Document of
The World Bank

Report No: ICR2491

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TF-57333 TF-57505)

ON A

GRANT

IN THE AMOUNT OF US$30.10 MILLION

FROM THE TRUST FUND FOR LEBANON

TO THE

LEBANESE REPUBLIC

FOR A

FIRST MUNICIPAL INFRASTRUCTURE PROJECT

October 30, 2012

Sustainable Development Department
Middle East and North Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2012)

Currency Unit = LP
LP 1,505.50 = US$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BAS	Beneficiary Assessment Survey
BD	Bidding Document
DGLA	Directorate General of Local Administration
EC	European Commission
FM	Financial Management
FMIP	First Municipal Infrastructure Project
GoL	Government of Lebanon
IBRD	International Bank for Reconstruction and Development
ICT	Information Communication and Technology
IMF	Independent Municipal Fund
IEG	Independent Evaluation Group
IFR	Interim un-audited Financial Report
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
LED	Local Economic Development
MoF	Ministry of Finance
MOIM	Ministry of Interior and Municipalities
MOMRA	Ministry of Municipal and Rural Affairs
MTR	Mid-term Review
NERP	National Emergency Reconstruction Program
PDO	Project Development Objective
TFL	Trust Fund for Lebanon
UN	United Nations
UNIFIL	United Nations Interim Force in Lebanon

Vice President:	Inger Andersen
Country Director:	Ferid Belhaj
Sector Manager:	Franck Bousquet
Project Team Leader:	Chantal Reliquet
ICR Team Leader:	Chantal Reliquet

LEBANESE REPUBLIC
First Municipal Infrastructure Project

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A. Basic Information

Country:	Lebanon	Project Name:	LB - Municipal Infrastructure
Project ID:	P103875	L/C/TF Number(s):	TF-57333,TF-57505
ICR Date:	10/30/2012	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVERNMENT OF LEBANON
Original Total Commitment:	USD 30.10M	Disbursed Amount:	USD 29.60M
Revised Amount:	USD 30.09M		
Environmental Category: B			
Implementing Agencies: Ministry of Interior and Municipalities			
Cofinanciers and Other External Partners:			

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	09/07/2006	Effectiveness:		11/29/2006
Appraisal:	10/13/2006	Restructuring(s):		12/16/2009 03/14/2011 05/14/2011 12/27/2011
Approval:	11/03/2006	Mid-term Review:		
		Closing:	12/31/2009	04/30/2012

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
General industry and trade sector	3	3
General water, sanitation and flood protection sector	30	30
Other social services	5	5
Sub-national government administration	30	30
Urban Transport	32	32
Theme Code (as % of total Bank financing)		
City-wide Infrastructure and Service Delivery	20	20
Conflict prevention and post-conflict reconstruction	40	40
Municipal governance and institution building	20	20
Urban Economic Development	20	20

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Inger Andersen	Daniela Gressani
Country Director:	Ferid Belhaj	Joseph Sabas
Sector Manager:	Franck Bousquet	Hedi Larbi
Project Team Leader:	Chantal Reliquet	Robert Maurer
ICR Team Leader:	Chantal Reliquet	
ICR Primary Author:	Kofi Amponsah	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document**)**
The objectives of the additional financing grant are to (i) restore basic services and rebuild priority public infrastructure in the affected municipalities and villages, (ii) support local economic recovery and development in the municipalities that have suffered the heaviest damage, and (iii) provide technical assistance to and build the capacity of municipalities to mitigate the impact of the hostilities on municipal finances (within the broader context of developing the municipal sector).

Revised Project Development Objectives (as approved by original approving authority)
NA

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	PDO: (i) Physical works: repairing & upgrading of selected basic municipal infrastructure & services : number of municipal buildings reconstructed, km of restored roads, retaining walls repaired.			
Value quantitative or Qualitative)	Municipal buildings = 0 Roads = 0 Retaining walls = 0 Street lighting poles = 0 Storm water drains = 0	Municipal buildings = 18 Roads = 183 km Retaining walls = 50 km Street lighting poles = 4684 Storm water drains = 13 km		Municipal buildings = 17 Roads = 175 km Retaining walls = 48.7 km Street lighting poles = 4684 Storm water drains = 10.7 km
Date achieved	11/29/2006	11/29/2009		04/30/2012
Comments (incl. % achievement)	Municipal buildings: 94%; Roads: 96%; Retaining Walls: 97%; Street lighting poles: 100%; Storm water drains: 82%			
Indicator 2 :	PDO (i): Ratio of built up area over total area in the project areas.			
Value quantitative or Qualitative)				
Date achieved				
Comments (incl. % achievement)	Fully achieved. Indicator added at MTR and measures equity in the repartition of funding for reconstruction. Details presented in ICR main text.			
Indicator 3 :	PDO (ii): Number of LED projects launched in the conflict areas.			
Value quantitative or Qualitative)	0	10		11
Date achieved	11/29/2006	11/29/2006		04/30/2012

Comments (incl. % achievement)	11 projects were launched in 11 Cazas, exceeding 10 projects targeted.			
Indicator 4 :	PDO (ii): % of municipalities' budget allocated to investments.			
Value quantitative or Qualitative)	25%	35%		35%
Date achieved	11/29/2006	11/29/2006		04/30/2012
Comments (incl. % achievement)	Fully achieved.			
Indicator 5 :	PDO (iii) number of case studies completed.			
Value quantitative or Qualitative)	0	3		3
Date achieved	11/29/2006	11/29/2006		04/30/2012
Comments (incl. % achievement)	Fully achieved. The studies were designed to reduce dependency on Central Gov't subsidy (from the Independent Municipal Fund). The results of the Study are supported by the declining ratio of municipal revenues/Gov't transfers.			
Indicator 6 :	PDO (i) and (ii) Number of direct project beneficiaries.			
Value quantitative or Qualitative)	0	Not an original target.	375,427	375,427
Date achieved	11/29/2006	11/29/2006	04/30/2012	04/30/2012
Comments (incl. % achievement)	This core indicator was added for the ICR to bring out the number of direct beneficiaries from the project. The beneficiary breakdown is 276,774 for Component 1 and 98,653 for Component 2.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Ratio of Municipal revenues to Government transfers in the municipalities affected by the conflict (a decreasing ratio will show improved financial sustainability).			
Value (quantitative or Qualitative)	70%	40%		49.5%
Date achieved	11/29/2006	11/29/2006		04/30/2012
Comments (incl. % achievement)	49.5% of central government transfers are allocated to municipalities. This shows improvement in the collection of own resources by the municipalities.			
Indicator 2 :	Setting up and operating a municipal observatory.			
Value (quantitative or Qualitative)	0	1		1

Date achieved	11/29/2006	11/29/2006		04/30/2012
Comments (incl. % achievement)	A municipal observatory has been established, and operating at the Directorate General level and is officially embedded in the Ministry of Interior & Municipalities since the Decree of Oct 15, 2011.			

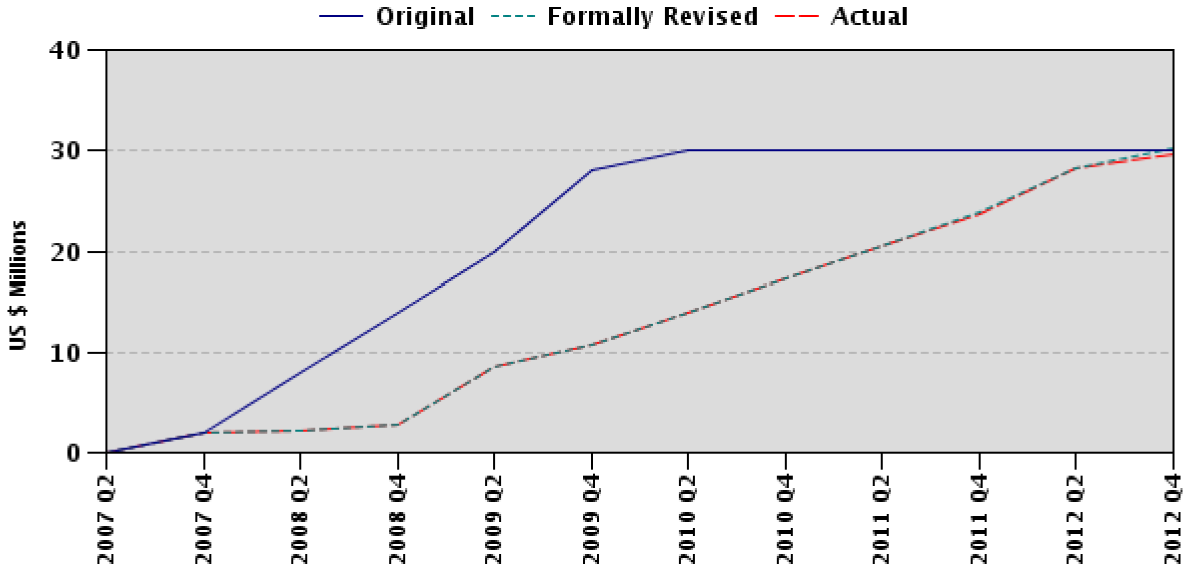
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/22/2006	Satisfactory	Satisfactory	0.00
2	06/28/2007	Satisfactory	Satisfactory	2.00
3	12/18/2007	Satisfactory	Satisfactory	2.09
4	06/27/2008	Satisfactory	Satisfactory	2.80
5	12/30/2008	Satisfactory	Satisfactory	8.58
6	06/26/2009	Satisfactory	Satisfactory	10.73
7	12/21/2009	Satisfactory	Satisfactory	13.93
8	02/11/2010	Satisfactory	Satisfactory	14.98
9	09/23/2010	Satisfactory	Satisfactory	19.07
10	07/05/2011	Moderately Satisfactory	Moderately Satisfactory	23.76
11	01/11/2012	Moderately Satisfactory	Moderately Satisfactory	28.97
12	05/13/2012	Moderately Satisfactory	Moderately Satisfactory	29.60

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
12/16/2009	N	S	S	13.93	Extension of closing date.
03/14/2011	N	S	S	21.94	Reallocation of loan proceeds.
05/14/2011		S	S	23.12	Extension of closing date.
12/27/2011		MS	MS	28.21	Extension of closing date.

I. Disbursement Profile



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1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. Years of civil unrest and internal conflict from 1975 to 1990 ravaged Lebanon's infrastructure and affected provision of basic services. In particular, the municipal sector faced a plethora of challenges, including lack of adequate infrastructure, resulting in limited access to basic services such as water and sewerage. Roads, drainage and water networks were in a state of disrepair due to prolonged lack of expenditure on maintenance.

2. Soon after the civil war, the Government of Lebanon (GoL) prioritized rebuilding the country's economy through a major National Emergency Reconstruction Program (NERP), which focused primarily on regional infrastructure. The municipalities did not benefit from that program, but to address the issues, in 1993, GoL established the Ministry of Municipal and Rural Affairs (MoMRA), which achieved some gains through funding from the Independent Municipal Fund (IMF). Transfers to municipalities remained unpredictable however, and the municipalities' institutional and financial resource base remained weak. This prompted GoL to seek the assistance of the World Bank in the implementation of its municipal infrastructure programs.

3. In the year 2000, the Bank responded to GoL's request with a Loan amounting to US$80 million for the First Municipal Infrastructure Project (FMIP), aiming to: (a) restore selected basic municipal infrastructure to improve living conditions; and (b) enable municipalities to address local infrastructure maintenance and rehabilitation needs. The first years of project implementation were highly satisfactory, but project implementation came to a halt in February 2005 in the aftermath of Prime Minister Rafik Hariri's assassination. The project also suffered from further delays caused by the Israeli-Lebanon conflict of July-August 2006, which displaced about 1 million people and devastated basic infrastructure in the affected areas. Over 50 percent of the housing sector in the southern suburbs of Beirut and in southern Lebanon was destroyed. Overall, about 30,000 housing units, 140 bridges, 201 km of roads, 28 public schools, 80 private schools, and 30 vital infrastructure facilities, including airports, ports, sewage treatment plants, water reservoirs, and power plants were destroyed. The total damage to municipal infrastructure was estimated at US$80 million.

4. Despite these difficulties, as of September 30, 2006, FMIP had disbursed US$63 million (about 80% of the Loan amount) and had succeeded in upgrading essential infrastructure in more than 700 municipalities. The capacity building component of the project experienced delays however, as both central and local government officials were distracted from focusing on long-term sector reforms. As a result of the magnitude of the damage caused by the hostilities, the Bank responded quickly to GoL's renewed request to help rebuild the country's infrastructure and approved the establishment of the Trust Fund for Lebanon (TFL) on September 7, 2006, with a transfer of US$70 million from the IBRD's surplus, to help alleviate the impact of the conflict on the municipalities. An additional Grant of US$30 million was approved in November 2006 for the FMIP. This Grant was processed in the form of an Additional Financing to the FMIP[1]. However, in terms of implementation, the additional Grant was linked but treated as a separate project from the original project due to system issues related to the difference in financing sources. This ICR covers only the additional Grant (P103875), as a separate ICR

[1] Hereafter the Additional Grant is referred to as "the Project" or "the FMIP Grant". The original project is referred to as "the FMIP loan".

was completed for the original project (P050544) in June 2009. The outcome of the project was rated satisfactory (S) both in the ICR and by Independent Evaluation Group (IEG) based on the full achievement of the highly relevant objectives of restoring municipal infrastructure and enabling the municipalities to better address local infrastructure maintenance and rehabilitation needs. IEG also rated all other aspects of the project implementation, including Bank and Borrower performance, either Highly Satisfactory (HS) or Satisfactory.

5. The Additional Grant assistance was in line with GoL's medium term reform program, presented to donors at the Paris III Conference shortly after appraisal, on January 25, 2007. The outcome of the conference was positive and a number of municipalities previously identified for funding under the FMIP Grant attracted separate bilateral support from other donors.

1.2 Original Project Development Objectives (PDO) and Key Indicators (as approved)

6. The development objectives of the project were to: (i) restore basic services and rebuild priority public infrastructure in the municipalities and villages affected by the hostilities (of 2006); (ii) support local economic recovery and development in the municipalities that had suffered the heaviest damage; and (iii) provide technical assistance to and build the capacity of municipalities to mitigate the impact of the hostilities on municipal finances within the broader context of developing the municipal sector. To achieve these objectives the following indicators were agreed[2]:

- Number of municipal buildings reconstructed;
- Number of kilometers of roads repaired;
- Number of retaining walls rehabilitated;
- Number of street lighting poles erected;
- Number of storm water drains repaired;
- Ratio of built up area over total area in the project area;
- Number of Local Economic Development (LED) projects launched in the conflict areas;
- % of municipalities' budget allocated to investments;
- Number of studies completed.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

7. The PDO was not revised.

1.4 Main Beneficiaries

8. The project targeted the residents of 185 municipalities, which for the most part, had not benefitted from local investment in essential infrastructure and services during the conflict, and were not receiving support from other donors. The target population was to benefit directly and indirectly from: (i) upgrading of existing municipal assets, improved drainage, and access roads to primary services; (ii) provision of street lighting, expected to improve road safety and reduce the risk of accidents; and (iii) upgrading and repair of existing water and sewer networks to improve service reliability. The project also targeted national – Ministry of Interior and Municipalities (MOIM) and local institutions (municipalities) by strengthening their capacity in project management and improving their information management system through the establishment of a municipal observatory.

[2] The indicators were not stated in the Project Paper and the Grant Agreement but were developed at a later stage and recorded in the ISR.

1.5 Original Components (as approved)

Component 1: Reconstruction of Public Infrastructure (US$18.0 million).

9. The objective of this component was to finance the reconstruction of priority public infrastructure destroyed or damaged during the hostilities in about 185 municipalities. To this end, the project was to finance various sub-projects, including construction and renovation of urban roads, sidewalks, retaining walls, street lighting, water and sewerage networks, municipal buildings and information communication and technology (ICT) equipment. The selection of sub-projects was to comply with emergency reconstruction criteria as well as the environmental and social safeguards adopted under the FMIP Loan, with an added emphasis on simplicity and a rapid implementation.

Component 2: Municipal Recovery and Development (US$9.0 million).

10. The objective of this component was to provide assistance to build new municipal infrastructure in order to revive the local economy through financing market places, access to public facilities, site and services schemes, and upgrading service delivery systems and related equipment in about 10 to 15 municipalities that: (i) had received reconstruction assistance from other donors; and (ii) showed the highest potential to become growth centers for the regional economy.

Component 3: Project Management and Capacity Building (US$3.0 million).

11. The objective of this component was to: (i) support project management and technical assistance for project implementation; and (ii) support capacity building for increasing local revenues and improving transparency in the management of intergovernmental transfers and financial flows from the central government to the municipalities. The component included: (a) the establishment of a Municipal Observatory intended to provide a suitable knowledge base for sustainable and transparent municipal management; and (b) studies on: the IMF's performance; the reform of the property tax with the objective of increasing the tax base and improving overall productivity; and, the municipalities' overall financial capacity.

1.6 Revised Components

12. N/A.

1.7 Other significant changes

13. The project was restructured five times mainly due to delays associated with the volatile situation in Lebanon, coupled with changes in municipal governments in 2010. The restructurings consisted of: (i) extending the eligibility of the Grant to municipalities of northern Lebanon in the aftermath of the 2007 Nahr El Bared hostilities; and (ii) extending the Grant Closing Date and reallocating the Grant proceeds, as detailed below:

14. In May 2007, violence erupted in the Palestinian refugee camp of Nahr El Bared, in the vicinity of Tripoli. The four-month long conflict had devastating effects on infrastructure and on the local economy in the camp and in surrounding municipalities. Subsequently, on October 24, 2007, GoL requested the Bank to expand FMIP Grant activities to cover six municipalities located in the vicinity of the camp. The request was granted on January 28, 2008 in the absence of objection from the Board.

15. On December 16, 2009, the project's closing date was extended from December 31, 2009, to June 30, 2011, in order to: (i) process the pending municipal recovery and develop subprojects under

Component 2; (ii) finalize the setting up of the Municipal Observatory within the Directorate General of the Local Administration (DGLA); and (iii) carry out the Municipal Finance Study (under Component 3).

16. On March 14, 2010, a reallocation of the Grant proceeds was processed from the Unallocated Category to the Works Category in order to fully cover the cost of the works incurred under Components 1 and 2 of the project.

17. A fourth restructuring took place on May 14, 2011 to allow for the extension of Components 1 and 3 to complete remaining project activities (Component 1 sub-projects: municipal observatory and municipal finance study), which had been affected by the municipal elections held in May 2010.

18. Finally, GoL requested the Bank to extend the project's closing date for an additional four months from December 30, 2011 to April 30, 2012, and to reallocate grant proceeds among categories. The extension, limited to Component 2, was granted to enable the completion of sixteen local development projects at risk of remaining uncompleted due to lack of investment funds at the municipal level, as well as other external factors that were affecting Lebanon from June to September 2011 (see section 2.2 for details). This last extension was instrumental in the completion of all activities by the end of the project.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

19. The project was prepared in less than one and a half months, under emergency procedures, to assist Lebanon to recover from the devastating conflict of 2006. Given the FMIP Loan's success and quality of assistance to the municipalities, MOIM expressed interest in submitting a supplemental financing request to the Bank in early 2006 to expand the geographical scope of the project and to cover 267 municipalities established after the approval of the FMIP Loan. The July-August 2006 hostilities, however, necessitated a reorientation of the planned operation, focusing on replacing lost and damaged municipal assets and restoring basic services in the most affected municipalities and villages. An additional financing grant of US$30 million was approved in November 2006 (the FMIP Grant). However, as noted above, even though an Additional Financing Project Paper was prepared for the FMIP Grant, because the sources of funding were different for the Loan and the Grant, they were de facto considered as separate projects. The FMIP Loan closed on December 31, 2008.[3]

20. The Grant assistance was consistent with the Bank's 2005 Country Assistance Strategy (CAS), which foresaw additional lending for the FMIP Loan, and was later captured in the FY07-FY09 Interim Strategy Note (ISN) for Lebanon, which replaced the CAS due to extraordinary developments in the country. The ISN was based on three main pillars: (i) governance, economic management and growth support; (ii) developing human capital and mitigating the poverty effects of the transition; and (iii) resource and environmental management.

21. The project design was kept simple and flexible, and was made adaptable to the volatile situation in the country. At a quality assessment of lending portfolio meeting held in October 2008, the project was adjudged as a well-designed project, and was rated satisfactory, despite the difficult circumstances under

[3] For further information on the FMIP Loan achievements and lessons learned, see the Implementation Completion and Results Report (Report No ICR00001141).

which it was prepared. The panel was of the view that the team made a sound strategic choice to maintain the implementation unit[4] of the FMIP Loan, which had a wealth of experience in managing Bank projects, and also kept the design of the rehabilitation component simple and flexible. In addition, the team adopted the development objectives of the FMIP Loan, while adding specific sub-objectives to capture the capacity strengthening aspect, which was new under the FMIP Grant.

22. Project preparation was preceded by a detailed assessment of the extent of damage to municipal infrastructure. Following the cessation of hostilities, the Bank conducted a thorough review of reports on damages available at MOIM, which provided valuable inputs into the project design. The Bank team also undertook field visits to municipalities in the Governorates of Mount Lebanon, Bekaa, South Lebanon and Nabatiyeh to inspect the damage and conduct a detailed analysis of the cost estimates from a representative sample of about 150 municipalities. The findings of the analysis showed that the Governorate of Nabatiyeh constituted about three quarters of the total losses, with the district of Bent Jbeil alone representing about 40% of the total municipal damage. The team also conducted analysis of the entire sector which indicated that urban primary and secondary roads and retaining walls respectively represented 36% and 24% of the total municipal losses.

23. The project design was simple yet innovative because it incorporated economic development and technical assistance components while keeping the main focus on rehabilitation and repair of infrastructure. These more forward looking components were intended to revive the local economy and also build the capacity of the municipal institutions. The central government/MOIM support and the demand-driven nature of the choice of subprojects provided impetus to the project design. The MOIM allowed the municipalities to select their subprojects without any interference. Thus, municipalities had the absolute liberty to choose any project they felt was much needed by their community. The MOIM's role was limited to supervising the bidding process and constant monitoring and supervision of project implementation.

24. Lessons learned from the implementation of FMIP Loan were incorporated into the design of the project along with mitigation measures to risks appropriately identified based on the FMIP Loan experience. These included: (i) the risk that project implementation could slow down due to lack of focus among central and local authorities given multiple urgent demands at the time. This risk was mitigated through the engagement of consulting services to prepare priority subprojects; (ii) the risk that the condition of underground utilities requiring extensive earth works might delay the ascertainment of damages and cost, including the availability and variation of the cost of construction materials. This risk was mitigated by setting aside 15 percent of the grant proceeds as an unallocated expenditure item to cover any potential changes in costs; (iii) lack of institutional capacity at MOIM, as shown in the implementation of the FMIP Loan. This risk was mitigated through the provision of targeted technical assistance interventions to DGLA; (iv) the risk of overlap of projects implemented by other donors. This was mitigated through extensive discussion with key donors to ensure projects were planned and implemented in an expedient manner; and (v) the risks of disruption of project implementation due to the unstable political situation in the country. This risk was mitigated through the adjustment of the pace and scope of project implementation to changing conditions.

25. The design benefited from donors and stakeholders' collaboration. To gain more insight into the extent of damage, the Bank team worked closely with a European Commission (EC) team which had previously undertaken an in-depth analysis and validated the damages to the country's infrastructure. The

[4]The unit consisted of a Project Director, Head of Finance, a Procurement officer, and M&E Officer and other relevant staff. The unit had about 15 staff at head office and 35 engineers at project sites.

team also consulted effectively with relevant GOL agencies involved in the reconstruction process as well as with the development partner who were supporting the municipal sector in order to integrate the recovery activities into the GOL's priorities and the wider response of the international community.

26. Due to its emergency nature, the operation was prepared in record time. Disbursements also needed to materialize quickly. The team therefore adopted the same indicators as those in the FMIP Loan but did not fully develop the Monitoring and Evaluation (M&E) framework with baselines and expected results before project approval. The team's focus was to measure whether the project was delivering on the most pressing reconstruction needs, with the view that the M&E framework would be complemented with indicators for the institutional part of the project. Based on the fact that a full M&E framework was actually developed and used for implementation, this is considered a minor shortcoming. Therefore, with the abovementioned strengths in mind, quality at entry is rated satisfactory (S).

2.2 Implementation

27. The project was approved on November 3, 2006, and declared effective on November 29, 2006. In October 2008, a panel of quality assessment of lending portfolio rated the project as moderately likely to achieve its development objectives despite the difficult circumstances surrounding implementation. Project implementation started in earnest and was boosted by the following factors:

- *Level of commitment of the PCU.* The high level of commitment and expertise exhibited by the PCU was instrumental in ensuring the project strong implementation performance. The PCU enhanced its quality control procedures through increasing field supervision visits, particularly on the implementation of Component 1. It also provided regular assistance to the municipalities (under Component 2) by drafting a template and holding preparation sessions as needed. The PCU also carried out a number of capacity building interventions at the municipal level, which significantly improved the skills of municipal staff directly involved in project execution.
- *Strong commitment of municipal authorities*. The project benefited from strong commitment of the municipal authorities (mayors), who were very instrumental in the implementation of project activities. They worked closely and collaboratively with the PCU team to address implementation issues and ensured quality of work. In some instances, the municipalities committed themselves to cover the additional expenses of overall implementation should the municipal development projects value exceed the figure committed by the project, in the absence of a counterpart funding requirement in the Memorandum of Understanding (MoU) signed between the municipalities and the government.
- *Adaptation to changing circumstances*. The project adapted remarkably to changing circumstances due to: (i) simple design; (ii) implementation by an established and competent PCU with a long history of successful implementation under the FMIP Loan; and (iii) quick response to major issues by the Bank team, as evidenced in the correspondence exchanged with the PCU.

28. Despite these positive factors, the project encountered considerable delays as a result of external factors (adverse local, national, and regional environment) outside the control of the implementing agency. These factors, among others, include:

- The decision to focus on the infrastructure component at the initial stage of the project, caused delay in starting the other two components; implementation of these components did not start until 2009;

- Delays caused by the change of municipal teams, following the municipal elections of May 2010 impacted the overall implementation schedule. In particular, the adoption of the previously selected local development projects by the newly elected Municipal Councils in some municipalities delayed the launching of these projects;
- The sudden large scale and illegal construction of housing units (roughly estimated between 3,000 to 4,000 buildings) on public land in Southern Lebanon (during the care-taker government) distorted the construction sector from January to June 2011, and led to a severe shortage of construction material, and the ensuing increases in prices. In addition, the restriction in the transport of construction material from entering Southern Lebanon from April to May 2011 in order to prevent an increase in illegal construction had an impact on the pace of construction works;
- The regional context and the security threats in Syria, which greatly affected the availability of adequate labor force (mostly Syrians) in the construction sector. According to the beneficiary assessment survey (BAS) report on component 2, Syrians constitute approximately 80% of the labor force in the construction sector in Lebanon; and
- The repeated security incidents, including those faced by the United Nations Interim Force in Lebanon (UNIFIL) witnessed in Southern Lebanon during the summer of 2011.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

29. The monitoring and evaluation aspect of the project design was not fully developed at appraisal due to the rapid pace of project preparation. A simplified set of indicators, which focused mainly on physical investments, from the FMIP Loan was adapted for project monitoring, ensuring that the project was adequately keeping track of the essential reconstruction activities. A key feature of the M&E design was the planned BAS activities every six months, intended to closely monitor and gather information on social impact of the project, and compensate for the limited monitoring indicators imposed by the emergency nature of the project.

30. M&E implementation was initially rated as satisfactory (S) and was largely carried out through three rounds of surveys intended to assess the infrastructure component’s impact on the beneficiaries. Because the focus was initially on physical infrastructure, M&E reporting was mainly geared towards the performance of subproject contracts. However, as the municipal development and capacity building activities commenced, additional indicators were deemed essential. This was discussed at the Mid-Term Review (MTR) and the PCU developed a comprehensive framework to capture indicators for all aspects of the project. Data was collected systematically, and standard reporting formats were developed and used for data collection. The municipalities’ involvement was strong as they assigned their own project managers for overseeing contract execution. The PCU on its part provided an oversight role and monitored activities through consultants, who submitted systematic monthly reports to the PCU for input into the M&E system. The project experienced a shortcoming, however, in that it did not keep track of the number of direct beneficiaries. The ICR team used the full set of indicators developed following the MTR (and presented in the ISRs) for assessing project outcomes, coupled with estimates of the total number of beneficiaries.

2.4 Safeguard and Fiduciary Compliance

Safeguard compliance

31. At appraisal, the project team screened a small number of sub-projects for environmental impact, which confirmed the limited scale and significance of the potential environmental impact of the sub-projects. The project was thus classified as category B in line with OP 4.01 (environmental assessment),

and did not trigger OP 4.12 (involuntary resettlement). The environmental guidelines of the FMIP Loan were adopted. An important shortcoming at the initial stage was that the team did not fully comply with Bank safeguard procedures during project preparation: (i) the Integrated Safeguard Data Sheet (ISDS) was completed but not disclosed; and (ii) the environmental guidelines were not re-disclosed prior to appraisal of the project. An environmental management plan (EMP) was prepared and findings from its implementation showed no significant safeguards issues. The project was rated satisfactory in terms of safeguard compliance.

Fiduciary compliance

32. *Financial management*. The project complied fully with the Bank's financial management (FM) procedures and requirements. It submitted interim un-audited financial reports (IFRs) to the Bank on time. All ISRs have consistently rated FM as satisfactory, audit reports were submitted on time, with unqualified auditor's opinion acceptable to the Bank.

33. *Procurement.* Procurement was rated satisfactory in all Bank supervision missions, including six post procurement reviews (PPR) missions. The overall procurement oversight was satisfactory, and that helped keep the project on track even in difficult situations. However, a key bottleneck to smooth execution of procurement activities was a lengthy approval process for bidding documents (BD), which caused delays averaging about 16 months between the PCU's approval of bidding documents and the launching of advertisement by the municipalities. This in turn affected payments approvals, which took about 65 days to be effected[5]. It must be noted that this was mainly due to lack of procurement capacity at the municipal level, cumbersome validation procedures by the Directorate General of Urban Planning (DGUP), and external factors outside the control of the PCU. The PCU worked closely with the municipalities to address the issues providing them with hands-on training, which allowed their staff to process procurement transactions in a much improved fashion. The PCU also took mitigating measures to monitor DGUP validation procedures. In addition, the Bank team worked with the PCU to constantly revise the procurement plan and integrated a flexible and realistic duration into the plan so as to forestall the effects of factors outside the PCU's control.

2.5 Post-completion Operation/Next Phase

34. A significant number of municipalities have established committees and boards to operate and run their facilities built under the project. For instance, in Ansar municipality, a committee of 15 members made up of 8 voluntary members from the municipalities and 7 community members has been formed to manage the public market and other facilities established under the project. The seven community members will be paid from revenue proceeds from the facilities. In Ain Zhalta, the municipality has formed a committee staffed with paid employees to run the water facility, and collect user fees from the use of the facilities. The authorities in Hasbaya have formed a committee to manage the public market facility. The committee, comprised of two merchants in the market, two members of the municipality, one person with social influence in the region, will be supervised by the mayor and the vice president of the municipality. Other heads of municipalities, such as the mayor of Makne, are considering the possibility of forming committees to manage their facilities for them. The interview survey of four municipalities carried out for the ICR revealed that three of the investments are still not fully operational however, necessitating small investments in two cases and additional operating arrangements in a third case. While these investments are affordable by the municipalities, they should be done quickly and monitored closely to assure full impact of the project.

[5]Two factors contributed to the delays: (i) contracts review period coincided with the civil unrest of May 2008, and subsequent political instability which left key positions in the ministry vacant until December 2008; and (ii) the revision of estimates, which involved approvals of amended bidding documents, due to escalation of prices of materials worldwide.

35. With regards to Component 3, the studies implemented through the project now constitute MOIM's Municipal Finance Strategic Framework. Additionally, and as a direct follow-up to the project, GoL is also developing a Local Governance and Local Development Program with EUR 20 million financing from the EU.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

36. The project objectives, design and implementation were and remain highly relevant. The PDOs and the design are consistent with Lebanon's current development priorities as contained in its Economic and Social Development Program (ESP). The ESP's main objectives are to: (i) revive the country's middle class through job creation and better distribution of wealth by broadening ownership of real estate and improving access to economic infrastructure; (ii) improve the quality of life through better safeguarding the environment, widening access to better quality and more affordable health care and education, and providing adequate social safety nets for the most vulnerable; and (iii) promote equity and fairness through broad-based growth, narrower regional disparities, reduced gender disparities, reliance on the rule of law, and good governance to restore the credibility of state institutions. The project is also consistent with the Bank's Country Partnership Strategy (CPS) for FY11-FY14. The main objective of the CPS is to support GoL in putting the economy on a path to sustained, high and broad-based economic growth which is critical for Lebanon to continue to improve its fiscal and debt sustainability; create employment; provide adequate infrastructure and social services and support social inclusion. By focusing on the restoration of basic services and on the development of the local economy in the beneficiary municipalities, the project is fully consistent with the CPS objectives.

37. Despite the fact that significant infrastructure has been reconstructed and rehabilitated, basic services needs are still important in a country where about 28.6% of the population remains poor. Disaggregation of economic and social indicators in project intervention areas also shows high levels of poverty, particularly in Northern Lebanon (52.6%) and Southern Lebanon (42.2%).

3.2 Achievement of Project Development Objectives

38. The achievement of the PDO is rated satisfactory as all parts of the PDO were achieved with only minor shortcomings as measured through the indicators. The project contributed to short- and medium-term reconstruction and economic recovery and directly benefitted an estimated 375,427 people with restored basic services and economic development opportunities. The technical assistance provided by the project reduced municipal dependence on transfers, further strengthening the municipalities' prospects to be responsible for continued recovery efforts. The achievement of the PDOs is detailed below on the basis of the three parts. The total number of beneficiaries (direct and indirect) who will potentially benefit from investments number 2.5 million (defined as people living within the area served by a Component 2 investment, e.g. a market or a community center), a very high figure that was reached in large part due to the number of beneficiaries being a criteria for the selection of sub-projects.

PDO 1: (i) restoring basic services and rebuild priority public infrastructure in the affected municipalities and villages.

39. As shown in table 1 below, the infrastructure reconstruction and rehabilitation was achieved, with only minor shortcomings. The project funded 440 sub-projects benefiting 178 municipalities, almost reaching the tentative appraisal estimate of 185 municipalities. While the physical works are outputs, they are relevant measures of achievement of a reconstruction effort. Having municipal buildings in place is essential for developing the ability to provide an appropriate response to citizens' needs and to establish a

functioning and participating democracy at the local level. The project also helped restore basic infrastructure, bringing the city environment back to pre-conflict or superior to pre-conflict conditions, reestablishing transport and access to water, and providing street lighting for increased security in a record time (the complete overview of sub-projects is provided in Annex 2).

Table 1: Achievement of key performance indicators for sub-PDO (i)

Indicator	Baseline*	Target	Actual	% Achievement
Number of municipal buildings reconstructed	0	18	17	94%
Number of km of roads repaired	0	183km	175 km	96%
Number of retained walls rehabilitated	0	50km	48.7 km	97%
Number of street light poles erected	0	4,684	4,684	100%
Number of storm water drains repaired	0	13.0km	10.7 km	82%
Number of direct beneficiaries	0	276,774	276,774	100%

(*) Baseline is zero for the indicators that measure reconstruction efforts. No reconstruction had been carried out before the FMIP Grant.

40. Drawing on the BAS for Component 1, it is estimated that 276,774 people benefited directly from the sub-projects. The BAS further shows that for the sample of 87 sub-projects in 33 municipalities and 14 cazas[6] under consideration, in 59 percent of cases, investments by the FMIP Grant exactly matched the needs felt by the respondents. This is considered satisfactory, given the many competing needs, and the BAS further confirms that the benefits of the sub-projects were systematically applauded by the respondents. The project impact on beneficiary welfare was not an explicit project objective, but overall, 25 percent of BAS respondents confirmed that their quality of life had improved due to the sub-projects.

41. During the ICR mission, the project stakeholders further expressed their satisfaction with the outcomes of this component, which was seen as instrumental in bringing the country out of a state of crisis and back towards a more steady development path. According to direct feedback from mayors from South Lebanon and the Bekaa Valley, the project was critical in restoring normal life to communities after the 2006 hostilities. As indicated by the mayor of Ansar, whilst infrastructure was not expected to be restored for quite some time, the project succeeded in completing the restoration of water supply and transportation capabilities with exceptional efficiency in an unexpected record time.

42. Just as for the FMIP Loan, workshops and hands-on training were used by the project to familiarize municipalities with the technical, social, environmental and economic criteria for the prioritization of their project needs and encouraged them to consider operations and maintenance implications of their investment choices. All participating municipalities are now fully aware of the processes of identification and appraisal of sub-projects, preparation of bidding documents, bid awards, as well as construction supervision.

[6] Cazas are similar to districts.

Table 2: Equity indicator for PDO (i)

Indicator / Region	(1) Ratio of built up area over total area in the project areas - density of municipal infra. (% municipal infra./ total infra.)	(2) Ratio of built up area over total area in the project areas - intensity of damage (% repaired infra./ municipal infra.)	(3) Ratio of average municipal areas served by the project < 2% - share of financial assistance (% repaired municipal infra/ total infra.)
Mount Lebanon	20%	17.4%	1.9%
North Lebanon	23%	12.2%	3.8%
Bekaa	7.6%	12.9%	0.24%
South Lebanon	11.5%	40.6%	1.02%
Nabatieh	12.9%	70%	1.62%
Average	15.1%	30%	1.73%

43. The equity indicator presents information to demonstrate that the proceeds of the project have been allocated equally and equitably compared to the intensity of the damage and the density of municipal infrastructure in each area. In a country where political tensions often fall along religious lines, it is important to ensure that all groups are treated with equity across the project areas. The indicator does not compare progress with a baseline situation, but does show that the grant assistance was in line with the density of assets and level of damage, except for North Lebanon, where additional funds (US$3.5 million) were provided under the FMIP Grant (reallocated from initially planned sub-projects eventually financed by other donors) to overcome damages caused by the Nahr El Bared conflict (and subsequently, the share of repaired municipal infrastructure compared to total infrastructure (3) surpassed the expected 2%). While 2% is low, the indicator is meant to identify whether a particular region (or religious group) has benefited more than the average. Indicators (1) and (2) show that even with the higher than 2% share for North Lebanon, the repair as a percentage of municipal infrastructure (2) was lower than the density of municipal infrastructure (1). For the other regions, the three ratios correspond better, although for South Lebanon and Nabatieh, the ratio of repaired infrastructure to municipal infrastructure (2) was quite substantial compared to the ratio of municipal infrastructure to total infrastructure (1), but this result was obtained without surpassing the indicator for financial share (3). The beneficiary municipalities were among those most affected by the hostilities and at the same time (this is not shown by the equity indicator but by national statistics) located in areas with significantly higher poverty levels than the national average.

PDO 2: supporting local economic recovery and development in the municipalities that have suffered the heaviest damage.

44. This objective was achieved as measured by the indicators (one of which was slightly surpassed) on the number of LED projects launched in the conflict areas and the percentage of municipalities' budget allocated to investments, as shown in table 3 below. The project helped revive the economy of 11 cazas, and the share of the municipalities' budgets allocated to investment rose from a baseline figure of 25% to 35%. The investment share of the total budget is an indicator of the municipalities' ability to deliver on their mandate and ensure both maintenance of existing infrastructure and constructing new infrastructure.

Table 3: Achievement of key performance indicators for PDO (ii)

Indicator	Baseline	Target	Actual
Number of cazas/districts targeted	-	10	11
Increased capital investment by the selected municipalities	25%	35%	35%
Number of direct beneficiaries	0	98,653	98,653

45. A total of 98,653 people benefited directly from the LED projects. In total, 2.3 million people live in the municipalities that have benefited from LED projects and from other infrastructure reconstruction. Judged by funding allocation, PDO 2 was the second most important objective of the project and is considered fully achieved. Below are detailed results in some selected municipalities, with further details in Annex 5 (and the full list of sub-projects in Annex 2).

46. *Municipality of Baakline*. The project established an agricultural center, which served over 500 farmers in the area. It provided retail and wholesale spaces in strategic positions for the sale of agricultural products in the area, and according to the BAS, helped reduce transportation costs, middlemen fees, and increased revenues for farmers. In addition, the center housed an agricultural research center that would run by the Ministry of Agriculture (MOA) in order to assist farmers to improve their yields and control crop diseases. This generated employment for the local resident population, and women in particular.

47. *Municipality of Ain Zhalta*. The project supported the development of a water pumping station, which now supplies two towns in Ain Zhalta and Nabaa el Safa municipalities.

48. *Municipality of Abbasiyeh.* The project established a public market located in a strategic area adjacent to a new highway close to Abbassiyeh. The strategically located public market has attracted traders and consumers from around the area. This served as a major outlet for the area's agricultural products which were hitherto marketed through the Sour and Saida public market (or "Hisba"). This has helped reduce transportation costs as well as middlemen fees.

49. *Municipality of Srifa*. In Srifa, the project established a heritage products market for the creation of an artisanal production sector in the area. The heritage market has become part of a new Saudi-financed cultural center complex built by the municipality. The area has, hence, become a commercial, cultural and recreational hub for Srifa and the region.

50. As indicated by the mayor of Ansar, the project was able to restore confidence in the population to reinvest in their towns: while providing direct economic support to the local communities, funding of income generation activities (such as the public marketplace in Ansar) were also instrumental in building confidence among the population and economic partners as they were providing a strong signal that such investments were expected to be economically viable.

PDO 3: Providing technical assistance to and build the capacity of municipalities to mitigate the impact of the hostilities on municipal finances.

51. PDO 3 was achieved, as measured by the use of the three studies completed. These studies now constitute MOIM's Municipal Finance Strategic Framework under implementation, leading to a declining ratio of municipal revenues to government transfers (see Table 4 below). Consequently, this improves the medium-term perspective for municipal autonomy and service delivery.

Table 4: Achievement of key performance indicators for PDO (iii)

Indicator	Baseline	Target	Output/outcome
Number of studies completed	0	3	3
Ratio of municipal revenues to Government transfers	70%	40%	49.5%

The baseline figure is substantially higher than the figure reported in the original project for the same indicator in 2006 because it is specific to the municipalities affected by the conflict.

52. The project assisted GoL in carrying out a municipal finance study aimed at helping GoL to understand how to reduce dependency on central government transfers from the IMF. This was in support of the Ministry of Finance's (MOF) policy agenda on the need for Lebanon to strengthen the institutional setting for service delivery and municipal management with a focus on financial, fiscal and investment planning. To this end, three (3) studies were carried out and completed as follows:

- Strengthening the municipal finance framework with the aim of: (i) increasing the transparency of municipal financial operations; (ii) increasing the accountability of municipalities to the community and the central government; and (iii) increasing the efficiency of financial operations;
- Improving the independent municipal fund with the aim of: (i) making it more independent and self-sustaining; (ii) enhancing the revenues to ensure its financial stability; and (ii) making the amount paid to each municipality more equitable, predictable, reliable and timely on a yearly basis.
- Modernizing the municipal property tax with the aim of: (i) enhancing the financial autonomy of municipalities through increased own-source revenue generation; (ii) improving the efficiency of revenue mobilization from rental value based fees; and (iii) encouraging the most equitable possible approach to municipal property fees.

53. The recommendations of the studies were implemented, resulting in a declining ratio of municipal revenues to government transfers from a baseline figure of 70% to 49.5%, just 9.5 percentage points higher than the project's target of 40%. A decreasing ratio signifies improvement in the municipalities' own revenues, and hence less dependence on central government revenues. While the objective was not fully achieved, it is still considered a moderately satisfactory outcome, given that only a minor share of project investments went to this component, its results being additional to the primary reconstruction objective of the project.

3.3 Efficiency

54. *Comparison with unit costs of physical outputs in-country and in the region.* The project was prepared as an emergency operation in line with OP 8.00 guidelines; therefore, no ex-ante cost benefit analysis (CBA) was undertaken at appraisal. In order to determine the efficiency of project implementation, the ICR team compared the unit costs of project outputs with similar works in Lebanon and in comparable countries in the region.

55. Despite the difficult operating environment, unit costs of the project's physical outputs for which comparable data were available compare favorably with outputs of similar works in the country and in the region. Under the project, a kilometer of road was completed at a unit cost of US$56,332/km, which is well below the unit costs of similar works in Jordan (US$177,500/km). The unit cost of rehabilitating a kilometer of a storm water drain was US$139,371/km compared with the costs of similar projects in Jordan (US$225,000/km), West Bank and Gaza (242,560/km) and Yemen (162,400/km). Within Lebanon, the costs of the project's infrastructure were found to be the same or slightly less than other similar projects in the country. For example, the unit cost of a repaired road was US$56,332/km for the project, compared with US$58,000 for non-FMIP projects. Similarly, the unit cost of constructing a kilometer of sewerage is US$36,349/km compared with US$40,000 for a non-FMIP project.

56. *Cost per beneficiary*. An analysis of cost per beneficiary by type of project for Components 1 and 2 activities was conducted for a total of about 375,427 direct beneficiaries (276,774 for Component 1 and 98,653 for Component 2) and 2,164,445 indirect beneficiaries for Component 2. The results of the analysis show that overall the project recorded acceptable costs per beneficiary reached, at US$63 and

US$94 per direct beneficiary for Components 1 and 2 respectively. These costs compared favorably with the cost per capita (US$68) of the predecessor project (FMIP Loan), which targeted a quarter of the population of Lebanon but only invested in Component 1-type sub-projects, whereas the FMIP Grant included local development sub-projects for Component 2, with important local economic development potential and promising good returns on investments justifying the slightly higher cost per beneficiary. For both the FMIP Loan and Grant, the cost per beneficiary was kept down by making the number of beneficiaries part of the selection criteria for investments. Overall cost was kept down by also including economic selection criteria.

57. *Overall costs of goods and services* were reasonable, and were within the prevailing market prices. The escalation of prices of materials experienced as a result of the regional and country context was well-contained by the project's financing mechanism. By design, funding from the unallocated expenditure category helped minimize the impact of the high prices on project implementation. Project management costs were reasonable in light of Bank experience and country context. The cost of project management was only about 4.1% of total cost of the project, and well below the generally accepted interval of 5 to 8 percent for a project of this nature with many sub-projects. *(See details in Annex 3).*

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory

58. Based on the project's relevance, achievement of the PDOs, and efficiency, the overall project outcome is rated as satisfactory[7]. The last three ISRs for the Project were rated moderately satisfactory (MS), justified by the third project extension. In this respect, there is a need to differentiate between ISR ratings (which are based rate a narrow set of factors, such as the implementation progress and the likelihood of achieving project development objectives), and the ICR; which rates a broader set of factors, (including Project Preparation, Design, Quality at Entry, and Implementation). At this stage, based on the information available, and looking at the criteria for rating outcome, the project's objectives were achieved with only minor shortcomings. All the sub-objectives of the PDO were largely achieved and contributed to short and medium-term reconstruction of the affected areas. The primary reconstruction objective, in particular, was fully achieved under the FMIP Grant (given that some reconstruction works were actually financed by other donors). The project was prepared in record time and was adequately designed in conformity with the emergency environment, which required rapid delivery of critical basic services in the areas affected by the hostilities. All issues related to physical works were resolved during MTR, as well as those associated with monitoring and supervision. The project was expanded to mitigate the impact of the Nahr El Bared conflict, providing quick and critical recovery assistance, further contributing to the achievement of PDO. Project implementation was cost efficient as even the escalation of prices of materials did not impact implementation. This was because of mitigation measures taken at appraisal, which allowed for setting aside some funds in the unallocated category of expenditure.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

59. The swift implementation of the reconstruction program was instrumental in addressing the poverty and more general social issues but no poverty analysis was conducted and the gender issues were reflected at the project preparation stage. The lack of specific data therefore did not allow for separate assessment of the project's impact on poverty, gender, and social development.

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[7] A satisfactory outcome rating was also given to the FMIP Loan. The Grant provided the same types of benefits with similar efficiency, while adding a forward-looking element of capacity building to buttress sustainability of investments of both the Loan and the Grant.

(b) Institutional Change/Strengthening

60. The project helped strengthen institutions at the national and municipal levels.

- *At the national level.* The project strengthened MOIM's capacity to manage the implementation of infrastructural project activities. By working closely with the PCU, the project ensured improved capacity of the ministry in project management. The project also helped strengthen information management at the ministry through the establishment of a municipal observatory, which aims to provide the best possible framework for setting up a sustainable municipal database, and help MoF in its effort to better monitor the municipalities' financial management performance.

- *At the municipality and community level.* The project significantly improved the capacity of the municipal authorities and their staff in overall project management (procurement and contract management, financial management, and M&E). The involvement of the municipal councils in the management and administration of projects through their respective project boards strengthened the capacity of the municipal councils as there has been significant improvement in overall management of public affairs at the municipal level. Also, in the majority of municipalities, the project ensured participatory approach to selection of subprojects as the local communities; including representatives of civil society and the general public. However, in the remainder of municipalities, projects were selected by the members of the municipal councils in accordance with Lebanese law, which mandates the municipal councils to select, plan and implement development projects on behalf of the people.

(c) Other Unintended Outcomes and Impacts (positive or negative)

61. There were no other unintended outcomes or impacts.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

62. As noted in section 2.3, a key aspect of the project's M&E mechanism was the systematic carrying out of a BAS to assess the project's impacts on its target population. Two separate BAS were conducted for Components 1 and 2 and in three rounds. The final round of assessment, which forms part of the project evaluation, found that the project's beneficiaries were generally conversant and very satisfied with the support they received from the project.

63. Component 1: *Employment creation*. The project helped create employment in the local economy. For example, 117 out of 131 contractors indicated that they hired local employees as part of their team from a municipality or caza. On average, 12.2% of employees were hired from the municipalities. The majority of the employees came from the immediate communities, with 12 workers per project per municipality, and 3 workers per project per caza.

64. *Improvement in local economic activities*. The project helped improve economic activities in local areas as contractors purchased most of their materials from the local market. The BAS results showed that majority of the contractors (95%) indicated that they purchased some material from within the municipality and the caza. The survey results also showed that 37% of contractors indicated that they purchased all their primary materials locally, from within the municipality and 22% from the caza.

65. With regard to Component 2, the assessment sought to examine the project's impact on the beneficiaries in light of the implementation of LED projects. Overall, about 2,263,098 beneficiaries of

whom approximately 98,653 were direct beneficiaries and 2,164,445 were indirect beneficiaries benefited from the project's interventions.

4. Assessment of Risk to Development Outcome

66. *Rating: moderate.* Risk to development outcomes is moderate, given the commitment level of GoL and in particular the municipal authorities (mayors) and the level of infrastructural development that has taken place in project intervention areas. The discussion of the key risks to development outcomes are as follows.

- *Institutional risks to development outcome are moderate*. The government's commitment to maintain and operate the municipal observatory will, to some extent, sustain development outcomes. The observatory will help the country build a strong municipal information database. With assistance from the United Nations Development Program (UNDP), the observatory has been staffed, but MOIM efforts will be required to sustain it. The upcoming EU-financed municipal development project is also likely to provide support to the operation of the observatory.
- *Financial risk to development outcomes is low*. The project supported the municipalities to develop financial and sustainability indicators which would help sustain development outcomes. One of the key objectives of the project was to help the municipalities to be financially independent. As noted in section 3.2, the central government's transfers to the municipalities have reduced tremendously from 70% of the IMF to 49.5%; a reduction in the ratio signifies improvement in the municipalities own revenues. Improvements in the municipalities own revenues would ensure availability of funds operations and maintenance which would help sustain of the rehabilitated and repaired infrastructure.
- *Infrastructural risk to development outcomes is low.* The rehabilitation, repair and installation of key infrastructure (municipal buildings, roads, streetlights, and retaining walls) have brought the affected areas in Lebanon back to their pre-hostility levels. With improved own revenues, these development outcomes should be maintained as the municipalities will be able to undertake regular maintenance of the facilities.

5. Assessment of Bank and Borrower Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory.

67. Bank performance at project preparation is rated satisfactory. The Bank, with strong support from the staff of the Beirut office facilitated the preparation process. Given the emergency nature of the assistance, the Bank quickly put together an experienced team, which worked closely and intensively with the PCU to ensure smooth preparation and quality of design. Soon after cessation of hostilities, the Bank led an assessment mission to the affected areas to ascertain the extent and magnitude of damage. During preparation, the Bank collaborated effectively with key municipal stakeholders, who were fully involved in project preparation and provided inputs into the project design. The shortcomings on M&E and the lack of disclosing the ISDS were not significant, given the emergency nature of the project and the necessity to proceed with implementation as quickly as possible.

(b) Quality of Supervision

Rating: Satisfactory.

68. Bank performance with regard to quality of supervision is rated satisfactory. Despite the volatility of the political situation in the country, the Bank undertook significant supervision missions to ensure effective project implementation. Overall, the Bank conducted 12 supervision missions with the final mission occurring in March 12, 2012, shortly before the closing date of the project. During the course of such missions, the Bank proactively resolved key implementation issues that posed a threat to the achievement of project development objectives.

69. The high level of supervision qualities exhibited by the Bank team also had substantial impact on project implementation performance. This was manifested in the country portfolio quality assessment undertaken by the country management unit in October 2010. The assessment team rated project implementation as satisfactory, and as one of the best performing projects in Lebanon. The assessment team commended the Task Team Leader (TTL) and his team for not only ensuring quality of design, but also ensuring that the supervision modalities of flexibility, responsiveness and pragmatism suited the particular circumstances of Lebanon throughout the project cycle.

70. During implementation, the Bank maintained a strong relationship with GoL, and showed its readiness to respond to unexpected events that occurred in Lebanon. In particular, the Bank acceded to all the extensions requested by GoL. Under the difficult environment with which the project was implemented, extensions were inevitable, and they ensured successful completion of project activities.

(c) Justification of Rating for Overall Bank Performance

Rating: Satisfactory.

71. Taking into account the quality of project preparation and supervision, the overall Bank performance is rated satisfactory. The intervention was appropriate and was in line with the Bank's emergency assistance strategy for Lebanon. It supported focused activities that were designed to mitigate the effects of the hostilities in Lebanon.

5.2 Borrower Performance

(a) Government Performance

Rating: Satisfactory.

72. Government performance is rated satisfactory. GoL was very committed to the success of the project, and provided the needed support to the project preparation and implementation team. However, the turnover of ministers coupled with other external factors affected certain decision-making on project execution. Throughout the project cycle, seven ministers were appointed with each one of them serving on average less than one year.

73. At the municipal level, the municipal authorities were very committed, and were involved at all stages of project preparation and implementation. For example, a majority of the mayors were committed to successful implementation of project interventions, assisting and intervening directly, resolving key implementation issues with the PCU. These were mayors who possessed an in-depth knowledge of the municipalities.

(b) Implementing Agency or Agencies Performance

Rating: Satisfactory.

74. The implementation agency's performance is rated satisfactory. The PCU worked closely with the Bank team in ensuring quality of project preparation. The PCU, in collaboration with the municipal authorities, played an effective role in guiding beneficiaries during the preparatory work and project selection at the municipal and community levels.

75. The PCU performed remarkably well, because of its prior experience with Bank financial management and procurement procedures, and the quality of its management and staff. The PCU ensured that Bank procurement and disbursement rules and procedures were followed, and safeguards properly observed. It facilitated all supervision missions and effectively served as a link between the Bank and the government.

76. During implementation, the PCU was very committed to the achievement of the PDOs. The PCU worked diligently to respond to all queries from the Bank team as well as those from the government. It maintained a high degree of standards for civil works through regular monitoring and supervision of subproject activities. When it observed substandard work on some sites, it implemented pragmatic measures and constantly organized site visits with different consultants to supervise and monitor works progress, actions which significantly helped improve implementation and outcomes. The findings from of the BAS (component 2) confirm that the municipalities and communities acknowledge the PCU handled management of project implementation very well.

(c) Justification of Rating for Overall Borrower Performance

Rating: Satisfactory.

77. The overall borrower performance is rated satisfactory, considering the high level of commitment by the government and the competency and prowess exhibited by the PCU in the preparation and implementation of project activities.

6. Lessons Learned

78. The lessons derived from the project can be summarized below:

- Keeping the scope of the project straightforward and simple while including some forward looking, developmental elements, and allowing for maximum feasible flexibility of implementation greatly facilitates successful implementation of projects of such nature. The project's design included flexible and adaptable elements that helped it thrive in difficult circumstances and laid the groundwork for continued improvements to municipal finances and overall municipal strengthening.
- Taking advantage of existing implementation capacity and extending the life of an already proven and tested PCU rather than creating new structures, helped improve the success of the project in a difficult environment. This project built on what was already there and working.
- Rapid response from the Bank project staff based in Lebanon for a large part, contributed to the success of project. They were able to quickly respond to problems when they arose and facilitated project restructuring as needed.
- The success of the project is linked to the overall effort that was sustained over time, in a context of political turmoil and uncertainty. Whilst focusing on emergency needs, the project was also able to address capacity building issues and to set the basis for effective municipal strengthening

and decentralization. It also contributed to improving the life of people on a daily basis. Such an approach can only be developed and implemented over time as it is essential to establish meaningful reforms and achieve concrete progress on the ground.

- The short time allotted to the preparation of emergency operations, coupled with a rapid preparation process may require further development of the monitoring and evaluation framework at the early stages of implementation. The M&E framework is a key element of the project design which can only be well apprehended and developed after the initial steps of implementation of emergency reconstruction projects. It then can be at the core of project monitoring.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies
N/A

(b) Co-financiers
N/A

(c) Other partners and stakeholders
N/A

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Reconstruction of Public Infrastructure	17.95	17.45	97.21
Municipal Recovery Development	9.05	9.91	98.45
Project Management and Capacity Building	3.00	3.15	105
Total Baseline Cost	30.00	29.51	
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	0.00	0.00	0.00
Total Project Costs	30.00	29.51	98.37
Project Preparation Facility	30.00	29.51	98.37
Total Financing Required	30.00	29.51	98.37

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		0.00	0.00	.00
Special Financing		30.00	29.51	98.37

Annex 2. Outputs by Component

Component 1: Reconstruction of Public Infrastructure

- 17 municipal building reconstructed.
- 175 km of roads rehabilitated and repaired
- 4684 streetlight poles erected.
- 10.7 km of storm water drains repaired.
- 48.7km on retaining walls

Component 2: Local Economic Recovery and Development

- Construction of 15 public facilities in 15 municipalities. Table A2.1 below provides a complete list of the project.

Component 3: Capacity Building

- Three (3) municipal finance studies were conducted
- Constructed and equipped municipal observatory.

Table A2.1. Component 1: Reconstruction of Public Infrastructure - List of Projects

Caza	Municipality	Type of Project	No. of Projects
Akkar	Halba, Klaiaat, Kwaikha, Aandkit, Qabeeit	Retaining walls, Street lighting, Storm water drains(Halba,); Retaining walls, Street lighting, Storm water drains(Klaiaat,); Retaining walls, Street lighting, Storm water drains(Kwaikha); Roads, Street lighting, Retaining walls, Sewerage(Aandkit); Roads, Retaining walls(Qabeeit)	15
Baalbek	Bouday, Nabby Chit, Brital, Bednayel	Municipal building, Roads, Retaining walls, Street lighting, Storm water Drains (Bouday); Roads, Street lighting, Sewerage (Nabby Chit); Roads, Street lighting, Retaining walls, Sewerage (Brital); Roads, Street lighting(Bednayel)	14
Bekaa	Sultan Yaakoub, Aitanit	Roads, Street lighting(Sultan Yaakoub); Potable Water, Roads, Retaining walls, Street lighting (Aitanit)	6
Bent Jbeil	Ain Ebel, Chakra Wa Doubieh, Hanine, Kalawieh, Kawzah, Aytaroun, Beit Lif, Baraachit, Hadatha, Kafra, Soultanieh, Tebnine, Yaroun, Yater, Froun, Maroun El Rass, Beit Yahoun, Ghandouriet, Rchaf, Kounine, Jmayjmeh, Ain Ebel, Haryss, Debbel 1, Deir Enttar, Kfar Dounine, Kherbet Silm, Rmeich, Safad El Batikh, Tairry, Ramia, Sribinne, Kawzah 1, Borj Kalaweih, Aita Eljabal 1	Potable Water, Roads, Street lighting(Ain Ebel); Roads, Retaining walls, Street lighting(Chakra Wa Doubieh); Potable Water, Roads, Street lighting (Hanine); Roads, Street lighting(Kalawieh); Municipal building, Roads, Retaining walls, Street lighting. Retaining walls (Kawzah); Roads, Street lighting, Retaining walls, Municipal building(Aytaroun); Roads, Street lighting, Municipal building(Beit Lif); Roads, Street lighting, Retaining walls, Municipal building(Baraachit); Roads, Retaining walls, Street lighting(Hadatha); Roads, Retaining walls, Street lighting(Kafra); Roads, Street lighting, Retaining walls, Storm water drains(Soultanieh); Roads, Street lighting, Retaining walls, Sewerage, Potable Water, Roads (Tebnine); Roads, Street lighting, Retaining walls, Municipal building(Yaroun); Roads, Street lighting, Retaining walls(Yater); Roads, Street lighting(Froun); Roads, Street lighting, Retaining walls(Maroun El Rass); Roads, Street lighting, Retaining wall(Beit Yahoun); Roads, Street lighting, Retaining walls (Ghandouriet); Roads, Street lighting, Retaining walls, Municipal building(Rchaf); Roads, Street lighting, Retaining walls, Municipal building, Storm water drains(Kounine); Roads, Retaining wall, Street lighting(Jmayjmeh); Roads, Street lighting, Retaining walls. Sewerage(Ain Ebel); Roads, Retaining wall, Street lighting(Haryss); Roads, Retaining wall(Debbel 1); Street lighting(Deir Enttar); Roads, Retaining wall, Street lighting(Kfar Dounine); Roads, Retaining wall, Street lighting(Kherbet Silm); Roads(Rmeich); Roads, Street lighting, Retaining walls, Municipal building(Safad El Batikh); Roads, Street lighting, Retaining walls(Tairry); Roads, Street lighting, Retaining walls, Municipal building (Ramia); Roads, Street lighting, Retaining walls(Sribinne); Roads, Street lighting, Retaining walls, Municipal building(Kawzah 1); Roads, Street lighting, Retaining walls(Borj Kalaweih); Roads, Street lighting, Retaining walls(Aita Eljabal 1)	112
Marjeyoun	Klaiaa, Blida, Adeyseh	Storm Water Drains, Roads, Retaining walls, Street lighting, Sewerage (Klaiaa); Roads, Retaining	9

Caza	Municipality	Type of Project	No. of Projects
		walls(Blida; Roads, Retaining walls(Adeyseh)	
Nabatieh	Nabatieh, Tahta, Kfartebnit, Zouter el Gharbieh, Arnoun, Harouf, Jebchit, Douair	Roads, Retaining walls, Street lighting(Nabatieh); Roads (Kfartebnit); Roads, Retaining walls, Street lighting(Zouter el Gharbieh); Roads, Retaining walls, Storm Water Drains(Arnoun); Roads, Retaining walls, Street lighting (Harouf); Roads, Retaining walls, Street lighting(Jebchit); Roads(Douair)	17
Saida	Saksakieh, Ghaziyeh, Kharayeb	Potable Water, Roads, Retaining walls, Street lighting(Saksakieh); Roads, Retaining walls, Street lighting(Ghaziyeh); Roads, Retaining walls, Street lighting(Kharayeb)	10
Sour	Kawsariet el Sayad, Adloune, Dordghaya, Maaroub, Baflieh, Majdalzoun, Marwahin, Bazourieh, Jwaya, Deir Qanoun el Nahr, Mansouri Ghaziyeh , Kharayeb, eaamarieh, Ansariet, Arki,Aabasiyeh,Ain Baal,Aitit,Batouleh, Bourghlieh, Chahour,Qana, Klaili, Srifa, Tair,Felssieh, Bourjrahal, Ramadiet, Toura, Salaa, Haloussiet, Yanouh, Deir Aames, Chamea, Alboustan, Chihin, Tair Harfa, Deir Kifa, Dbaal, Borghliet,Sidikin, Deir Qanoun Rass Ain, Jebbine, Mahrouna, Jbal Elbotom, Zibkin, Naquoura, Majdelzoun	Roads, Street lighting(Kawsariet el Sayad); Roads, Street lighting, Storm Water Drains (Adloune); Roads, Street lighting(Dordghaya); Roads, Retaining walls, Street lighting(Maaroub); Retaining walls, Street lighting, Storm Water Drains(Baflieh); Municipal building, Roads, Retaining walls,(Majdalzoun); Roads, Street lighting (Marwahin); Roads, Street lighting(Jwaya); Retaining walls, Street lighting(Deir); Roads, Retaining walls, Street lighting (Qanoun el Nahr); Roads, Retaining walls, Street lighting(Mansouri); Street Lightning, Roads, Retaining walls (Ghaziyeh); Street Lightning, Roads, Retaining walls(Kharayeb); Roads, Retaining walls (Meaamarieh); Street Lightning, Roads (Ansariet); Street Lightning, Roads, Retaining walls(Arki);Roads, Retaining walls, Storm Water Drain(Aabasiyeh); Roads, Sewerage, Potable Water (Ain Baal); Roads, Retaining walls (Aitit); Roads, Retaining walls(Batouleh); Street Lightning(Bourghlieh); Roads, Retaining walls, Street Lightning(Chahour); Roads, Retaining walls, Street Lightning, Municipal Building(Qana);Retaining walls, Street Lightning, Roads (Klaili); Roads, Retaining walls(Srifa); Roads(Tair Felssieh); Roads, Retaining walls(Bourjrahal); Roads, Retaining walls(Ramadiet);Roads(Toura); Roads(Salaa); Roads, Street Lightning, Retaining walls(Haloussiet); Roads, Storm Water Drain(Yanouh); Roads, Retaining Wall, Street Lightning (Deir Aames); Roads, Retaining Wall (Chamea); Roads, Retaining Wall, Street Lightning (Alboustan); Roads, Retaining Wall, Storm Water Drain(Chihin); Roads, Street Lightning, Retaining walls, Municipal Building (Tair Harfa); Roads, Street Lightning(Deir Kifa); Roads, Retaining Wall, Street Lightning (Dbaal); Roads(Borghliet); Roads, Retaining Wall, Street Lightning (Sidikin); Roads, Retaining Wall (Deir Qanoun Rass Ain); Retaining Wall, Street Lightning, Roads(Jebbine); Roads(Mahrouna); Retaining Wall, Street Lightning, Roads, Municipal Building(Jbal Elbotom); Roads, Retaining Wall, Street Lightning(Zibkin); Roads (Naquoura); Roads, Retaining Wall, Municipal Building(Majdelzoun)	126
Baabda	Baabda, Wadi Chahrour Elsoufla	Street lighting, Roads, Storm Water Drains, Retaining walls(Baabda); Street lighting , Roads, (Wadi Chahrour Elsoufla)	6

Caza	Municipality	Type of Project	No. of Projects
Chouf	Chhim	Street lighting, Roads, Retaining walls(Chhim)	3
Jezzine	Aichiet, Mlikh, Rihan, Soujoud	Roads, Retaining walls (Aichiet); Roads(Mlikh); Roads, Retaining walls, Street lighting, Sewerage, Storm Water Drain, Potable Water(, Rihan); Roads, Retaining walls, Street lighting(Soujoud)	12
Hasbaya	Ferdiss, Hasbaya, Kfarchouba	Retaining walls, Storm Water Drain(Ferdiss); Roads, Retaining walls, Street lighting (Hasbaya); Roads, Retaining walls, Street lighting(Kfarchouba)	8
Marjeyoun	Deir Mimas, Eble El Saki, Houla, Marjeyoun, Khabrikha, Kfar Kila, Mais Eljabal, Bani Hayan, Debbine, Blate, Sarada & Omra, Rub Tlatine, Kantra, Markaba, Sawaneh, Taybeh, Klayaat	Roads, Retaining walls, Street lighting, Municipal building(Deir Mimas); Roads, Storm Water Drain, Street lighting(Eble El Saki); Roads, Retaining walls(Houla); Roads, Retaining walls, Street lighting(Marjeyoun); Roads, Retaining walls, Street lighting(Khabrikha); Roads, Retaining walls, Street lighting(Kfar Kila); Roads, Retaining walls(Mais Eljabal); Roads, Retaining walls, Street lighting(Bani Hayan); Roads, Retaining walls, Street lighting(Debbine); Roads, Retaining walls(Blate); Roads(Sarada & Omra); Roads, Retaining walls, Street lighting, Municipal building (Rub Tlatine); Roads(Kantra) Roads, Retaining walls (Kantra); Roads, Retaining walls(Markaba); Roads, Retaining walls, Street lighting(Sawaneh); Roads, Retaining walls, Street lighting (Taybeh); Roads, Sewerage, Retaining walls, Street lighting, Storm Water Drain(Klayaat)	49
Nabatieh	Ain Kana, Anssar, Arab Salim, Douair, Habbouch, Jbaa, Jebchit, Kaakaeit Al-Jisr, Kfar Syr, Kssaibet, Mayfadoun, Roumyn, Sarba, Zaoutar El Charkiet, Zefta, Adchit, Choukin, Yohmor	Roads, Retaining walls(Ain Kana); Roads, Retaining walls, Street Lightning (Anssar); Roads, Retaining walls, Street Lightning(Arab Salim); Roads(Douair,); Roads, Retaining walls, Street Lightning(Habbouch); Roads, Retaining walls, Street Lightning, Sewerage, Storm Water Drain(Jbaa);Roads, Retaining walls (Jebchit); Roads, Retaining walls, Street Lightning, Storm Water Drain(Kaakaeit Al-Jisr); Roads, Potable Water(Kfar Syr); Roads, Retaining walls(Kssaibet); Roads, Retaining walls, Street Lightning(Mayfadoun); Roads, Retaining walls, Street Lightning, Potable Water(Roumyn); Roads, Retaining walls, Street Lightning (Sarba); Roads, Retaining walls, Street Lightning, Municipal Building(Zaoutar El Charkiet); Roads, Retaining walls(Zefta); Roads, Retaining walls (Adchit); Roads, Retaining walls(Choukin); Roads (Yohmor)	48
Bekaa Ouest	Aitanit, Lebbaya	Roads(Lebbaya)	1
Zahle	Koussaya, Terboul	Roads, Retaining walls, Street Lightning(Koussaya); Roads(Terboul)	4
Total			**440**

Table A2.2. Component 2: Municipal Recovery and Development - List of Projects

Caza	Municipality	Type of project
Nabatieh	Ansar	Public market
Baalbeck	Maknet	Training and Cultural Center
West Bekaa	Saltan Yakoub	Multifunctional Project
Hasbaya	Hasbaya	Public Ancient Market
Saida	Zrarieh	Commercial Market
Chouf	Baakline	Agric Products and Development center
Chouf	Ain Zhalta	Water Pumping Station
Beint Jbel	Baraacht	Commercial Market
Beint Jbel	Ain Ebbel	Recreational Center
Jezzine	Rihan	Public Garden Market & Tourism
Jezzine	Kaytouly	Resort
Sour	Srifa	Heritage Market
Sour	Abbasseih	Commercial Market
Marjyoun	Majdal Slim	Multifunctional Commercial Center
Akkar	Tikrit	Cultural Center for Agric Dev't and Tourism

Component 1: Construction of Public Infrastructure

Ebbel El Saki Roads (Asphalt), 2-Street Lighting, Storm Water Drains
Start Date: April 11, 2009 - End Date: January 2, 2010, Estimated Cost: US$17,425

Before Project After Project

Kfarchouba Roads (Asphalt), 2-Retaining walls
Start Date: August 5, 2008 - End Date: January 13, 2009; Estimated Cost: US$59,502

Before Project After Project

Sidikin Roads (Asphalt)
Start Date: January 2, 2010; End Date: July 4, 2010; Estimated Costs: US$44,290

Before Project After Project

Tuline Roads (Asphalt), Street Lighting
Start Date: November 26, 2008 - End Date: September 5, 2009; Estimated Cost: US$26,500

Before Project After Project

Baabda Roads (Asphalt), Retaining walls, Street Lighting, Potable Water, Strom Water Drain, and Potable Water
Start Date: March 28, 2008 - End Date: December 29, 2009; Estimated cost: US$461,960

Before Project After Project

Bednayel Roads (Asphalt), Retaining walls
Start Date: March 28, 2008 - End date: December 29, 2009; Estimated Cost: US$461,960

Before Project After Project

Jmayjmeh Roads (Asphalt), Retaining walls

Start Date: December 7, 2009 - End date: April 30, 2010; Estimated Cost: US$21,472

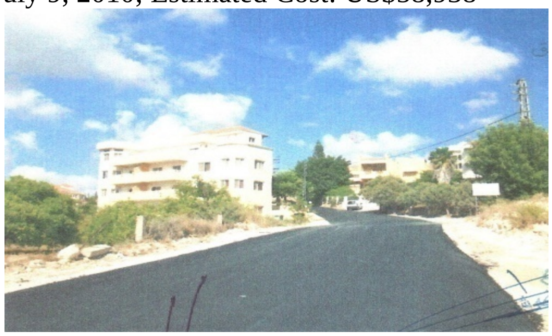
Before Project

After Project

Bourghlieh Roads (Asphalt)

Start Date: May 08, 2010 - End date: July 9, 2010; Estimated Cost: US$58,938

Before Project



After Project

Deir Amess Roads (Asphalt)

Start Date: October 2, 2007 - End Date: February 8, 2008; Estimated Cost: US$37,934

Before Project

After Project

<u>Component 2:</u> Municipal Recovery and Development

<u>Hasbaya Municipal building (Public Ancient Market)</u>
Start Date: June 21, 2010 - End Date: April 15, 2012; Estimated Cost: US$898,427

Before Project After Project

<u>Ansar Municipal Building (Public Market)</u>
Start Date: June 21, 2010 - End Date: April 15, 2012; Estimated Cost: US$898,427

Before Project After Project

<u>Ain Ebbel Municipal building (Park)</u>
Start Date: February24, 2011 - End Date: March 15, 2012; Estimated Cost: US$369,274

Before Project After Project

Baraachit Municipal building (Souk)
Start Date: May 11, 2011 - End Date: March 16, 2012; Estimated Cost: US$369,274


Before Project


After Project

Rihan Municipal building (Public Garden)
Start Date: April 26, 2011 - End Date: November 4, 2011; Estimated Cost: US$147,838


Before Project


After Project

Baaklin Municipal building (Market and Development Center)
Start Date: February 2, 2011 - End Date: April15, 2012; Estimated Cost: US$1,018,265


Before Project


After Project

Annex 3. Economic and Financial Analysis

79. *Introduction*. The development objectives of the project were to: (i) restore basic services and rebuild priority public infrastructure in the affected municipalities and villages; (ii) support local economic recovery and development in the municipalities that had suffered the heaviest damage; and (iii) provide technical assistance to and build the capacity of municipalities to mitigate the impact of the hostilities on municipal finances (within the broader context of developing the municipal sector).

80. *Project beneficiaries and benefits*. The project directly benefited a total population of about 375,427 (about 276,774 from Component 1 and 98,653 from Component 2) and about 2,164,445 indirect in the cazas, as identified on the basis of registered population. Beneficiaries in the intervention areas benefited from provision of basic infrastructure such as roads, street lighting, retaining walls, sewerage, storm water drains, municipal buildings for Component 1 and public markets, training and cultural centers, multifunctional facilities, public ancient markets, commercial market, agricultural products and development centers, water pumping stations, commercial markets, recreational centers, public gardens, market and tourism centers, resorts, heritage markets, multifunctional commercial centers, cultural centers for agricultural development and tourism for Component 2 *(See complete list in Annex 2).*

81. *Methodology*. The FMIP Grant was an emergency project and did not require a rigorous economic and financial analysis in accordance with Bank's operational guidelines and procedures (OP.8.50). Therefore, an ex-ante conventional cost benefit analysis (CBA) was not conducted at appraisal. Economic analysis was however part of the selection criteria for sub-projects.

82. *Unit cost comparison.* To ascertain whether implementation of project interventions was cost efficient, the ICR team performed a comparison of the project's unit cost with similar projects in country and in the Middle East and North Africa (MNA) region.

83. The team ascertained that, despite the difficult environment within which the project operated, unit costs of the project's physical outputs (rehabilitated/ repaired roads, repaired retaining walls, rehabilitated storm water drains/sewerage) for which comparable data were available, compare favorably with outputs of similar works in the country and in the region. Under the project, a kilometer of road was completed at a unit cost of US$56,332/km, which is well below the unit costs of similar works in Jordan (US$177,500/km). As shown in Table A3.1, the unit cost of rehabilitating a kilometer of a storm water drain was US$139,371/km compared with higher for similar projects in Jordan (US$225,000/km),West Bank and Gaza (242,560/km), and slightly lower for Yemen (162,400/km).

Table A3.1. Comparison of unit costs of project outputs by country

Output	Lebanon (FMIP Grant) (USD)	Jordan (USD)	West Bank & Gaza (USD)	Yemen (USD)
Road/km	56,332	177,500	242,560	162,400
Municipal Building	-	492,000	734,000	517,000
Drainage/km	139,371	225,000	155,360	-
Street Lighting (No.)	261	1,152	-	-
Portable Water/km	10,336	11,000	-	-
Sewerage/km	36,349	40,000	-	-

Source: Figures obtained from FMIP Grant database; Emergency Municipal Services Rehabilitation Project II, ICR, West Bank and Gaza, December 20, 2011; Port Cities Development Project, ICR, December 30, 2010.

84. Within Lebanon, the cost the project's infrastructure was found to be the same or slightly less than other similar projects in the country. For example, the unit cost of a repaired road was US$56,332/km for the project, compared with US$58,000 for non-FMIP projects. Similarly, the unit cost of constructing a kilometer of sewerage is US$36,349/km for the project, compared with US$40,000 for a non-FMIP project. Table A3.2 compares unit costs of the project's main outputs with those of non-FMIP projects in Lebanon.

Table A3.2. Comparison of unit cost of FMIP and non-FMIP projects

Output	FMIP Grant (US$)	Non- FMIP projects (US$)
Road/km	56,332	58,000
Drainage/km	139,371	95,000
Street Lighting (No.)	261	1,152
Portable Water/km	10,336	11,000
Sewerage/km	36,349	40,000

Source: Figures obtained from FMIP Grant database.

85. *Cost per beneficiary*. An analysis of cost per beneficiary by sub-project for Components 1 and 2 activities was conducted to ascertain the cost per head of each project implemented in a sample of 33 municipalities for Component 1 and all 11 cazas for Component 2. For Component 1, the BAS provides a detailed estimate of the number of beneficiaries per sub-project and municipality. A total of 87 sub-projects were evaluated in 33 municipalities. Based on the figures in the BAS, a detailed estimate of the number of beneficiaries was made for the ICR, showing that 54,726 people benefited directly from the sub-projects (a conservative estimate, as the BAS used the number of registered voters rather than actual estimated population a basis for the analysis). Scaling this figure up to the whole of Component 1 leads to a realistic estimate of 276,774 direct beneficiaries. By comparing this number to the total cost of Component 1 (USD 17,450,000), we get an estimated cost per beneficiary of USD 63.05 *(See Table A3.3 below).*

86. A total of 2,263,098 beneficiaries, of which 98,653 and 2,164,445 were direct and indirect beneficiaries respectively, benefited from Component 2 interventions[8]. The results of the analysis show that overall the project recorded acceptable costs per beneficiary reached, with costs ranging from $1.65 per beneficiary for provision of a commercial market in Baaracht municipality to $94.92 per beneficiary for the provision of a water pumping station in Ain Zhalta municipality. In terms of cost per category of beneficiaries, it cost less to reach indirect beneficiaries ($4.280) than direct beneficiaries ($93.99) as the project captured a lot more indirect beneficiaries than direct beneficiaries in all the cazas covered; indirect beneficiaries constituted 95.6% of total beneficiaries reached. These costs compared favorably with the cost per beneficiary (US$68) of the predecessor project (FMIP Loan), against US$94 for the FMIP Grant. The Loan targeted a quarter of the population of Lebanon, but the difference with the Grant being that the latter (through Component 2) financed more substantial works, which might have higher investment per capita, but had a specific local economic development aspect, promising good returns on investments beyond the reconstruction effect. Table A3.4 provides detailed results of the Component 2 analysis.

87. Overall costs of materials, goods and services were reasonable. The escalation of prices of materials experienced as a result of regional and country context was well-contained through the project's financing mechanism. By design, funding from the unallocated expenditure category helped minimize the impact of the high prices on project implementation. Project management costs were reasonable in light of Bank experience, and country context. The cost of project management was only about 4.1% of total

[8] Component 2 was designed to impact a broader community and so uses direct as well as indirect beneficiaries, whereas Component 1 only estimates direct beneficiaries.

cost of the project, and well below the generally accepted interval of 5 to 8 percent for a project of this nature with many sub-projects.

Table A3.3. Project Cost per beneficiary by type of project (Component 1)

Caza	Municipality	Project Name	Sub-project cost (US$)	Direct Beneficiaries	Beneficiaries as percentage of total voter population	Cost per Direct Beneficiary (US$)
Baalbeck	Bouday	Retaining walls/ Street lighting/Storm water drains	21,329	2,164	50%	9.86
	Nabby Chit	Roads/Street lighting/Sewerage	10,569	2,679	44%	3.95
Bekaa	Sultan Yaakoub	Roads/Street lighting	16,185	2,715	100%	5.96
	Aitanit	Potable Water/Roads/Retaining walls/Street Lighting	35,452	1,023	57%	34.65
Bent Jbeil	Ain Ebel	Roads/Retaining walls/Street lighting/Sewerage	52,340	3,750	84%	13.96
	Chakra Wa Doubieh	Roads/Retaining walls/Street lighting	48,996	1,253	21%	39.09
	Hanine	Potable Water/Roads/Street Lighting	39,634	726	50%	54.59
	Kalawieh	Roads/Retaining walls	30,242	235	20%	128.69
	Kawzah	Municipal Building/Roads/Retaining walls/Street lighting	119,095	756	100%	157.53
Marjeyoun	Adchit el Kseir	Roads/Retaining walls	44,118	168	29%	262.75
	Kseir	Roads/Retaining walls/Street Lighting	18,315	153	100%	119.71
	Touline	Roads/Street Lighting	26,318	966	50%	27.26
	Bourj el Moulouk	Roads	22,252	1,110	100%	20.05
	Klaiaa	Roads/Retaining walls/Street lighting/Sewerage/Storm water drains	219,953	612	18%	359.19
	Blida	Roads/Retaining walls	21,606	1,489	31%	14.51
	Adeyseh	Roads/Street Lighting	246,471	3,728	100%	66.11
Nabatieh	Nabatieh Tahta	Roads/Retaining walls/Street lighting	29,136	3,649	19%	7.98
	Kfartebnit	Roads	47,090	2,614	71%	18.01
	Zouter el Gharbieh	Roads/Retaining walls/Street lighting	68,812	1,160	100%	59.32
	Arnoun	Roads/Street lighting/Storm water drains	38,094	1,669	100%	22.82
	Harouf	Roads/Retaining walls/Street lighting	13,702	2,365	50%	5.80
	Jebchit	Roads/Retaining walls/Street lighting	23,513	336	6%	69.88
	Douair	Roads	17,917	2,217	47%	8.08
Saida	Saksakieh	Potable Water/Roads/Retaining walls/Street Lighting	60,853	4,240	100%	14.35
	Kawsariet el Sayad	Roads/Street lighting	9,960	870	48%	11.45
Sour	Dordghaya	Roads/Street lighting	43,557	666	80%	65.44
	Maaroub	Roads/Retaining walls/Street lighting	17,560	1,043	50%	16.84
	Baflieh	Retaining walls/Street lighting/Storm water drains	44,324	1,039	68%	42.66

	Majdalzoun	Municipal Building/Roads/Retaining walls	109,682	2,122	100%	51.69
	Marwahin	Roads/Street lighting	190,910	696	65%	274.49
	Bazourieh	Roads/Retaining walls	116,039	4,091	100%	28.36
	Deir Qanoun el Nahr	Roads/Retaining walls	48,415	1,460	50%	33.16
	Mansouri	Roads/Retaining walls	48,843	963	50%	50.75
Total, sample	**33 municipalities**	**87 sub-projects**	1,901,285	(a) 54,726	46%	34.74
Total, Comp. 1	**178 municipalities**	**440 sub-projects**	17,450,000	(b) 276,774	46%	(c) 63.05

(a) Corresponds to 629 beneficiaries per sub-project.
(b) Based on beneficiaries per sub-project.
(c) Based on total cost and total estimated beneficiaries. The difference between the cost per beneficiary for the BAS sample and total cost per beneficiary could be attributed to underestimation of total number of beneficiaries.

Table A3.4. Project Cost per beneficiary by type of project (Component 2)

Caza	Municipality	Project Name	Total Project cost (US$)	Direct Beneficiaries	Indirect Beneficiaries	Total Beneficiaries	Cost per Direct Beneficiary (US$)	Cost per Indirect Beneficiary (US$)	Total Cost per Beneficiary (US$)
Nabatieh	Ansar	Public market	898,426	8,654	199,592	208,246	103.82	4.31	4.31
Baalbeck	Maknet	Training and Cultural Center	1,063,689	7,092	338,440	345,532	149.98	3.14	3.08
West Bekaa	Saltan Yakoub	Multifunctional Project	469,038	4,001	120,741	124,742	117.23	3.88	3.76
Hasbaya	Hasbaya	Public Acient Market	257,000	10,500	62,224	72,724	24.48	4.13	3.53
Saida	Zrarieh	Commercial Market	893,567	8,414	228,529	236,943	106.20	3.91	3.77
Chouf	Baakline	Agric Products and Development center	1,018,265	9,868	251,242	261,110	103.19	4.05	3.90
Chouf	Ain Zhalta	Water Pumping Station	394,000	4,151	-	4,151	94.92	-	94.92
Beint Jbel	Baraacht	Comercial Market	349,703	8,284	203,345	211,629	42.21	1.72	1.65
Beint Jbel	Ain Ebbel	Recreational Center	369,273	6,193	-	6,193	59.63	-	59.63
Jezzine	Rihan	Public Garden Market & Tourism	174,489	4,485	68,007	72,492	38.91	2.57	2.41
Jezzine	Kaytouly	Resort	147,835	2,020	-	2,020	73.19		73.19
Sour	Srifa	Heritage Market	528,141	6,700	-	6,700	78.83		78.83
Sour	Abbasseih	Commercial Market	690,787	7,782	199,592	207,374	88.77	3.46	3.33
Marjyoun	Majdal Slim	Multifunctional Commercial Center	694,500	6,759	148,392	155,151	102.75	4.68	4.48
Akkar	Tikrit	Cultural Center for Agric Dev't and Tourism	1,323,877	3,750	344,341	348,091	353.03	3.84	3.80
Total			**9,272,590**	**98,653**	**2,164,445**	**2,263,098**	**93.99**	4.28	**4.10**

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Robert Maurer	Lead Urban Specialist	MNSUR	Task Team Leader
Sateh Chafic El-Arnaout	Sr. Municipal Development Specialist	MNSUR	Municipal Development
Sophie Urnechlian	Project Assistant		
Sara Gonzalez Flavell	Sr. Counsel	LEGLE	
Ghada Youness	Sr. Counsel	LEGLE	
Diana Masri	Financial Management Specialist	MNAFM	
Lina Fares	Procurement Specialist	MNAPC	
Tiguist Fisseha	Social Development Specialist		
Mutasem El Fadel	Sr. Environment Specialist		
Supervision/ICR			
Robert Maurer	Lead Urban Specialist	MNSUR	Task Team Leader
Chantal Reliquet	Sr. Urban Management Specialist	MNSUR	Task Team Leader
Christianna Johnnides Brotsis	Urban Specialist	MNSUR	
Diana C. El Masri	Consultant	MNAFM	
Sateh Chafic El-Arnaout	Senior Municipal Development Specialist	MNSUR	
Mona El-Chami	Sr. Financial Management Specialist	MNAFM	
Julie Rieger	Counsel	LEGLE	
Mutasem El-Fadel	Consultant	MNSWA	
Lina Fares	Senior Procurement Specialist	MNAPC	
Tiguist Fisseha	Disaster Risk Management Specialist	LCSDU	
Sara Gonzalez Flavell	Senior Counsel	LEGLE	
Rock Jabbour	Financial Management Analyst	MNAFM	
Rima Abdul-Amir Koteiche	Sr. Financial Management Specialist	MNAFM	
Olivier Lavinal	Operations Officer	MNCMI	
Kofi Amponsah	Consultant	MNSSD	ICR primary author
Christian Vang-Eghoff	Urban Development Specialist (Consultant)	MNSSD	ICR reviewer
Maya El-Azzazi	Program Assistant	MNSSD	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY07	4.00	24.99
FY08	-	0.00
Total:	4.00	24.99
Supervision/ICR		
FY07	3.55	8.34
FY08	10.97	61.19
FY09	6.92	51.87
FY10	13.83	85.22
FY11	12.55	81.52
FY12	15.30	99.04
FY13	1.68	6.73
Total:	64.80	387.18

Annex 5. Beneficiary Survey Results

88. As noted in section 2.3, a key aspect of the project's M&E mechanism was a systematic conduction of BAS to gauge the project's impacts on its target population. Two separate BAS were conducted for components 1 and 2 and in three rounds. The final round of assessment, which forms part of the project evaluation, found that the project's beneficiaries were generally conversant and very satisfied with the support they received from the project.

89. Component 1: *Employment creation*. The project helped create employment in the local economy. For example, the 117 out 131 contractors indicated they hired local employees as part of their team from a municipality, caza, or Mouhafaza. As shown in Table A5.1, on the average, 12.2% of employees were hired from the municipalities. The majority of the employees were from the immediate communities as indicated by the average number of workers hired from the municipality (12 workers per project) which was much higher than that of the caza (3 workers per project) and the Mouhafaza (one worker).

Table A5.1 Employment effects of FMIP Grant Projects

Number of workers hired	Municipality	Caza	Mouhafaza
None	3	27	55
Between 2 and 5	15	30	7
Between 5 and 10	37	11	5
Between 10 and 20	6	-	1
More than 20	7	-	-
No answer	49	49	49
Average number of workers employed per project	12.19	3.06	1.09

Source: Information International, Beirut, Lebanon

90. *Improvement in local economic activities*. The project helped improve economic activities in local areas as contractors purchased most of their materials from the local market. The BAS results showed that majority of the contractors (95%) indicated that they purchased some material from within the municipality and the caza. The survey results also showed that 37% of contractors indicated that they purchased all their primary materials locally from within the municipality, 22% purchased from the caza, and 10% from the Mouhafaza.

91. With regard to Component 2, the assessment sought to examine the project's impact on the beneficiaries in light of the implementation of LED projects. Overall, 263,098 beneficiaries of whom 98,653 are direct beneficiaries and 2,164,445 are indirect beneficiaries benefited from the project's interventions. The project helped established major economic activities that were vital for economic health of the areas. These activities include: (i) establishment of agricultural centers; (ii) development of water pumping station; (iii) development of public markets (iv) establishment of heritage product centers; (v) establishment of recreational centers (vi) development of commercial markets . Below are the results in some selected municipalities.

92. *Municipality of Baakline*. In the municipality of Baakline, the project established the agricultural center, which served over 500 farmers in the area. It provided retail and wholesale spaces in strategic position for the sale agricultural the products in the area. This helped reduce transportation costs, middlemen fees and increased revenues for the famer. In addition, the center housed agricultural research center that would run by the Ministry of Agriculture (MOA) in order to assist farmers to improve their yields and control crop diseases. This will generate also

employment for the local resident population especially women. In order to generate employment in the area, the center housed a light agro-food manufacturing facility which was meant to manufacture artisanal-type products from the local farmers' products. The project also form part of the revamping of tourism in the Baakline area as the retail public market will be part of the tourist circuit planned by the municipality.

93. *Municipality of Ain Zhalta*. In Ain Zhalta municipality the project supported the development of a water pumping station, which now supplies two towns in Ain Zhalta and Nabaa el Safa municipalities. In Abbasiyeh the project established a public market located in a strategic area adjacent to a new highway closed to Abbassiyeh. The strategically location public market has attracted traders and consumers from around the area. This served as a major outlet for the area's agricultural products which were hitherto marketed through the Sour and Saida public market (or "Hisba"). This has helped reduce transportation costs as well as middlemen fees.

94. *Municipality of Srifa*. In Srifa the project established a heritage products market for the creation of an artisanal production sector in the area. The heritage market has become part of a new Saudi-financed cultural center complex built by the municipality. The area has, hence, become a commercial, cultural and recreational hub for Srifa and the region.

95. *Municipality of Majdel Selm*. In Majdel Selm, the project built a multifunctional business and shopping center in the middle of the town of Majdel Selm. It now accommodates many commercial and cultural activities, which have impact on quality of life, employment and income.

Annex 6. Summary of Borrower's ICR and/or Comments on Draft ICR

96. After the municipal sector at-large has been significantly affected by the hostilities of 2006 war, and because of the combination of growing municipal expenditures and scarce resources the capacity of the municipalities to deliver basic services to the vulnerable population has been seriously compromised. The objectives of the additional financing grant were to (i) restore basic services and rebuild priority public infrastructure in the affected municipalities and villages , (ii) support local economic recovery and development in the municipalities that have suffered the heaviest damage, and (iii) provide technical assistance to and build the capacity of municipalities to mitigate the impact of the hostilities on municipal finances (within the broader context of developing the municipal sector).

97. In pursuit of these objectives, the grant financed three components:

Component 1: Reconstruction of Public Infrastructure (US$18.0 million). This component finances the reconstruction of priority public infrastructure destroyed or damaged during the hostilities in about 185 municipalities not supported by other donors. Sub-projects consist of, but are not limited to, urban roads, sidewalks, retaining walls, street lighting, water and sewerage networks, municipal buildings and ICT equipment.

Component 2: Municipal Recovery and Development (US$9.0 million). This component provides assistance to build new municipal infrastructure in order to help revive the local economy. Among others, it finances market places, access to public facilities, site and services schemes, and the upgrading of service delivery systems and related equipment. The grant supports development-oriented sub-projects in about 10 to 15 municipalities that (i) receive reconstruction assistance from other donors and (ii) show the highest potential to become growth centers for the regional economy.

Component 3: Project Management and Capacity Building (US$3.0 million). This component supports the following activities: (i) project management and technical assistance for implementing the additional financing grant, and (ii) capacity building for increasing local revenues and improving transparency in the management of intergovernmental transfers and financial flows between the central government and the municipalities.

Project Achievements and Outcomes

98. The objectives were well achieved with satisfactory development results. The following are major outputs/outcomes of the project:

Component One: Reconstructing and rehabilitating of essential municipal development infrastructure and urban development projects. These investments increased the quality of life and living conditions.

Component Two: Development oriented sub-projects facilitated economy recovery, reduced unemployment, and generated local incomes.

Component Three: Building and strengthening the Project Coordination Unit to establish an extensive experience in institutional development and urban development projects implementation capabilities. In addition, setting up and operating a Municipal Observatory at the MOIM to help in policy formation and planning at the national level. Moreover, Municipal Finance Studies were done in the aim of strengthening the municipal finance framework.

Institutional Development Outcome

99. The PCU experience helped the Ministry of Interior and Municipalities and Lebanon's capabilities in managing, implementing, organizing and developing potentials, qualifications and possibilities of any international or local intervention in upgrading and developing the municipal sector. And many agencies are active and working with the DGLA&C which benefited from the PCU know-how experience.

100. Moreover, two main projects took place under the capacity building program for institutional development:

- The Municipal Finance Studies Program which came up with Strategic Framework and a Road Map to improve and develop the Lebanese municipal financial situation.
- Establishing of the Municipal Observatory in the MOIM to provide a better understanding of the municipal situation and to help the decision maker to have a better situation analysis and understanding.

Lessons Learned/Recommendations

Listed below are some of the lessons learned through the cumulative experience of the PCU during the project lifespan.

(i) **Close on-site assistance:** Experience showed that backing is recommended to be provided by individual consultants to the problematic municipalities that are shown to face difficulties in the preparation of their projects proposals and PAF(s). The technical support will certainly have a positive impact on the pace of work and will involve all the municipalities in a practical development process.

(ii) **Continuous follow-up of the individual consultants**: Practical needs validated that tracking coupled with direct involvement, when necessary, of the individual consultants with the municipalities accompanied by the close monitoring in carrying out the necessary requirements will certainly affect the lengthy unjustifiable administrative cycle.

(iii) **Municipal & Central Database:** One of the important lessons showed the needs for upgrading the municipal database at both municipal & central levels which will allow the concerned parties to track the physical conditions of the existing infra-structural networks in order to closely monitor the needs of the rural communities and avoid duplication of projects. It is also extremely advantageous for setting the ground for the master plans. Therefore, a municipal observatory was established in the DGLA&C. The MO is established and would be tasked to collect and monitor municipal data through a Municipality Performance Management System (MPMS) that was installed in the MO premises with a web interface to allow municipalities to enter their data periodically. The MO will monitor and track the financial situations of all municipalities over Lebanon through receiving and analyzing different financial data on revenues, recurrent, capital expenditures, debt, bilateral and multilateral assistance programs and budgets. More information related to municipal status, demographic information and other information may also be received and analyzed by the observatory.

(iv) **Municipal Master Plans**: Experience showed that undertaking the necessary coordination with all central institutions towards improvising master plans tackling all municipal services will allow the municipal councils to have in hand a large menu of services that need to be upgraded or implemented such as: (i) Urban & Transportation

Plans in coordination with MOIM, MOPW (Ministry of Public Work), & CDR (Council of Reconstruction and Development); (ii) Sewage Network Master Plans in parallel with "small-scale Treatment Plants" in coordination with Ministry of Environment (MOE), Ministry of Hydraulic & Electric Resources (MHER), MOIM, & CDR; (iii)solid Waste Master Plan in parallel with "small-scale Treatment Plants" in coordination with MOE, MOIM, & CDR; and (iv) Potable Water Master Plan in parallel with "small-scale Treatment Plants, Wells, & Reservoirs" in coordination with MHER, MOIM, & CDR.

(v) **Establishment of clear & defined inter-governmental financial framework:** Practical experience showed that the sustainability of municipal investments depends largely on substantially improving the municipal & intergovernmental finance system. The organization of the fiscal structure in parallel with empowering the collection of local due taxes, will allow local officials to program community investments. The predictability of transfers from the IMF (Independent Municipal Fund), review or local tax system, and promotion of cost-recovery practices, will have great positive impact on the living conditions in rural areas. On the other hand, continuous control over municipal budgets to track local expenditure on implementation & maintenance of public works is urged.

(vi) **Building capacity at the central level through a developmental administrative plan**: Experience through this project showed that filling the vacancies with qualified personnel in the MOIM in parallel with the establishment of a solid inter-governmental administrative system through a developmental administrative plan will allow assuming the responsibility of managing the municipal sector. The MOIM oversight functions over the municipal records and performance through an established Municipal Observatory at the DGLA&C which are of great importance for the development of the urban and rural areas.

Annex 7. List of Supporting Documents

1. Aide memoire of Supervision Missions (2006-2012)

2. Borrower ICR: implementation completion Report, Lebanon First Municipal Infrastructure Project(GRANT TF 057505 – LE)

3. Beneficiary Assessment Survey, Component 2: Municipal Recovery & Development Report Grant (TF 057 505 –le), February 20, 2012

4. Implementation Completion and Results Report, First Municipal Infrastructure Project, June 1 2009.

5. Interim Strategy Note for the Republic of Lebanon for the period FY-09 July 9, 2007

6. Information International, Beneficiary assessment: component 2, Municipal Recovery & Development Report, Grant (TF 057 505 –LE), February 20, 2012

7. International Bank for Reconstruction and Development & International Finance Corporation Country Partnership Strategy for Lebanese Republic for the period FY11-FY14

8. ISRs of Supervision missions (2006-2012)

9. Project Appraisal Document, on a Proposed Loan in the Amount of US$80 million to the Lebanese Republic for a First Municipal Infrastructure project, May 26,2000

10. Project Paper, First Municipal Infrastructure Project, October 27 2006.

11. Quality Assessment of Lending Portfolio (QALP-1), Summary Assessment Sheet, October8, 2008

12. Unemployment rates in regions (MOSA, 2006). For poverty rates, Laithy et al. (2008) For UBN, MOSA (2007)

MAP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LEBANON
FIRST MUNICIPAL INFRASTRUCTURE PROJECT
Mediterranean Sea
To Ţarţūs
To Ţarţūs
To Ḩimş
To Ḩimş
To Ḩimş
To Dimashq (Damascus)
To Hefa (Haifa)
AKKAR
Halba
Akkar
NORTH LEBANON
Tripoli
Zhgarta
Hermel
EL HERMEL
TRIPOLI
EL KOURA
ZGHARTA
Chekka
Batroun
BCHARRI
Bcharri
EL BATROUN
JBEIL
Jbeil (Byblos)
LEBANON MOUNTAINS
BAALBECK
VALLEY
ANTI-LEBANON MOUNTAINS
Afqa
KESROUANE
Tabarja
MOUNT LEBANON
Jounieh
Baalbeck
BEKAA
EL MATN
BEIRUT
BEIRUT
Dahr-El-Bachek
BAABDA
Ras El Matin
Zahleh
Rayak
Baabda
ZAHLEH
Aley
Shtaura
ALEY
Chwaifat
Khalde
Damour
Beit ed Dine
EL CHOUF
BEKAA GHARBI
Jieh
RACHAIYA
Saida
Jezzine
SOUTH LEBANON
Deir El Ahmar
Zahrani
Sarba
Rachaiya
JEZZINE
SAIDA
NABATIYEH
HASBAYA
Nabatiyeh
Marjayoun
NABATIYEH
Tyre (Sour)
MARJAYOUN
SOUR
Tibnin
SOUTH LEBANON
BINT JBEIL
35°30'
36°00'
36°30'
34°30'
34°00'
33°30'
0 5 10 15 KILOMETERS
0 5 10 15 MILES
MUNICIPALITIES VISITED DURING ICR REVIEW:
1 AMYOUN
2 BATROUN
3 JOUNIEH
4 RAS EL MATIN
5 BHAMDOUN
6 MAJDELYOUN
7 SFAREY
8 ZIBDINE
9 KABE ELIAS
10 KEFRAYA
INTERNATIONAL HIGHWAYS
PRIMARY HIGHWAYS
RAILROADS
PORTS
AIRPORT
NATIONAL CAPITAL
GOVERNORATE (MOHAFAZAT) CAPITALS
MAIN CITIES
GREATER BEIRUT
CAZA BOUNDARIES
GOVERNORATE (MOHAFAZAT) BOUNDARIES
INTERNATIONAL BOUNDARY
MAY 2009
IBRD 35148R