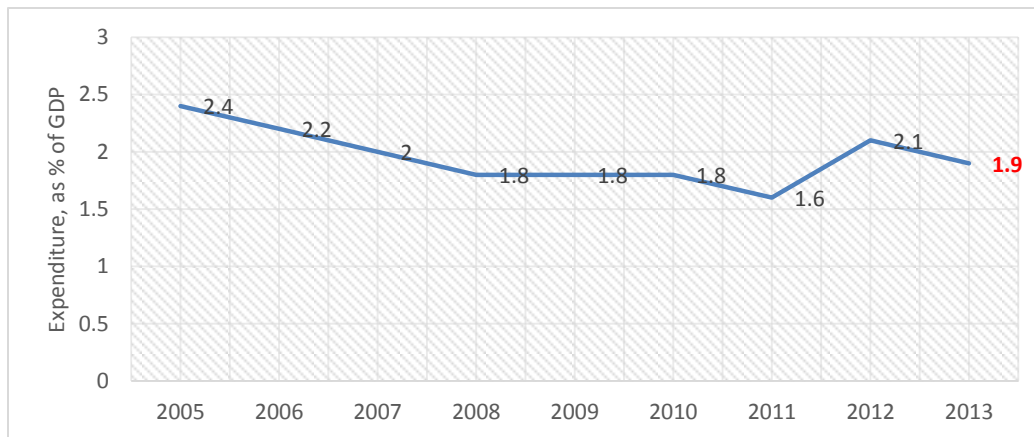


Figure A4.3. MEHE Expenditures as % of GDP²⁸



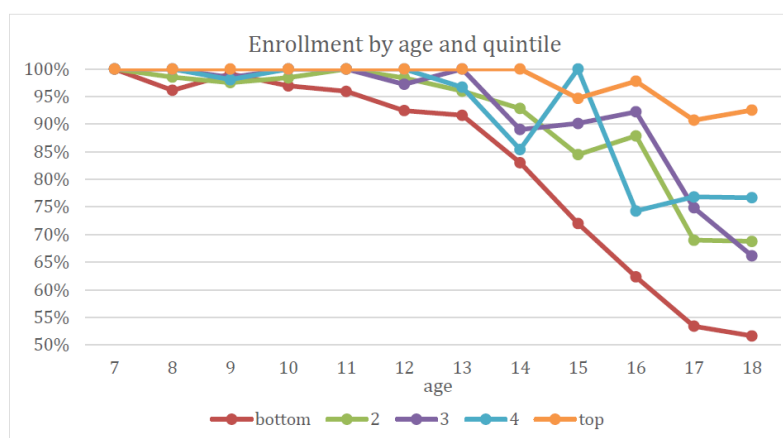
34. **The government share allocated to education does not reflect the importance placed on the sector; this is partly explained by high levels of private financing of services.** Although Lebanon's public spending on education is lowest among all countries of the Middle East and North Africa, it is also true that the public schools only serve 30 percent of Lebanese students. When subsidies to private schools (0.4 percent of GDP) and private expenditures (1.45 percent of GDP is the parents' out-of-pocket share of expenditure) are factored in, the total education financing reaches nearly 4 percent of GDP, more in line with regional averages. However, it is important to note that this represents a heavy burden placed on parents.

35. **This high proportion of private financing exacerbates inequalities in the education system.** Even prior to the refugee crisis, the Lebanese system was characterized by large inequalities in access and in quality of services received. This trend (Figure A4.4) has only grown worse in light of the onset of the refugee populations, since they have largely settled in poorer areas, bringing those poorer schools under even greater strain to deliver quality services. Inequalities are even more persistent with regards to availability and quality of services across geographic regions.

²⁷ Lebanon Education Public Expenditure Review, WB (forthcoming 2016). Data source: Ministry of Finance.

²⁸ Ibid.

Figure A4.4. Enrollments by age and by income quintile²⁹



Budget Planning, Classification, and Execution

36. **Due to factors exogenous to MEHE, Lebanon’s education sector operates with limited budget planning.** It lacks the capacity to develop an actionable Medium-Term Expenditure Framework. Even when sectoral plans are produced, or when MoF issues a Medium-Term Financing Framework, neither are binding, nor adhered to. The absence of an institutional planning culture within the administration and lack of policy guidelines are compounded by the absence of an approved budget. The last budget to be approved by parliament was in 2005; since then, the public administration has been functioning on temporary annual budgets, with little view as to what the next year will bring. The absence of an annual budget has limited the institutionalization of a robust budget planning exercise.

37. **The budget execution processes are not well structured.** There is no dedicated team within MEHE with budget implementation responsibilities, including no discernible cash planning (World Bank, 2016). It is expected that the proposed institutional strengthening activities around budget planning, cost estimates, and timing, in the context of RACE 2, will improve overall MEHE budgeting. The starting point has been the development of a detailed costing model, which allows MEHE authorities to estimate the medium and long-term financing impact of various scenarios. In addition to providing a detailed review of program expenditures, this helps bring expenditures and activities and objectives into alignment.

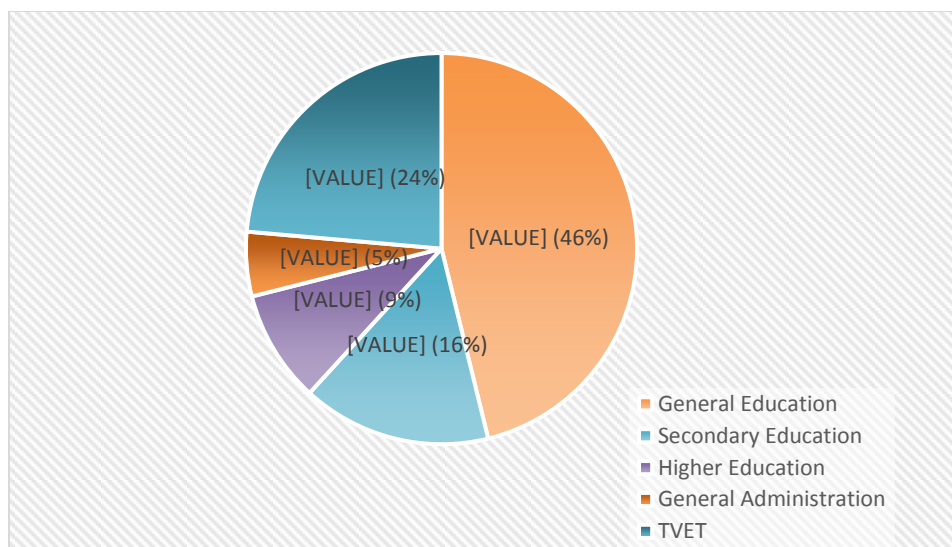
38. **Execution of recurrent budget items (other than civil servants salaries) across the education system is affected by the bureaucratic processes in the review and clearance of expenditures which in turn affect the use of funds on a timely basis.** Among the problems noted in the public expenditure review is the lack of systematic internal audit functions, and the fact that the financial reporting is not IPSAS compliant (World Bank, 2016).³⁰ Despite these weaknesses, the overall budget is assumed to be executed in its entirety, annually. School level spending also suffers from a lengthy and bureaucratic process, resulting in poor execution of school budgets, specifically in the parents’ fund and the students’ fund. (World Bank, 2016).

²⁹ Lebanon Education Public Expenditure Review, WB (forthcoming 2016).

³⁰ For more details on the financial management, see Annex 5. Fiduciary Systems Assessment.

39. **The overall education budget finances five sub-sectors (not including the general administration):** General (including pre-primary and primary), Secondary, Higher Education, and Technical, Vocation Education and Training, and General Administration (Figure A4.5).

Figure A4.5 Expenditures by sub-sector, 2014 (US\$ M)³¹



40. **As is the norm in the education sector, expenditures are made up in their great majority by recurrent costs such as salaries.** Staffing represents more than 80 percent of education spending. Importantly, the non-recurrent expenditures under the RACE program, estimated at US\$199,704,807, represent 9.4 percent of the overall expenditures available to MEHE. For more details on the breakdown of expenditures by expenditure category, see Table A4.1.

³¹ Lebanon Education Public Expenditure Review, WB (P152803), June 2016.

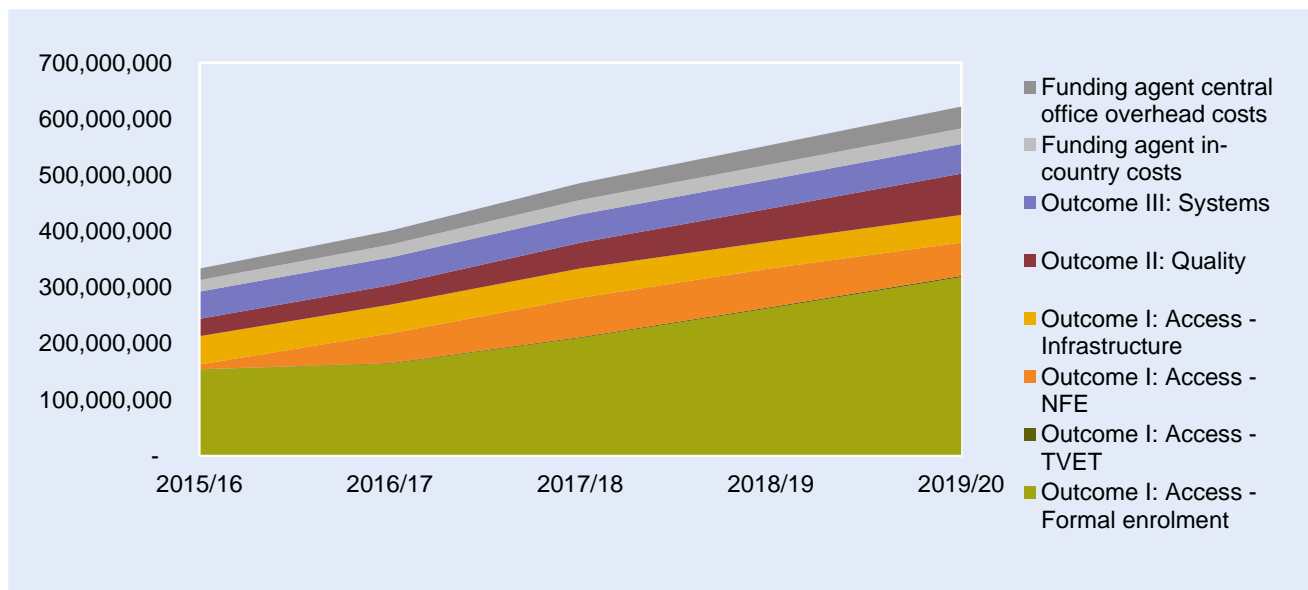
Table A4.1 Distribution of MEHE Expenditure, 2013		
General Education	% Share	Actual
Civil Servant Salary	63.1	248
Contractual Worker Salary	9.7	38
Transportation Allowance	4.4	17
Rent & Maintenance of Schools	2.4	10
Contributions to the Public Sector	5.5	22
Contributions to non-profit organizations	13.7	53
Other recurrent costs	1.2	5
Sub-Total	100.0	393
Secondary Education		
Civil Servant Salary	81.3	108
Contractual Worker Salary	7.5	10
Transportation Allowance	4.8	6
Rent & Maintenance of Schools	4.2	6
Other recurrent costs	2.2	3
Sub-Total	100.0	133
General Directorate for Higher Education		
Civil Servant Salary	99.5	200
Contractual Salary and Other Recurrent Costs	0.5	1
Sub-Total	100.0	201
General Directorate for TVET		
Civil Servant Salary	28.2	22.2
Contractual Salary	61.4	48.5
Various Allowances (including transport)	6.8	5.73
Other recurrent costs	3.6	2.57
General Administration		
Civil Servant and Contractual Salaries	50.7	22.9
Transport and Other Allowances	44.5	18.9
Rent Costs and Other Recurrent Costs	4.8	2.2
Sub-Total	100.0	45.3
Grand Total		851.3
<i>Source: Ministry of Finances, as quoted in Lebanon Education Sector Public Expenditure Review, WB (forthcoming)</i>		

Adherence of Program Expenditures to Government Priorities, and Efficiency of Expenditures

41. With regards to specific Program Expenditures, estimates for costs over the medium-term have been done using the best available data from MEHE, CERD, UN agencies, and other actors (Figure A4.5). The costing model shows the following:

- a. Unit costs for service provision are expected to change slightly over time, from US\$461 and US\$648 for enrolling Syrians in the first and second shift in 2016 to US\$472 and US\$593, respectively (Oxford Policy Management, 2016).
- b. Grants to schools will require at least US\$4.4 million per year in financing to implement School Improvement Plans for public schools identified as urgently needing to improve learning quality, including teacher training, supplemental student support and equipment.
- c. Construction activities are expected to cost an estimated average of US\$2 million per new construction and US\$235,000 per expansion. School construction, expansion, rehabilitation, and equipment will require US\$200 million in financing, and US\$347 per square meter for rehabilitation. This accounts for most of the expected rise in expenditures of the program period.
- d. Overall, the costing model budgets approximately 15 percent in administration and overhead costs to be absorbed by MEHE.

Figure A4.5. Projection of RACE 2 program costs 2016-2021³²



42. **The Lebanon Education Public Expenditure Review (P152803) of June 2016 includes a number of additional conclusions relating to the efficiency and equity of expenditures that serve to underscore the importance of the Program Action Plans.** First, there is little correlation between the quality of service delivery, and the expenditure trends. Second, given the structure of the subsidy, the wealthiest households benefit the most from public education allowance transfers. Third, as with many countries at this point on Lebanon's path of economic development, the poorest households are underrepresented in secondary schools and in university, another driver of wealthier households

³² From RACE2 costing model (Oxford Policy Management, 2016 unpublished draft).

capturing more of the public education subsidy. Finally, the poorer households are also those that account for – and suffer from – the education system’s inefficiencies, as they tend to be disproportionately represented among those that repeat grades and, ultimately, drop out of school.

43. **As a result of this and other analyses, a number of recommendations have been made to improve the processes and procedures within MEHE to increase overall capacity to manage the current crisis and for long-term system strengthening.** These institutional building recommendations revolve around making major gains in four areas (for more on institutional building recommendations, please see fiduciary assessment):

- a. **Increasing enrollment:** Enrollment among both Lebanese and non-Lebanese students is lower than optimal in both pre-primary education and secondary education, and especially depressed among the poorest. For example, in the 2011/2012 school year, less than 55 percent of Lebanese 17-year olds in the lowest income quintile were in formal education programs, compared to more than 90 percent of Lebanese 17-year olds in the highest income quintile were in formal education programs. Less than 10 percent of Syrian refugees of secondary school age are estimated to be in school. A concerted effort is required to increase both access and demand in order to deliver education services to all.
- b. **Supporting teachers:** Teachers are the backbone of instruction delivery, and require improved support in the form of training, mentoring and instructional aides to improve service delivery and student learning. This support needs to be coupled with increased monitoring of teacher practices and performance.
- c. **Student assessments:** The public system currently conducts high-stakes eliminatory examinations at the end of 9th and 12th Grades. In order to improve student learning and grade completion, a no-stakes student assessment in lower grades could be used to identify students in need of assistance to target academic support before they drop out. Overall, a plan for how student assessments work together to provide actors at each level of the system the information they need to act is sorely needed. This includes national and international assessments, whether census and sample-based, whether annual or multi-year, and at different grade levels, comparable over time.
- d. **Curricular reform:** Daily instructional content is at the heart of every school system, and Lebanon’s curriculum was last completely revised in 1971, with multiple partial revisions including recently in 1997, 2000 and 2012. MEHE and members of civil society groups have consistently advocated for comprehensive curricular reform to improve instruction and learning.

Section III: Economic Assessment

A. Rationale for Investment

44. **High rates of return to schooling in Lebanon underpin the rationale for program investment.** Private returns to primary and secondary education in Lebanon are estimated at 6 and 4 percent, respectively³³; almost on par with high income economies (4.8 and 5.3 percent)³⁴. Social returns are

³³ These are the returns for both lower and upper secondary. (World Bank Public Expenditure Review, 2016).

³⁴ Montenegro & Patrinos, 2013.

likely to be significant as well, given the many positive externalities of education. High private and social returns to pre-primary education have also been well established by the global evidence, ranging from 2:1 to 17:1 for every single dollar invested.³⁵ Despite high returns, many children in Lebanon are currently out of school. Even for those within the education system, completion rates stand at roughly 86.5 percent at pre-primary, 78.1 percent at primary, and 59.0 percent at secondary, *de facto* leaving too many behind. Against this backdrop, financing under this project aims to address inherent market failures embedded in the system, and significantly exacerbated by the refugee crisis, to increase equitable access to quality education in Lebanon.

B. Economic Impact of the Program

45. **The base case forecast of the RACE 2 program shows significant returns over its lifetime**³⁶. Based on a cost estimate of US\$1.8 billion spread across a five-year period and annual nominal revenues of US\$11.89 billion, the Net Present Value (NPV) of the Program is US\$563 billion at a 5.9 percent discount rate³⁷. Annual observed revenues for the Program are calculated by multiplying the increase in salary over a 40-year employment horizon for each additional year of primary and secondary schooling – 6 percent and 4 percent, respectively – by the number of students completing the school year as per the RACE 2 target³⁸. As for the investment's efficiency, the internal rate of return is estimated at 7.4 percent. This does not include likely benefits of the increased quality of services, nor the likely reduction in dropouts among Lebanese and non-Lebanese. There are several risks to the above calculations, chief amongst them is the plausibility of future employment opportunities for both Lebanese and non-Lebanese students in a labor market without unforeseen frictions. The estimates also assume compliance with Program annual targets, though more conservative scenarios also yield positive returns.

46. **Economic returns are robust to sensitivity analyses.** Even under more conservative scenarios, the economic returns continue to be positive. A scenario in which enrolment targets are partially met (85 percent) would yield an NPV of US\$249 million and an internal rate of return of 6.6 percent. A more pessimistic scenario in which these targets are only 75 percent met is still estimated to yield an NPV of US\$40 million and an internal rate of return of 6 percent.

47. **Increased access to schooling has economic intergenerational gains, as well as positive labor productivity and social cohesion externalities.** The NPV model is limited by the time horizon specified in its calculation and, as such, is agnostic to the intergenerational impact of an increase in the level of education. That is to say, increased schooling sets in motion a long-term shift in the earning potential of a family that goes beyond the lifetime of the individual, which cannot be readily quantified. Furthermore, social returns to increasing access to basic education expand beyond economic outcomes, and range from improvements in health outcomes to greater social cohesion, to better prospects for peace and stability by providing young people productive alternatives to becoming mired in the ongoing conflict. This provides a strong rationale for increasing investments to expand access to quality schooling for Lebanese and non-Lebanese children alike.

³⁵ Engle et al., 2011 ; Karoly et al., 2005.

³⁶ Assuming that program objectives are attained.

³⁷ The discount rate is calculated by taking the 30 year treasury rate as a baseline risk-free benchmark rate and assuming an additional 3 percent required return.

³⁸ The calculated salary increments as a result of schooling are based on the World Bank Lebanon Education Public Expenditure Review of June 2016 (P152803).

Table A4.2 Cost-Benefit Analysis Parameters and Scenarios

Scenario	Key Assumptions	Net Present Value (NPV) US\$ M	Internal Rate of Return (IRR)
Upper bounds	100% of targets achieved Returns to Primary: 6% Returns to Sec.: 4% Years of labor: 40 Inflation: 2.9% Discount rate: 5.9% Minimum wage: \$5,373	563	7.4%
Medium bounds	75% of targets achieved Returns to Primary: 6% Returns to Sec.: 4% Years of labor: 40 Inflation: 2.9% Discount rate: 5.9% Minimum wage: \$5,373	249	6.6%
Lower bounds	50% of targets achieved Returns to Primary: 6% Returns to Sec.: 4% Years of labor: 40 Inflation: 2.9% Discount rate: 5.9% Minimum wage: \$5,373	40	6.0%

Annex 5: Fiduciary Systems Assessment

A. Background and Institutional Arrangements

1. Institutional Arrangements

1. Program implementation will be based on the current institutional arrangements for the Reaching all Children with Education (RACE) program, including proposed enhancements derived from the outcome of this assessment. Key stakeholders of the Program are the Ministry of Education and Higher Education (MEHE); the Ministry of Finance (MoF); the Center for Education Research and Development (CERD); public schools across the country; and regulatory and oversight bodies, i.e. CTB and CoA involved in fiduciary arrangements of the Program. Responsibilities of key players are summarized as follows:

- a) **MoF**, as the custodian of public financial resources, is responsible for the elaboration of the legal and procedural guidance related to the budget and accounting and reporting aspects of the Program. MoF assigns, in each ministry, a controller who monitors approved commitments, expenditure classification and funding. The controller is connected to MoF through a computerized system linked to the assigned ministry's budget as approved by the Parliament.
- b) **MEHE** is the Program's parent ministry and coordinator responsible for designing and monitoring its implementation through a dedicated RACE Program Management Unit (PMU). Under the Program, MEHE will contract and manage schools' construction, rehabilitation and other core activities, including the projects' planning, procurement, and oversight. MEHE will also procure consultant services and enhancements to existing ICT equipment for purposes of improving information management, monitoring and evaluation. MEHE will administer grants to schools to cater for incremental operating costs and transportation allowances.
- c) **CERD** is responsible for carrying out activities relating to curriculum development and for overseeing implementation and monitoring overall quality service delivery. CERD also publishes and distributes textbooks through nominated bookshops. The main procurable items will comprise consultancy services and ICT enhancements for purposes of improving the curriculum, purchasing and distributing books and e-books, instructional aides and teacher guides, learning materials, as well as strengthening teacher training and monitoring the effectiveness of service delivery. CERD, a legally and financially autonomous governmental entity, will be contracted by MEHE to implement curriculum-related activities.
- d) **Internal Audit and Program Steering.** A key recommendation of this assessment is the creation of an oversight function of the Program. MEHE will establish a Steering Committee (SC) to oversee the achievement of the results of the Program activities. The function will be chaired by the Minister. Primary responsibilities will be to oversee the Program's implementation. Considering present technical capacity limitations, in the initial stages of Program implementation, internal audit will be outsourced to a consultant. As part of terms of reference, the consultant, reporting to the Minister of MEHE, will build the capacity of MEHE to be able to carry out an internal audit function through the dissemination of knowledge on internal audit methodologies. In addition, they will develop operational procedures to be included in the

overall Program Operational Manual (POM) as well as other guidance materials to help establish and sustain the unit. The scope of internal audit function includes the RACE 2 program.

- e) **Regional Education Offices (REOs)** represent MEHE in the provinces in coordinating activities and overseeing the overall quality of implementation and performance. REOs will complement the work of internal audit and oversight.
- f) **Schools** are responsible for managing grants provided to cater for incremental operating costs and transportation allowances. Under the Program, this responsibility will entail the maintenance of dedicated bank accounts to receive advances, simplified accounting records and periodic reporting back to MEHE through an accounting module in the existing School Information and Management System (SIMS). Fund accountability will be complemented by periodic reporting of bank account balances by designated commercial banks to MEHE.
- g) **School Committees** oversee the management of grant funding and quality of service delivery at the school level, in accordance with the decrees that guide their establishment and operationalization. At present there are two school funds: (i) a School fund (financed mainly by students' subscription) and (ii) a Parents Committee fund financed by contributions from parents.
- h) The **Central Inspection (CI)** undertakes government-wide inspections and reports directly to the Presidency of Council of Ministers to whom it is administratively linked. It has a broad scope of entities subject to its investigation, including extra-budgetary entities, public autonomous agencies, and municipalities. Within the CI, a specific technical department for education sector performs the "Pedagogic inspection" for MEHE both centrally and at the school level. The function and scope of intervention is mainly on a post basis that is more focused on a periodic program that includes competencies and performance of civil servants and teachers as well as in response to allegations and complaints submitted.
- i) The **Central Tender Board (CTB)**, administratively housed at the CI. The country's procurement system is currently highly centralized around the CTB of the Office of Central Inspections that reports to the Prime Minister. For contracts above LBP 100 million CTB is responsible for reviewing tender documents, bid openings and bid evaluations. However, under the proposed public procurement law that is promoting decentralization of procurement, CTB will be a regulatory body responsible for developing and maintaining procurement standard documents, including contracts templates and standardized templates for advertisement, evaluation and amendments; maintain a portal for publishing advertisements, and contract awards; and for developing procurement database and indicators. In addition, CTB will be entitled to deal with complaints not resolved by implementing entities.
- j) **Court of Accounts (CoA)**. The CoA is administratively connected to the Prime Minister and exercises control over the implementation of the budget and other public funds and activities in accordance with its constitutional mandate and legislation. CoA's main role is to control the reliability and truthfulness of the financial statements of budget-funded organizations as well as the legality, efficiency, effectiveness and economy of the management of public funds and activities; and to provide Parliament with reliable information thereof. The CoA is responsible for checking the use of public funds by Government entities and its compliance with existing laws and regulations and for prosecuting all Government employees accused of violating laws and regulations governing the administration of public funds. At present, the CoA exercises mostly ex ante controls (by issuing visas) on expenditures above a defined threshold, consuming more than 80 percent of its capacity and resources, thus leaving it in a very limited involvement

in the independent ex-post-control. The CoA undertakes prior reviews of procurement processing as a whole (including review of bidding documents, bids submitted, and evaluation) and validates contract awards. CoA also exercises review on contract execution as well as post-review on contracts that were below the prior review thresholds.

2. Program Activities

2. The RACE 2 program of expenditures totals approximately US\$2.1 billion. Within the RACE 2 framework, the Bank supported Program would consist of expenditures as laid out in Table A5.1.

Table A5.1 Race 2 Program Expenditures and indicative amounts financed by the WB

RACE Activity/Expenditure	MEHE Indicative Plan for Using IDA credit + REACH TF + LSCTF (in US\$ million)	RACE Program (in US\$ million; indicative)
Activities under Increased Access pillar:	\$150	\$1,349
Works for school construction, school expansion, and school rehabilitation	70	200
Goods for school furniture and school equipment including ICT	20	40
Staff costs and consultancies to support outreach activities and other activities ultimately benefiting increased in enrolments	10	13
Good and materials to support interventions such as carrying out information campaigns to increase demand for education	20	25
Transportation	10	222
Financial contributions to school funds and parent council funds	20	50
Other activities supporting Access including student retention support, student enrollment support and other activities		799
Activities under Enhanced Quality pillar:	\$44	\$243
Financial contributions to DOPS centers / staff costs, consultancies and transportation costs to cover activities such as classroom-observations performed by DOPS	15	20
Trainings and related teacher support activities, offered by CERD and/or DOPS	10	20
Outreach activities to communities and stakeholders	4	10
School grants to finance school needs including school improvement plans	5	50
Goods and materials to improve teaching and learning	10	20
Other activities supporting Enhanced Quality including remedial instruction, homework support and other		123

activities		
Activities under Strengthened Systems pillar:	\$30	\$253
Goods and services for system strengthening activities such as, <i>inter alia</i> , to facilitate data collection (e.g. computers, telephones, internet connectivity)	10	20
Training according to the needs of MEHE and CERD	5	10
Consultancies to support the development of policies, curriculum development, assessment strategy development	5	10
Staff costs relating to, <i>inter alia</i> , accounting, procurement, projects planning and implementation, technical implementation, administrative support, and CERD departments.	10	20
Other activities supporting Strengthened Systems including piloting costs for revised curriculum and other activities		193
TOTAL	\$224	\$1,845

3. Institutional and legal framework assessment

3. **Legal Framework.** The main legislative sources for budgeting are the Constitution, the Public Accountancy Law (PAL) and the Parliament Internal Regulations. The CoA Law regulates the ex-ante control on some transactions and the ex post control of budget execution. A large number of implementing Decrees and Ministerial decisions were issued to complement these laws.

4. **Budget law.** The Lebanese Parliament failed to approve the budget since 2006 within the timeframe fixed by the Constitution, due mainly to political considerations in the aftermath of 2006 events. As a result, and since then, there is no formally approved budget.

5. **Public Accounting law.** The PAL issued by Decree No. 14.969 of 30 January 1963, constitutes the main legal text that deals with budget preparation and execution. It adheres to the principle of separating payment authorization officers from accounting officers. The PAL:

- Sets the rules for the preparation of the annual budget request;
- Specifies the budget preparation calendar;
- Defines the roles of the Minister of Finance and other ministers;
- Defines expenditures and revenues;
- Gives detailed prescription for revenue collection and management, sale of assets and collection of State loans;
- Defines the four stages of expenditure creation (commitment, liquidation, authorization, and payment) and the responsibilities of various parties at each stage of the process;
- Sets out the procurement processes and procedures to be used for the acquisition of goods and services, and describes the rules and operation of the public Treasury.

6. In accordance with the PAL Decree 14.969, and in the absence of approved budgets since 2006 and up until now, Government expenditures were incurred and are currently incurred on the basis of the “one-twelfth rule”, pursuant to which the Government is authorized to spend monthly one-twelfth of the last approved Budget (i.e., the 2005 Budget). In other words, there is neither an original budget law nor a budget execution law.

7. The deadlock over the budget since 2006 stalled the PFM reform momentum, but the commitment was renewed in 2011. Fiscal reforms have been set as a priority area, as evidenced by the accelerated pace observed in the activities of the World Bank financed projects including the Emergency Fiscal Management Reform Implementation Support in 2011-2013. During this period, MoF embarked on many notable structural reforms, including: (i) amendments to the outdated 1963 Public Accounting Law (though still not ratified by Parliament); (ii) the adoption of the new Government Finance Statistics (GFS) 2001 classification; and (iii) the creation of a cash management function; and (iv) the issuance of organizational decrees for launching and staffing the Public Debt Directorate. The Ministry also prepared strategies and action plans, such as the PFM Reform Strategy (2013-2017), the Budget Execution Reforms Action Plan, and the Financial Management Information System (FMIS) Implementation Strategy.

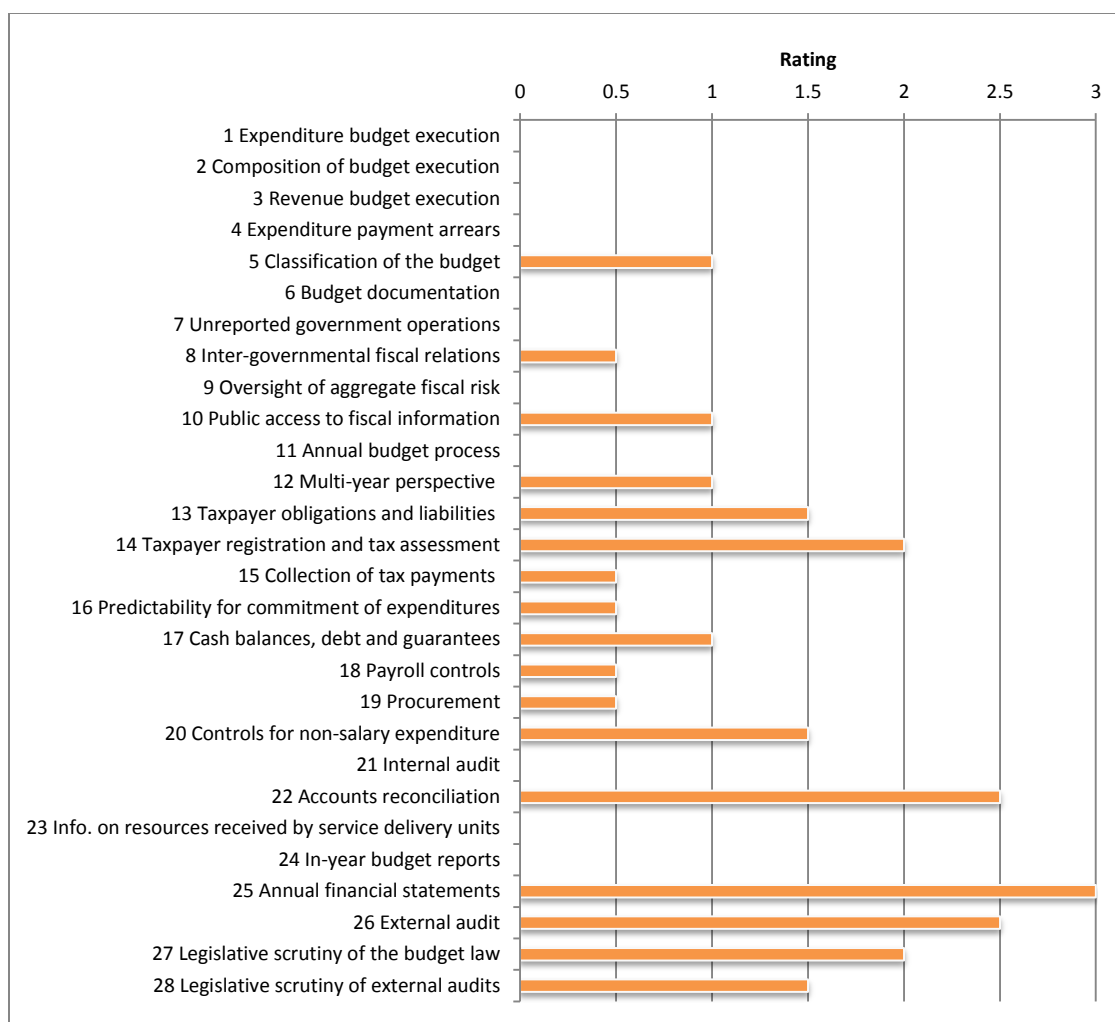
8. The PFM system in Lebanon remains cumbersome as some of the suggested reforms are pending ratification by Parliament. Therefore, the system remains rigid and allows limited flexibility, making processing of operations lengthy and heavy on the public entities in general and on MEHE in particular.

9. **Public Procurement legal framework.** The country’s existing regulatory framework for procurement is more than 50 years old, contains loopholes that provide opportunities for some public entities to follow their own procurement rules and is generally not consistent with international procurement standards. The legal bases for this framework are the Decree of 1959 on Tender Regulations and the Public Accounting Law of 1963. According to the Public Accounting Law, public procurement was designed to be highly centralized around CTB’s direction of the Central Inspection (CI). CTB is mandated for procurement planning, processing tendering and recommending award. The Audit Organization Act subsequently added the CoA, giving it prior administrative control over all large contract transactions.

10. **The Court of Accounts (CoA).** The CoA – which is the Supreme Audit Institution of the Country – was created by the Audit Organization Law dated 16 January 1951, Article 225. Its external audit function was created by Decree-law no. 82 of 16 September 1983, amended by Law 132/1992. The CoA is responsible for checking the use of public funds by Government entities and its compliance with existing laws and regulations and for prosecuting all Government employees accused of violating laws and regulations governing the administration of public funds. At present, the CoA exercises mostly ex ante controls (by issuing visas) on expenditures above a defined threshold, consuming more than 80 percent of its capacity and resources, thus leaving it in a very limited involvement in the independent ex-post-control. The CoA is administratively connected to the Prime Minister.

4. PFM Overview

11. **Overview of Public Finance Management (PFM) Performance Rating.** The last Public Expenditure and Financial Accountability (PEFA) dated 2011 (not published) that was jointly prepared by the IMF, the European Union (EU) and the World Bank, showed overall scores as follows:



12. The public procurement system is assessed as insufficient with limited capacities resulting in poor public accountability and widespread rent seeking. Lebanon has systematically been ranked on the lower spectrum of Transparency International index surveys as far as governance is concerned (2014: 136th out of 175 countries). Major public procurement impediments include: (i) lack of a comprehensive public procurement law; (ii) an inefficient control environment that does not enforce the implementation of rules and guidelines; (iii) lack of private sector international competition; (iv) deficiency in human resource capacity and training, coupled with procurement not being considered as a profession; and (v) lack of institutional procurement complaint mechanism; and (vi) lack of procurement performance information/data. To address the shortcomings, there have been steps taken towards a revised and comprehensive procurement law along with capacity building efforts mainly supported by development partners.

13. Control of corruption is weak, at 22 percent in 2010. According to Transparency International, Lebanon ranks as the fifth weakest out of 18 countries in the MENA region (ahead of Iraq, Libya, Yemen, and Syria).

B. Assessment of Fiduciary Performance

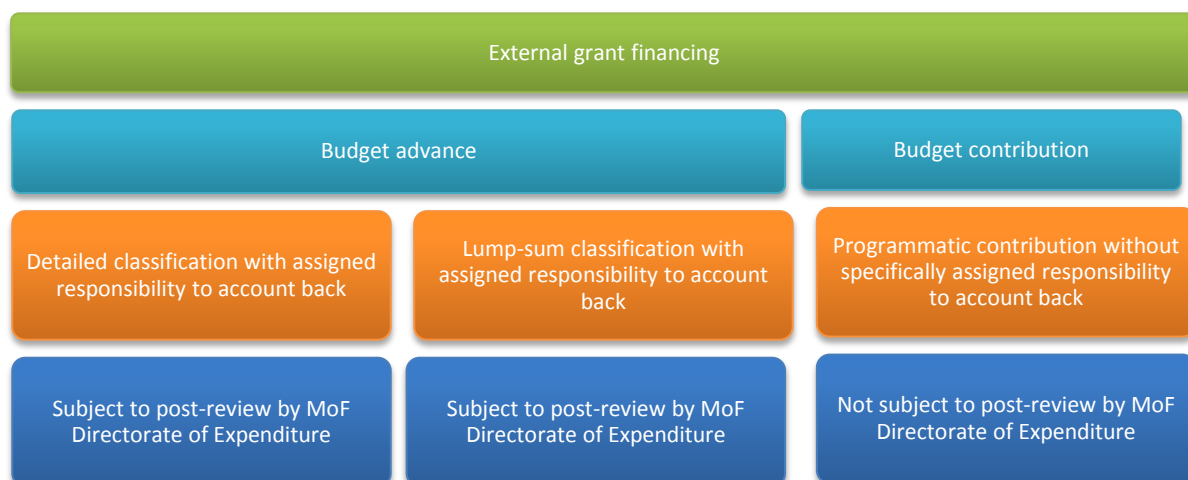
14. **This assessment concludes that, subject to successful implementation of proposed changes to existing implementation arrangements, the overall fiduciary framework for the Program is adequate to support its implementation and to achieve its desired results.** The Program's fiduciary systems (planning, budgeting, procurement, accounting, internal controls, funds flow, financial reporting, and auditing arrangements) provide reasonable assurance on the appropriate use of program funds and safeguarding of its assets. Furthermore, the Program's fiduciary systems perform at a satisfactory level to support the achievement of Program results.

15. The assessment concludes that the Fiduciary risk associated with the Program is "High". **The following sections detail the conclusions reached under each main procurement and public financial management (PFM) area assessed.**

1. Planning and Budgeting

16. No budgets have been prepared since 2006, with ministries allowed to spend one-twelfth of the last approved Budget (2005) with, in the case of MEHE, additional credits as follows:

- (a) Additional allocation from budget reserves for common expenditures, and for urgent expenditures used to supply budget items whose credits have been used, or to open exceptional credits.
- (b) For grants provided through external financing, by decree issued in line with the PAL, where allocations may be treated as advances or contributions with differing accountability and reporting mechanisms as illustrated below. The "budget advance" mechanism has been assessed as onerous and slow, with multiple prior reviews – including by the CoA – and approvals during funding allocation, procurement and payment processing. For the grant portion of Program financing, MEHE has expressed a preference for the "budget contribution" mechanism that does not require ex-ante reviews and clearances by the MoF Directorate of Expenditure.
- (c) For the loans provided through external financing, by law ratified by Parliament, outlining donor-specific arrangements to implement that project. Requirements of the law are binding and supersede the PAL and any other legislative requirements. Accordingly, donors negotiate to have a proper fiduciary arrangements that meet their requirements in areas where prevailing country systems are not satisfactory to meet guidelines and requirements. For the credit portion of Program financing, this approach will be applied, with proposed fiduciary arrangements seeking to strengthen internal controls, procurement processing and contract management, and oversight in MEHE. Having said that, the fiduciary arrangements for both grant and credit will be aligned to the extent possible in terms of implementation of the Program and will be reflected in the Program Operations Manual that will be adopted by effectiveness.



Strengths	Weaknesses
Flexibility in the choice of implementation arrangements allowed under loans and “budget contribution” grants.	Absence of an annual budget process and bureaucratic processes in the review and clearance of budget execution activities.
To mitigate the identified weakness: <ul style="list-style-type: none"> • The Program expenditure framework will be guided by detailed review of expenditure estimates and alignment with Program objectives and activities during the design of this operation. Program expenditures will continue to be closely monitored during the life of the Program. • The flexibility provided by the PAL in designing accountability mechanisms for external loans and “budget contribution” grants will be applied in the design of program fiduciary arrangements, while leveraging strengthening of country systems (such as assigning CTB with the regulatory responsibility envisaged in proposed legislation). 	

2. Treasury Management and Funds Flow

17. MEHE will establish arrangements for the fiduciary oversight of activities, including processing payments for goods, works and services. In addition, MEHE will establish arrangements for remitting advances to schools and overseeing their accountability and reporting. To achieve this, arrangements will include implementation of recommendations targeting effective governance, operational risk management, simplified procurement processing, auditing and financial reporting.

18. Drawing on experience from managing the RACE 1 program, MEHE’s preference is to adopt the “contribution mechanism”, if applicable, for the grant portion of the Program. Hence, under this approach, the funds will be channeled directly from MoF account for grants and donations to the bank account A. Under the contribution mechanism for grants, MoF will not have any oversight role, as opposed to the “advance” mechanism for grants, whereas MoF will have post review role on the funds. The agreed upon mechanism for the treatment of grant funds will be stated in the decree to be approved by the Council of Ministers. For the credit portion, it will be issued through a law that will be ratified by parliament. MoF will require MEHE to report back on the usage of funds under the credit financing. The law related to the credit agreement will define the arrangements to process the implementation and disbursements and accordingly will supersede the PAL.

19. A Program bank account A will be opened at Central Bank of Lebanon in USD where the RACE 2 grant funds will be transferred through the MoF grants and donations account. The Program bank account A will be managed by MEHE through arrangements that will be reflected in the POM. Another Program bank account B will be opened at the Central Bank of Lebanon in USD to receive the IDA credit funds from the MoF pool loan account, and will be managed by MEHE through arrangements that are spelled out in the POM as well.

20. **Reconciliation.** Although Program-for-Results operations do not link disbursements to individual expenditure transactions, the aggregate disbursements under the Program should not exceed the total expenditures by MEHE under the Program over its implementation period. After the Closing Date, the Bank will compare the cumulative level of disbursements against the achievement of all DLIs, with the overall Program expenditures. If the cumulative disbursements from the World Bank exceed the total amount of the government's Program expenditures as identified in the external Program audit reports, upon notice from the World Bank, the government will be required to refund the excess amount to the Bank.

Strengths	Weaknesses
Legal provisions for the management of externally financed operations provide flexibility in determining institutional arrangements as may be agreed with financiers.	MEHE has limited technical capacity to fully address identified weaknesses by implementing proposed institutional arrangements.
Arrangements to augment MEHE's technical capacity are embedded in the design of the Program, including, prior actions to ensure minimum fiduciary safeguards are in place by Program effectiveness.	

21. Another significant risk affecting the flow of funds is the administrative process that may delay funds transfer from the Treasury account at MoF to MEHE Program bank accounts mainly due to non-compliance of the latter to send timely requests in form and substance as required by MoF. This has been a continuous issue in the Lebanon portfolio that the Bank has been trying to minimize through workshops and round tables gathering key actors from Treasury, Debt, Cash management, Budget and Expenditures departments at MoF along with the different implementing agencies of World Bank-financed projects. The main objective of these workshops is to clearly explain the procedure involved and accordingly ensure compliance and avoid unnecessary delays affecting flow of funds.

3. Procurement Profile of the Program

22. *Procurable expenditures under the Program.* The costs of activities from the budget for the Program are as follows:

- Works for rehabilitation and construction of schools;
- Equipment, including ICT and furniture in addition to other pedagogical equipment such as sports and arts;
- Consultancy services and ICT enhancements aimed, among others, at improving the curriculum and its delivery and maintaining information for purposes of monitoring the performance of schools; and;
- The cost of audits and related services.

23. **High Value Contracts.** Based on the information provided during the assessment, the estimated

value of contracts is relatively small and below the Operational Procurement Review Committee (OPRC) review threshold currently set at US\$50 million for works and US\$15 million for consultant services or works and services.

4. Procurement Planning, Procedures and Technical Support

24. The country's regulatory framework for procurement is more than 50 years old and generally not consistent with internationally accepted good practices. Public procurement was designed to be highly centralized around CTB with the CoA exercising prior administrative control over all large contract transactions. In terms of procurement planning, the law requires that each department or agency draw up an annual schedule that details contracts and their dates of procurement. The plan is published in the Official Gazette. Any modification of the annual plan requires approval of CTB and is subject to a new publication. However, it contains flexibilities that provide opportunities for some public entities to follow their own procurement rules. For example, exemptions from applying the Lebanese legal framework is allowed during implementation of projects financed by external financiers and development partners, provided it is so stated in the legal agreements signed with the government. This assessment proposes applying this approach.

25. The Government has embarked on several initiatives to improve Lebanon's fragmented and ineffective public procurement system, including its legal framework. Multiple funding and international donors are committed to support building the system. The most prominent initiative was the drafting of a new procurement law in 1999, which was revised multiple times and finally submitted to the parliament for ratification in December 2012. In 2015, to avoid administrative delays in sequential reviews of the law by different committees, a joint committee was formed of the parliament Judicial and Financial committees. However, this review is still not finalized due to the triggering of the country priorities to more critical political challenges.

26. This assessment observes that MEHE has limited capacity to undertake procurement planning and implementation, and recommends augmenting that capacity with hiring additional staff and/or outsourcing critical parts of the process to a contracted firm. The RACE PMU is responsible for Program execution, and is foreseen to be responsible for procurement planning, review and approval of designs, hiring of consultants, tendering, bid evaluation and recommendation of contract awards, construction site possession, management of contract implementations, coordination with relevant public entities, ensuring timely implementation and payments, monitoring timely contract amendments and facilitating hand over process of built infrastructure, or procured goods.

27. As part of procurement monitoring, CTB and CoA play key roles in providing technical oversight, the portal for advertising, exercising ex-ante and ex-post reviews, and handling of public complaints. For purposes of streamlining and simplifying those processes, MEHE has proposed the following arrangements:

- For the grant, the LBP 100 million ceiling for involvement of the CTB will be waived, assigning MEHE with the full responsibility of processing all procurement activities, including engaging the CoA in prior reviews of all contracts above the LBP 75 million threshold for goods and works and LBP 25 million for services.
- For the loan, the LBP 100 million ceiling for involvement of the CTB will be waived, assigning MEHE with the full responsibility of processing all procurement activities, However,

thresholds for engaging the CoA in prior reviews of contracts will be set at higher contract value limits than those assigned to the grant portion of financing. .

28. CTB will continue to play its role of developing the procurement standard documents, including contracts template, and other standardized templates for advertisement, evaluation and amendments; availing it's portal for publishing advertisements, and contract awards; and for developing procurement data base and indicators. Also, CTB will take the lead in addressing complaints not resolved by MEHE. In those cases, the complaint shall be sent to CTB from MEHE as well as directly by the complainant. CTB will revise the complaint and require clarifications from MEHE and monitor resolution of the complaint. If the complaint is not satisfactorily handled as per CTB recommendations, it will be forwarded to CoA, which will rely on a committee to resolve the complaint. CoA decision will be binding. CTB will also provide support in monitoring the timeliness of bid preparation and evaluation, and subsequent contract awarding.

Strengths	Weaknesses
n/a	The RACE PMU has limited capacity to undertake high value and large volume procurement activities with regard to quality of technical specifications and TORs, quality of bidding documents, rigor of bid evaluation, quality of works, goods or services delivered, timely implementation.
This assessment recommends the augmenting of the RACE PMU, CTB and CoA capacity by hiring additional staff and/or outsourcing critical parts of the process to a contracted firm, in order to support: (i) building up the capacity of MEHE systematic inclusion of a technical support; (ii) standardization of bidding documents and contract templates; (iii) capacity building and training program; and (iv) streamlining and rationalization of institutions processing.	

5. Procurement Oversight

29. This assessment observes that internal controls exist in terms of definition and segregation of functions relevant to procurement, existence of job descriptions of personnel, and a defined accountability framework. However, quality control, and records of the procurement processes, are not solidly in place at MEHE. Limitations are also observed with regards to the monitoring and oversight by CTB and CoA. All three institutions are understaffed and need to enhance their services.

30. Data collection is not done systematically and is not used to measure procurement performance. Publication of contract award and decisions is not mandatory. For accountability, and in order to measure the procurement performance, institutionalizing data collection and publishing procurement-related decision (debriefing, complaint resolution, contract publication, advertisement of procurement opportunities, etc.) need to be implemented.

31. To complement controls over contracting and payment processes, MEHE has proposed the establishment of an internal audit function whose mandate will not only cover procurement, but also other key activities of the Program, including the monitoring of accountability for grants to schools and other internal control processes in MEHE.

Strengths	Weaknesses
n/a	<ul style="list-style-type: none"> - CTB and CoA have technical capacity limitations owing to staff shortages. - Data collection is not observed systematically and is not used to measure

	procurement performance. Publication of contract award and decisions is not mandatory. - Technical supervision of civil works contracts: technical studies and technical supervision by external services are not used systematically.
(i) Support to CoA will be provided through: (i) additional resources and capacity building; (ii) strengthening of the audit review and increasing prior review thresholds; and (iv) oversight of procurement planning & performance; (ii) Support to CTB will be provided through: (a) additional resources and capacity building; (b) strengthening of the regulatory role; (c) strengthening of the revision of complaints; and (d) institutionalizing procurement data collection and publishing procurement related decision (debriefing, complaint resolution, contract publication, advertisement of procurement opportunities, etc.); (iii) An internal audit function to be established in MEHE will augment the quality control of delivered contract outputs and procurement oversight in addition to monitoring other core accountability and performance activities of the Program.	

6. Contract Administration

32. The RACE PMU is assigned responsibility for contract administration under the Program, with specific activities including monitoring contracts to ensure they deliver within specified delivery timelines and agreed prices; to monitor the quality of schools' construction and rehabilitation works; and acceptance and commissioning of renovated buildings. Considering the large number of schools expected to be improve under the Program, there is a need to significantly strengthen contract monitoring capacity. This assessment recommends a multifaceted approach as follows:

- The RACE PMU, with the support of additional contracted capacity will continue to monitor contracts at the Ministry level, including those managed by CERD;
- The RACE PMU, with the support of contracted capacity will establish a contracts monitoring system and periodically sample and verify construction and rehabilitation works at schools;
- The proposed internal audit function will, as directed by the Minister, periodically review compliance with procurement activities at all levels, including CERD, the RACE PMU and schools without interfering with the role of CTB and CoA;
- Regional Education Offices (REOs) will represent MEHE in the provinces in coordinating activities and overseeing the overall quality of implementation and performance. REOs will complement the work of internal audit and oversight.

Strengths	Weaknesses
n/a	The RACE PMU's capacity to monitor contracts, including the large number of school construction and rehabilitation works is inadequate.
The RACE PMU's capacity to monitor and manage contracts will be augmented by contracted support and complemented by the established internal audit unit and Regional Education Offices.	

7. Program Accounting and Financial Reporting

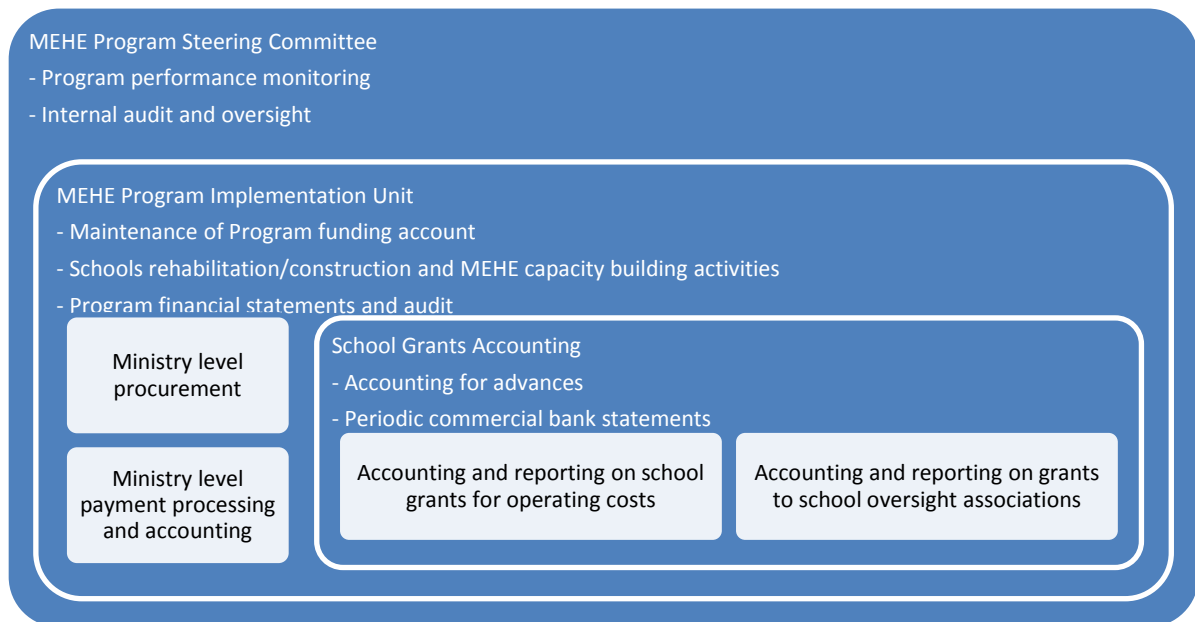
33. **The PAL regulates accounting and reporting of public funds.** Budgetary organizations are required to maintain their accounting records in accordance with the Act, and based on the accounting standards, the chart of accounts, and the instructions by the MoF. It regulates the scope and execution of financial management and control, as well as the principles of and requirements to the financial

management and control systems in public sector organizations.

34. MEHE will be responsible for execution of all aspects of Program management. This assessment covered:

- Procedures for accounting, financial reporting and internal control for budget funds and expenditures and for funds and expenditures of other programs; and
- Expected procedures for accounting, financial reporting and internal control for funds and expenditures of the Program.

35. **MEHE will assume overall responsibility for the Program's oversight, including fiduciary stewardship, which itself includes monitoring of the Program's funding and commitments and fiduciary performance.** In this capacity, MEHE will monitor the accountability of grants to schools, including application of procedures outlined in the School Grant Operating Manual. An outline of respective activities and accountabilities envisaged under the Program is presented in the following diagram:



36. Guided by emerging experience with the RACE 1 program, a number of recommendations have been identified and reflected in the design of the RACE 2 Program. This assessment observes that MEHE will require a number of prior actions to establish requisite capacity and resources for timely financial planning, procurement and payment processing and management of grants to schools. It recommends that Program performance reports, periodic fund accountability and balance reports prepared by MEHE will be submitted to the Program Steering Committee for fiduciary oversight and performance monitoring purposes. The following institutional arrangements support this initiative:

- **Steering Committee.** To complement this process, MEHE will establish a steering committee covering all Program activities, to be chaired by the Minister of Education and to be comprised of representatives from MEHE, CERD as well as representation from technical people

responsible for implementation. A primary responsibility of the function will be to oversee the implementation of the Program and ensure coordination.

- **Fiduciary staff within the RACE PMU:** The accounting department within MEHE includes accountants that have limited capacity and experience in managing donors' funds. MEHE has been contracting experienced consultants to support the implementation of donor-funded projects including those of the World Bank. Similarly, MEHE will need to support the fiduciary function with financial management and procurement professionals to ensure proper and adequate implementation of the Program. The PMU will need to remain throughout the implementation of the Program.
- **Internal Audit in MEHE.** In light of the importance of an effective fiduciary performance oversight function, an internal audit function is proposed to be carried out within the Ministry reporting to the Minister. Considering present capacity limitations, it is proposed that the internal audit be outsourced to a consultant. As part of the TORs that need to be agreed between MEHE and the Bank, the consultant will conduct the internal audit for the RACE 2 program that includes the Bank's grant financing and on the credit financing portion. In addition, the consultant will build the capacity of MEHE to be able to carry out an internal audit function by working collaboratively with assigned MEHE staff and disseminating knowledge on internal audit methodologies. In addition, the consultant will develop internal audit manuals and other guidance materials to help establish and sustain the unit by having trained staff that are capable of carrying out the internal audit function efficiently and effectively to cover fiduciary, as well as technical aspects of the Program.
- **Fiduciary Chapter of the Operational Manual:** The fiduciary chapter will address fiduciary processes and procedures related to the Program and will assign responsibilities and roles taking into consideration the segregation of duties principle in terms of authorization, recording, payments, custody of assets and reconciliation. As mentioned earlier, both the grant funds and the credit funds will have the same processing by MEHE to the extent possible to carry out the Program activities, though they will be covered through two different financing agreements. In addition, the proposed arrangements for remittance of grant funds to schools and accountability reporting to MEHE will be reflected in a School Grant Operating Manual and will be applied at the start of the schools grant funding. The School Grant Operating Manual, which is a section of the POM, will be reflective of existing decrees requiring the establishment of community oversight and school grants, together with improvements as may be needed to further enhance the robustness of grant funding arrangements. Improved arrangements will, for example, include a requirement for schools to periodically account back to MEHE using a simplified module for accounting and reporting back to MEHE to be introduced in the School Information Management System (SIMS); periodic submission of documents supporting fund accountability reports; and engaging commercial banks in which school accounts are operated to collate and report bank account balances to MEHE. The POM will need to be adopted by Program effectiveness. POM will provide the essential guidance to effectively and efficiently manage the Program.
- The procurement section of the POM will reflect the processing needed from the yearly clearance of the procurement plan, and updates if needed, and the different procurement processing such as advertisement, development of technical specifications and terms of references, bidding documents, evaluation, contracts award. The POM will spell out the

coordination mechanism with CTB with respect to standardized bidding documents and publication of notices/contract awards, as well as the sharing of procurement information as requested by CTB and that will be feeding the portal. A section shall be describing the complaint mechanism to include the review of a third party (CTB). The POM shall also cover the processing or prior review of contract awards as exercised by the CoA, including timelines as well as a description of the supervision of implementation and post-review processes as shall be expected from CoA. Finally, contract management liability will be also defined in the POM.

Strengths	Weaknesses
n/a	MEHEs capacity to effectively monitor overall Program activities is significantly stretched by the large number of school construction/rehabilitation activities, the requirement to effectively administer school grants and the expected large number of systems improvements contracts.
Strengthening of MEHE's oversight capacity by establishing a Steering Committee, an internal audit function and a streamlined mechanism for administering grants to schools. In addition, within the existing information system under development, a reporting mechanism will be integrated to capture schools' uses and sources of funds with supporting evidence down at the schools level.	

8. Internal Controls (including Internal Audit)

37. Financial management and control activities mandated by the PAL include policies and procedures, implemented by the MoF and MEHE. This covers a long list of tasks, including, among others:

- The definition of the objectives and goals;
- The identification, assessment and management of risks;
- The planning, management and reporting of public resources;
- Observance of the principles of sound financial management and transparency of public resources;
- The segregation of responsibilities in the process of decision making, control and implementation;
- Ensuring of complete, true, accurate and timely accounting of all operations;
- Documentation of all operations and actions and the ensuring of the traceability of processes in the organizations;
- Introduction of anti-corruption procedures; and
- Creation of conditions for lawful and expedient management and adequate and ethical conduct of the personnel in organizations.

38. The **Central Inspection Administration (CI)** was set up by Decree nr.115 in 1959. Monitoring and reviews of internal controls by the CI is performed at several levels: the CI carries government-wide inspections and reports directly to the Council of Ministers (to whom it is administratively linked). Within the CI, a specific technical department for the Education sector performs the "Pedagogic inspections" of MEHE both centrally and at the school level. The function and scope of intervention is mainly on post basis, focused on a periodic program and also based on allegations and complaints submitted. However, the Education CI unit is understaffed and lacks resources to cover all areas of intervention.

39. Controls will include improved management oversight, internal audit, effective schools

construction/rehabilitation contracts management and improved accountability and reporting for grants to schools. Improvements will be detailed in the POM.

40. ***Enhancements to internal controls at the school level.*** Proposed enhancements will seek to improve accountability for grants provided to schools and parent committees. The school fund is managed by a committee made up of the school Director, two teachers, and two supervisors, while the Parents committee fund is managed by a Committee of elected of Parents. The main expenditures under the school fund are: a) salaries to contractual teachers; b) sanitary expenses; c) recurrent operating costs such as for security guards, water and electricity expenses; d) other expenses such as maintenance. Schools prepare annual budgets that are approved by respective – Primary or Secondary – Directorates. Once funded, actual expenses, including supporting documents are annually submitted to the Directorate. The CI's Pedagogic Inspection unit is mandated to perform periodic random reviews. The Parents Committee fund is subject to less rigorous accountability requirements. Experience from RACE 1 indicates that accountability is slow and incomplete and inspections limited and erratic. Proposed accountability and internal control improvements are:

- Introducing a simple fund accountability module, to cover both Committees funds, to the existing Schools Information Management System (SIMS) in which schools will access information of funds credited to them and record expenditures. MEHE will access consolidated information enabling periodic monitoring of advances and their accountability.
- MEHE will enter memoranda of understanding (MOU) with commercial banks holding school bank accounts requiring the banks to submit periodic account balance summaries to MEHE for purposes of monitoring fund utilization and reconciliation.
- Regional Education Offices will be mandated to more closely monitor the performance of schools including monitoring accountability for funds.
- The internal audit function proposed to be established at MEHE will include periodic visits to schools to monitor accountability for funds in its mandate

41. ***Enhancements to internal controls over school construction and rehabilitation.*** The RACE PMU is assigned responsibility for contract administration under the Program, with specific activities including monitoring contracts to ensure they deliver within specified delivery timelines and agreed prices; to monitor the quality of schools' construction and rehabilitation works; and acceptance and commissioning of renovated buildings. Considering the large number of schools expected to be improved under the Program, there is a need to significantly strengthen contract monitoring capacity. Specific improvements proposed include:

- With the support of contracted capacity, the RACE PMU will establish a contracts monitoring system and periodically sample and verify construction and rehabilitation works at schools;
- The proposed internal audit function will, as directed by the Steering Committee, periodically review compliance with procurement activities including schools construction and rehabilitation;
- REOs will be mandated to more closely monitor the delivery of school construction and rehabilitation activities as part of MEHE representation responsibilities.

42. ***Enhancements to internal controls at MEHE.***

- Establishment of a Steering Committee
- Establishment of an internal audit function
- Annual External audit for the program.
- Capacity improvements for the RACE PMU

Strengths	Weaknesses
n/a	Wide ranging capacity deficiencies at all levels, owing to staffing shortages and systemic weaknesses.
System changes and enhanced controls for improved management oversight, internal audit, effective schools construction/rehabilitation contracts management and improved accountability for grants to schools.	

9. Program Audit

43. The CoA, Lebanon's Supreme Audit Institution is responsible for checking the use of public funds by Government entities and its compliance with existing laws and regulations and for prosecuting all Government employees accused of violating laws and regulations governing the administration of public funds. The CoA is very proactive in the prior review of transactions and less so in delivering on its mandate of auditor of the annual financial statements. This situation could be partly justified by a de facto lack of submission of annual public accounts (under preparation for a while by MoF). Meanwhile, the CoA is involved in conducting in-depth ex-post procurement review.

44. An assessment of the CoA capacity undertaken by the International Organization of Supreme Audit Institutions (INTOSAI) observed that it had limited independence with organizational reporting to Prime Ministry instead of the Parliament, and an isolated position within a complex governance system, limited human and financial resources, and applied an outdated audit approach. An ongoing review using the "Supreme Audit Institution Performance Measurement Framework (SAIPMF)" for the CoA by the Bank will help identify capacity development priorities which will allow the Bank, together with other development partners, to intervene and support capacity building related to "external audit" function of the CoA. As for the "ex-ante" function and prior approvals on procurement related matters, the Program envisages a strengthening scheme since the CoA will be a key stakeholder in approving procurement packages related to the Program.

45. Therefore, an independent private external auditor will be contracted by MEHE to undertake annual financial statements' audits of the RACE 2 Program. This audit will include all program financing, i.e. including other donors financing related to the Program, in addition to the grant funds. A clear understanding and agreement will be reached with other development partners to agree on an acceptable Terms of Reference (TORs) for the annual external audit of the RACE 2 program. A detailed TOR will be drafted to address the exposure of the limited internal audit capacity at the beginning of the Program effectiveness until a team is well in place, equipped with internal audit manuals, trained on international standards to carry out the internal audit function effectively and efficiently. This external audit arrangement will be reflected in the Program Action Plan.

Strengths	Weaknesses
n/a	The CoA methodology and capacity are not in line with financial statements' auditing standards.
The Program's financial statements audit is to be performed by an independent auditor applying standards promulgated by INTOSAI.	

C. Fiduciary Risks Assessment

46. **This assessment (i) concludes that the overall fiduciary framework for the Program is adequate to support its implementation and to achieve its desired results and (ii) proposes a “High” overall fiduciary risk rating.** MEHE, the Program's main implementing entity will have, subject to successful institution of proposed risk mitigation prior actions, well-functioning financial management and procurement systems as well as adequate financial and procurement staff to plan procurement, process procurement, manage contract execution, elaborate budgets, execute and record transactions, and produce in-year and year-end financial reports. Proposed remedial actions will contribute to instituting an appropriate internal control framework, with clear rules and procedures for the segregation and articulation of duties and responsibilities for key fiduciary functions.

47. **With proposed remedies in place, both public financial management and procurement arrangements will comprise adequate functions aimed at ensuring compliance with the principles of economy and efficiency, publicity and transparency, free and fair competition, equality, and non-discrimination.**

D. Alignment with the Anti-Corruption Guidelines

48. **Addressing fraud and corruption risks.** As part of the fiduciary assessment, the degree to which the program systems handle the risk of fraud and corruption, including complaint mechanisms, was assessed. Proposed Program institutional arrangements will embed several fraud and corruption prevention, deterrence and detection mechanisms in existing arrangements, including:

- a) Comprehensive and clearly articulated procedures governing the use and accountability of funds;
- b) A strong internal control and compliance monitoring mechanism including (i) a new internal audit function; (ii) periodic program progress monitoring by the MEHE Steering Committee; (iii) strong compliance monitoring of grants to schools by MEHE; and (iv) effective independent auditing and financial reporting arrangements;
- c) Establishing arrangements for timely responsiveness in addressing and resolving audit findings;
- d) Effective arrangements for segregation of accountability and reporting functions by various fiduciary oversight entities.

49. These mechanisms are embedded in the proposed Program Action Plan remedies that addresses identified gaps and strengthens overall governance and risk management arrangements.

50. **Anticorruption entity.** There is no single governmental institution that deals with anti-corruption in Lebanon. However there is the LTA, a NGO that has been very active in this area. www.transparency-lebanon.org. The Parliamentarian Committee of the Justice is being supported by the UNDP to draft and revise pertinent legislation including those dealing with protection of whistle-blowers, access to information, etc. Proposed changes are consistent with standards and guidelines

promulgated by the United Nations Convention Against Corruption (UNCAC) to which Lebanon is a party.

51. **Anticorruption Guidelines.** The Bank's Guidelines on Preventing and Combatting Fraud and Corruption in Program-for-Results financing will be applicable to the Bank supported Program as a whole.

E. Fiduciary Actions and Mitigation Measures

52. In order to strengthen the Program's fiduciary arrangements, the following issues have to be addressed to mitigate the risks identified in the previous section:

- a) Improvements in the funding and accountability mechanism for grants to schools;
- b) Improvements in the oversight and monitoring mechanisms for schools' construction and rehabilitation;
- c) Arrangements for strengthening the fiduciary oversight and Program implementation oversight by MEHE and government oversight entities;
- d) Effective independent auditing of the program's annual financial statements.

53. Indicators for monitoring the performance and continuing efficacy of the program's fiduciary arrangements are presented in the following table:

Key Fiduciary Performance Indicators

Indicator	Measure	Indicator measures performance related to	Baseline
Reliable program accounting	Adequate accounting records are maintained under the Program based on comprehensive reliable guidelines issued by MoF.	Quality and timeliness of accounting records under the program.	2016
Coordinated fiduciary functions	A national coordinated and oversight function has been instituted and fulfils its mandate successfully.	Effectiveness of the fiduciary arrangements.	2016
Enhanced fiduciary capacity at MEHE level	Fiduciary function in Program-supported entities has been strengthened through customized training, additional staff or systems, depending on a needs assessment.	Quality and effectiveness of the fiduciary function at MEHE and its subordinated units.	2016
Timely program audits	Audited financial statements of the program RACE 2 received by no later than 6 months of the end of each fiscal year.	Timeliness of program annual audits.	Audited financial statements of the program are received within 6 months of the end of the previous fiscal year.
Average length of procurement process	Number of days between date of invitation to bid and date of award.	Timeliness, cost effectiveness, and quality of planning.	3 months for open procedure.
Time for bids evaluation	Number of days between bid opening and publication of award.	Timeliness, efficiency, and cost-effectiveness of process.	50 days for open procedure
Processes terminated or revoked	Percentage of bid processes changed, terminated or declared null before contract signature.	Quality of planning, quality of bidding documents, and overall quality of process	Number of processes changed, terminated or revoked/ total number of all processes per year
Contract variation and extensions	Percentage of contracts completed on time and with reasonable variations (up to 25 percent).	Quality of planning and evaluation process.	Number of contracts observing variations and extensions/ total number of all contracts per year.
All relevant financial and operational information relating to the Program is uploaded in the website of MEHE and Procurement related information in the website of CTB	Information related to the program, including progress, expenditures and procurement documents are timely uploaded and kept updated on a daily basis on the websites of MEHE and CTB.	Prevention of fraud and corruption, transparency and citizens' outreach.	N/A
Enhanced Grievance/Complaints Handling System put in place in MEHE with systematic recording and tracking of complaints and their resolution	Number of complaints received, recorded and processed by MEHE through the regular processes. In addition, a tracking system will be in place to follow on the progress of each complaint up to its resolution.	Prevention of fraud and corruption, institutional capacity building at MEHE and CTB.	Existing complaints handling system does not keep records of complaints and their resolution.
Establishment/ upgrade of an information management system to record detailed data at the school level (including financial data)	Number of reports generated by the information system on a periodical basis (quarterly) which will include detailed data related to various aggregates (geographical/demographical distribution at each school level, financial (transfers and expenditures) and non-financial).	Prevention of fraud and corruption down to the school level. Comparing physical implementation to financial outflow.	N/A

Annex 6: Environmental and Social Systems Assessment (Summary)

a) Environmental and Social Systems Assessment: Aims and Approach

1. The Environmental and Social Systems Assessment (ESSA) is crucial to ensure that operations are designed and implemented in a manner that maximizes potential environmental and social benefits. This ESSA assesses the client's organizational capacity and performance to achieve the social and environmental objectives associated with the Program and stipulates supplementary actions as necessary.

b) Support to RACE 2 – Environmental and Social Effects

2. The key interventions of the Program relate to capacity building of MEHE institutions and small scale infrastructure works which are expected to result in substantial social and environmental benefits to the children, at large, especially, those belonging to the Syrian refugees. Hence, adverse impacts that are sensitive, diverse and unprecedented on the environment and/or people are not foreseen. The Program is expected to create limited environmental pressures during school rehabilitation and/or construction as mitigation measures will be considered during implementation; and is expected to lead to limited environmental pressures during the operations and maintenance of newly built premises.

3. The anticipated negative environmental impacts associated with the types of works funded under RACE 2 include: air pollution from dust and emissions; nuisances such as noise visual pollution; solid and liquid wastes from construction sites and worker campsites; soil erosion and possible traffic interruptions. These types of impacts, however, are generally site-specific and short-term in nature. Experience from implementation of similar types of works indicates that short-term construction impacts for the most part can be prevented, minimized or mitigated with standard operational procedures and good construction management practices.

4. Several of the key social risks and opportunities of this Program are related to the broad conflict, poverty, exclusion, and governance issues as they interact closely with the education sector. Some of the key social risks identified include:

- *The Program could inadvertently exclude certain groups of children.* A large percentage of refugee children are not enrolled in formal schooling, in some cases due to cultural norms preventing girls (and especially adolescent girls) from attending school. In other cases, youth drop out of school to work in the informal sector and support their families. Other children cannot afford transport costs to attend schools. Exclusion of these children from the education system could have long-term implications for their ability to contribute to society and to support themselves and their families.
- *Frustration could be heightened if different groups of youth have unequal access to jobs despite having similar education levels.* It is likely that the Program would have positive effects on young people's ability to access labor markets, given that education levels are correlated with having better jobs. However, given limitations for refugees to access labor markets, young refugees exiting schools may find that they cannot access the same jobs as non-refugee youth with the same skill level, leading to frustration. Similarly, given that many jobs are accessed through personal networks, even young people who have attended school may be relegated to working in low-productivity or low-paying jobs.

- *Efforts to target specific social groups could be perceived to be discretionary and/or favoring one vulnerable group over another.* A perception that one or another social group is benefitting could create or exacerbate social tensions between communities.
- *Lack of transparency in the selection criteria, roles and responsibilities, and accountabilities of the counselors* selected for the new community liaisons activities could decrease trust between beneficiary communities and the education sector.
- *Difficulties in meeting objectives related to quality of education could lead to increased dropout rates, or to a perception that education is not lead to positive outcomes.* This could in turn lead to further vulnerability of students and to less trust between communities and the state.
- *Lack of understanding of the possible uses of MEHE's grievance redress system* could lead to various types of complaints being unaddressed, such as complaints related to discrimination and bullying in schools. This could in turn affect attendance of children affected by such issues.

5. In addition to the risks outlined above, social risks may arise from infrastructure support that requires land acquisition or the change in usage of land and property. While school and classroom construction will only occur in government owned land or property, in a few cases, some of this government owned land or property may be used informally by individuals or households. Construction or rehabilitation works could impact these individuals' ability to continue using this land, and could lead them to lose productive assets or income sources. Direct economic and social impacts could include loss of land, assets and income, access to assets or housing resulting in adverse impacts to livelihoods. Unless properly managed, this could lead to long-term hardship and impoverishment for affected persons and communities.

6. The Program will not finance land acquisition. However, it will be important to ensure there is a clear process for screening out land acquisition, such as construction of new schools on private land. In particular, close monitoring of cases that are categorized as Voluntary Land Donation (VLD) to ensure that the act of donation is undertaken without coercion, manipulation, or any form of pressure on the part of public or traditional authorities will be needed. In addition, impacts on informal land users of government owned land, or donated land, will also need to be screened out.

7. The Program is expected to have overall positive social impacts. Greater access to quality education is known to have broad impacts on individuals' access to labor markets, increased social networks, increased ability to participate in decision-making, and can help decrease differences between social groups. In the specific case of this PforR, the Program could also have additional positive social impacts, including:

- *Reducing vulnerability and psychological distress amongst refugee women and children.* These groups are among those that have the highest rates of vulnerability and social distress, and improved access to quality education could help increase their resilience. Reduced vulnerability among these groups could also have positive impacts such as reduced child labor, early marriage, begging, etc. However, for the Program to have these impacts, specific measures would need to be in place to target these groups and to address the issues that lead to their vulnerability. The capacities of front-line staff to address these issues are therefore essential for this positive impact to materialize.
- *Reducing levels of violence, including gender-based violence.* Gender-based violence increases as young people, becoming discontent with their situation, and having few coping mechanisms to adjust, resort to violence, including sexual violence, to criminal activities, or to substance abuse.

Increased access to education could reduce these frustrations and therefore also reduce violence, especially if access is increased among youth and if issues of violence and gender-based violence are addressed directly in the education system.

- *Improved social cohesion.* If differences between social groups are managed properly, such that all groups believe that benefits are being distributed equally, education can serve as a source of social cohesion. Education creates links between diverse social groups, as parents and children interact in common spaces and share experiences. Mechanisms in the Program to ensure transparency of targeting and enhanced grievance redress can increase this positive social impact.
- *Increased trust between beneficiaries and the state.* The education system is often one of the main points of interaction between citizens and the state. In the case of Lebanon, given the large numbers of refugees, the education system is not only a key point of interaction between citizens and the state but is also an important point of interaction between refugees and their host state. Improving the quality and access to education can significantly improve the relationship and trust between the Lebanese state and both refugee and non-refugee communities. This is especially the case if front-line staff are put in place to help foster the relationships between schools and the communities they serve.

c) Assessment of GoL Systems

8. Regarding RACE 2, school rehabilitation and/or construction does not fall under the national EIA system. However, to ensure consistency with the applicable “core principles” outlined in the World Bank’s policy and directive on PforR financing, due diligence procedures will be prepared under this Program to enable MEHE to ensure that the proper mitigation and monitoring measures that will be included in Annex 4 of the ESSA are implemented. Due diligence procedures will be provided in the Action Plan for the two applicable core principles for this Program, namely: that the environmental and social management procedures and processes are designed to: (a) promote environmental and social sustainability in the program design; and, (b) protect public and worker safety against the potential risks.

9. To address social risks in schools, MEHE employs field coordinators through the Pedagogical and Scholastic Guidance Office (*Direction d’Orientation Pédagogique et Scolaire* - DOPS) who are responsible for monitoring the quality of teaching, problems faced by students, and the overall situation in each school. Field coordinators are responsible for approximately 30 schools and visit each school every 2-3 weeks. This allows MEHE to have up to date information on each school they support and to address issues in a timely manner. Field coordinators work closely with teachers and school counselors in each school to address issues, and also gather school condition information that is then shared with engineers.

10. In relation to child protection issues, Article 41, Decision 1130 refers to the code of conduct that education professionals must adhere to in preschools and basic education. It stipulates that employees in the education sector are prohibited to inflict any physical punishment on pupils, nor to address verbal retribution that is “humiliating and is against the principle of education and personal dignity.” The law however does not spell out what the student’s rights are nor what are the precise accountabilities of teachers. The lack of clarity in terms of grievance redress mechanisms at the school level, and a transparent system of reward and sanction for poor behavior poses a challenge to the social dynamics at the school level.

11. As part of the RACE 2 Program Management Unit (PMU) composition, Child Protection Officers support the implementation of the Child Protection Program, which includes a policy designed

collaboratively by CERD, MEHE/DOPS, the RACE PMU, and other ministries in schools at national and local level in coordination with DOPS, and other relevant stakeholders, including communication with Directorates of Education and Ministry of Social Affairs at the local level. The Officers will help in developing and implementing a program of inclusion (targeting children with physical disabilities and learning difficulties, regardless of refugee/non-refugee status).

12. Regarding the need for land acquisition and expropriation, the Lebanese system has several gaps that could impose negative impacts on the affected persons. In particular, there are gaps between the Expropriation Law Expropriation Law No. 58 dated 29/05/1991 (amended on 8/12/2006) and World Bank-recommended practices on land acquisition and resettlement.

d) Actions to address identified gaps

Environment Aspects

13. The due diligence procedures included in the Revised Action Plan of the ESSA consist of the following:

- Preparing a set of generic mitigation and monitoring measures that will be attached as part of the bidding documents for civil works for: (i) sub-projects which will involve the rehabilitation of schools for which asbestos or lead-based paint or any other hazardous materials were used; and (ii) for sub-projects that would require the construction of new schools or significant extension of the school within the perimeter of the schools itself. This generic mitigating and monitoring measures are attached in Annex 4 of the full ESSA.
- The PMU will nominate one of its senior engineers who will be responsible for the environment aspects of this program, to carry out the following tasks: (i) reviewing the results of the screening matrix which will be prepared by the PMU engineers for determining the location, type and size of the civil work activities; (ii) ensuring that the bidding documents include the appropriate mitigation and monitoring measures in the civil work contracts; (iii) conducting or contracting an experienced environmental specialist/qualified inspector to monitor annually the compliance of these measures in a sample of civil work contract; and (iv) preparing a progress report to the head of the PMU that will be shared with the Bank supervision missions on the status of progress and compliance with these measures. It is recommended that the nomination by the PMU for the staff responsible for the environment aspects of this program will take place within three months of credit/grant signature.
- The PMU staff will receive a three-day training on the PforR procedures, the core principles for environmental assessment, the Lebanese environmental system, the screening matrix, the generic mitigation and monitoring measures to be applicable to the RACE II Program, and a field visit to one of the proposed schools for the potential demonstration of these measures will be carried out on the third and last day of the training. The training is to take place within three months of credit/grant signature.

Social Aspects

14. The ESSA recommends that the following actions be undertaken with respect to improving social management capacity:

- Strengthening existing citizen engagement mechanisms to increase transparency and access to information on targeting criteria. The Program will build and expand the public disclosure and publishing of targeting criteria used to target vulnerable groups to ensure relevant stakeholders (schools, grassroots organizations, and beneficiaries) have access to this information.
- Ensuring that funding is available so that Child Protection Officers can implement their duties in order to mitigate against negative social impacts under the program.
- In collaboration with the Ministry of Social Affairs (MOSA), DOPS, and MEHE, strengthening the capacity of community liaisons to better respond to social tensions, discrimination, bullying and gender-based violence issues.
- Building the capacity of MEHE's existing Complaints Hotline to strengthen its case management and guarantee confidentiality in handling. Special attention will be paid to grievances associated with discrimination, sexual harassment, gender-based violence and bullying in schools through the introduction of a secure, confidential and easily accessible system to report these cases and ensure follow up.
- Supporting community liaisons to foster community cohesion between refugee and host communities by creating or empowering parent-teacher associations and having schools organize community service activities within their communities.
- Building the capacity, as needed and oversight function of PMU staff responsible for school construction oversight to comply with World Bank policies on resettlement and land acquisition, including screening out or addressing impacts on informal land and property users.

Annex 7: Systematic Operations Risk Rating (SORT)

Lebanese Republic: Support to Reaching All the Children with Education (RACE 2) Program
Stage: Board

Systematic Operations Risk-Rating Tool (SORT)	
Risk Category	Rating (H, S, M, L)
1. Political and Governance	H
2. Macroeconomic	S
3. Sector Strategies and Policies	S
4. Technical Design of Program	S
5. Institutional Capacity for Implementation and Sustainability	H
6. Fiduciary	H
7. Environment and Social	S
8. Stakeholders	S
9. Other	H
OVERALL	H

(*) **H: High; S: Substantial; M: Moderate; L: Low**

Annex 8: Program Action Plan

Action Description	DLI*	Covenant*	Due Date	Responsible Party	Completion Measurement**
Program management/oversight					
1. Establish Steering Committee to ensure effective Program implementation in accordance with agreed arrangements.			Not later than one month after Program Effectiveness.	MEHE	Ministerial Decision Note establishing Steering Committee (SC) has been submitted to the Bank. SC is fully functional and having regular meeting.
2. Adopt Program Operations Manual (POM) , including the operating manual for school grants.			By Program Effectiveness Date.	MEHE	POM developed and approved by MEHE and distributed to all entities involved in Program implementation.
3. Strengthening the existing grievance redress mechanism hotline to make it an even more robust grievance redress system at MEHE. PMU level to address complaints associated with social-related issues such as discrimination, sexual harassment, and bullying in schools. Integrating a secure, confidential and easily accessible system to report gender-based violence cases and ensure follow up. This would be carried out together with partners, to build on existing activities.			Not later than 12 months after Program Effectiveness.	MEHE	Examination of random sample of anonymized hotline activity logs at end of first year of effectiveness, which demonstrate secure, confidential and accessible system.
Fiduciary					
4. Assuring an internal audit function at MEHE. This will be done through the recruitment of a consultant to conduct internal audit and build the capacity of MEHE to be able to carry out the internal audit function starting the first year of Program implementation. As part of its terms of reference, the firm will be working collaboratively with assigned MEHE staff, disseminating knowledge on internal audit methodologies, supporting MEHE team to develop manuals to ensure effectiveness of program operations and procedures using good practices		X	Not later than 12 months after Program effectiveness.	MEHE	Consultant to carry out internal audit reporting to the Minister at the start of the Program, and having on board trained staff on internal audit, with developed internal audit manuals.

Action Description	DLI*	Covenant*	Due Date	Responsible Party	Completion Measurement**
methodologies, and other guidance materials to help establish and sustain the function. Having trained staff from MEHE along with audit manuals to perform the internal audit function will be part of DLI 9 relating to MEHE's improved institutional capacity.					
5. Carry out comprehensive assessment of staffing needs for MEHE and CERD including the areas of planning, procurement, financial management, and M&E.			Not later than one month after Program effectiveness.	MEHE	Report providing recommendations on staffing and skills needs, production of an action plan/training plan, terms of reference on needed positions and staff profile.
6. Build the capacity of MEHE, PMU and CERD in core areas of project planning, management, fiduciary functions and M&E to effectively implement Program activities and MEHE's strategy. This will include the set-up of a functional procurement unit at the RACE PMU with adequate and trained staff as well as an M&E function to work on the program.	(part of DLI)		No later than 3 months after the Effectiveness Date.	WB/MEHE	Contract signed with consulting firm/consultant responsible for training. Ongoing monitoring of training deliverables as per TORs. The RACE PMU staff has been assigned/recruited. Adequate staff is appointed/recruited to ensure M&E function at MEHE.
7. Improve data availability, transparency, and accountability. The program will support measures to institutionalize procurement data collection and publish procurement related decisions (debriefing, complaint resolution, contract publication, advertisement of procurement opportunities, etc.) at both MEHE and CTB. In addition, the program will strengthen the capturing of data at the school level, i.e. capturing the sources and used of funds and other relevant information along with the necessary uploads of supporting documents in the information system that is under final stage of			No later than four months after the Effectiveness Date.	MEHE	Ongoing monitoring, timely automated and qualitative reporting from schools.

Action Description	DLI*	Covenant*	Due Date	Responsible Party	Completion Measurement**
development in a timely manner.					
8. An independent external audit will be appointed to audit the Program (including both the credit and the grant financing) and issue annual audit reports on the Program financial statements. The TORs will be agreed between MEHE, the Bank, and partners supporting MEHE and currently requiring similar audits, such as, <i>inter alia</i> , UNHCR and UNICEF, with the view of having a single audit.			Not later than one month after Program Effectiveness.	MEHE	Contract signed with external audit firm/consultant. Ongoing monitoring of external audit annual reports.

Annex 9: Implementation Support Plan

1. The Implementation Support Plan (ISP) describes the approach that the World Bank – along with other Development Partners – will take to support the efforts of the GoL to implement RACE 2 activities and manage key risks to attain the PDO. The ISP has been developed based on the specific nature of the Program, as well as lessons learned from the past and ongoing World Bank-financed operations in the country and sector. It also takes into account the Project’s risk profile as captured in the Systematic Operations Risk-rating Tool.
2. MEHE is responsible for the implementation of the overall Program, with the support of the PMU, which has acquired experience during the first phase of RACE 2. MEHE, through the RACE PMU, will report on the attainment of the Program indicators and DLIs to the Bank and Development Partners.
3. The World Bank will conduct regular Implementation Support Missions (ISM) to: (i) review implementation progress and achievement of Program results and DLIs; (ii) provide support for resolving arising implementation issues; (iii) provide technical support to the client related to Program implementation, achievement of DLIs and results, institutional development and capacity building; (vi) monitor systems’ performance through monitoring reports, audit reports and field visits. The World Bank will also ensure that actions agreed upon in the Program Action Plan (PAP) are implemented.
4. The Program will benefit from the support of the World Bank team, which is comprised of specialists in the areas of education, operations, financial management, procurement, social and environment safeguards, legal and administration. Some operational and fiduciary staff are based in the World Bank country office in Beirut which will facilitate implementation support, ad-hoc problem solving and hands-on training as needed. With regard to specific technical support, experts will be recruited as deemed necessary during Program implementation.
5. The Program will also benefit from trust funds, either Recipient-executed or Bank-executed, in order to target specific areas relating to capacity enhancement, as described in the PAP.

Main focus of Implementation Support

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate (in US\$)</i>	<i>Partner Role</i>
<i>First twelve months</i>	<i>Capacity building and operational readiness.</i> <i>Implementation support, technical and operational support.</i>	<i>Technical operational support for development and implementation of operational procedures (POM). Fiduciary (procurement, financial management, safeguards) and implementation planning and start-up. Technical and operational</i>	<i>200,000</i>	<i>Joint supervision, technical support and data sharing.</i>

		<i>support for addressing early implementation bottlenecks.</i>		
<i>12-48 months</i>	<i>Implementation support, technical and operational support.</i>	<i>Specialists as needed</i>	<i>50,000</i>	<i>Joint supervision, technical support and data sharing.</i>

Task Team Skills Mix Requirements for Implementation Support

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>
<i>Team Leadership – technical and operational</i>	<i>20</i>	<i>4-5 trips</i>
<i>Operations expertise</i>	<i>20</i>	<i>Locally based</i>
<i>FM expertise</i>	<i>8</i>	<i>Locally based</i>
<i>Procurement expertise</i>	<i>8</i>	<i>Locally based</i>
<i>Social development expertise</i>	<i>4</i>	<i>Locally based</i>
<i>Environmental expertise</i>	<i>1</i>	<i>1 trip</i>
<i>Legal Counsel</i>	<i>1</i>	<i>As/if needed</i>
<i>Architect (Consultant)</i>	<i>2</i>	<i>1 trip</i>

Role of Partners in Program implementation

6. RACE 2 has been prepared in close coordination with other Development Partners (UNHCR, UNICEF, DfID, UNESCO, USAID, EU, etc.) and as such, the World Bank team will continue to work closely with them during Program implementation. Development Partners are also represented in the RACE Education Committee (REC), which will continue to oversee Program implementation and provide policy guidance as the Program is moving forward.

<i>Name</i>	<i>Institution/Country</i>	<i>Role</i>
<i>DFID</i>	<i>UK</i>	<i>Joint missions and technical cooperation Joint policy dialogue Data sharing Operational coordination</i>
<i>UN Agencies, USAID, EU and other donor/partners</i>	<i>Offices based in Lebanon</i>	<i>Technical cooperation Joint policy dialogue Data sharing Operational coordination</i>

Annex 10: Map

