



The World Bank

Lebanon: Emergency wheat supply response project (P178866)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 14-Apr-2022 | Report No: PIDA33990

**BASIC INFORMATION****A. Basic Project Data**

Country Lebanon	Project ID P178866	Project Name Lebanon: Emergency wheat supply response project	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 13-Apr-2022	Estimated Board Date 28-Apr-2022	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Economy and Trade	

Proposed Development Objective(s)

The Project Development Objective is to ensure the availability of wheat in Lebanon, in response to the economic impact of the conflict in Ukraine, and to maintain access to affordable bread by poor and vulnerable households.

Components

Component 1: Financing immediate wheat import needs and emergency bread access for targeted population groups
Component 2: Project management and capacity building
Component 3: Contingent Emergency Response Component

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	134.97
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Bank for Reconstruction and Development (IBRD)	134.97
Non-World Bank Group Financing	
Trust Funds	15.04
Concessional Financing Facility	15.04
Environmental and Social Risk Classification	
Substantial	
Decision	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. The Russia-Ukraine conflict has delivered a major shock to global commodity markets. Lebanon is heavily dependent on wheat imports, most of which came from Ukraine and Russia before the crisis. A country with limited agronomic potential for grain production, Lebanon imports about 80 percent of all the wheat it consumes. In 2020, 96 percent of Lebanon's wheat imports were sourced from Ukraine (80 percent of total wheat imports), and Russia (16 percent of total wheat imports), respectively.

2. The conflict comes at a time when Lebanon has been grappling with the direst of shocks, starting with the acute economic and financial crises, compounded by the COVID-19 pandemic, and finally the Port of Beirut explosion. In 2019, Lebanon faced an economic and financial crisis due to a stop in capital inflows, which led to systemic failures across the banking sector, debt, and the exchange rate. A shortage of United States (US) dollars in the market resulted in multiple exchange rates, as well as informal restrictions and control mechanisms on deposits held in US dollars and on transfers out of the country. The SARS-CoV-2 (COVID-19) pandemic and subsequent lockdowns exacerbated the situation, directly affecting people's health, livelihoods, and food security. The Port of Beirut explosion in August 2020 had significant negative economic impacts, including the loss of livelihoods, placing further strain on the economy.

3. Poverty and vulnerability have increased significantly, with severe implications for Lebanon's human capital. The poorest households are most likely to bear the brunt of the economic contraction and rapidly increasing food prices. Refugees and their host communities are among the most affected by these crises. Lebanon, a small country of 6.8 million people (WDI, 2020), hosts the highest per capita concentration of refugees in the world.



Sectoral and Institutional Context

4. The food security situation continues to deteriorate in Lebanon and has reached alarming levels for some population groups, particularly refugees. It is estimated that 34 percent of Lebanese people and 50 percent of refugees were food insecure in 2021 (WFP, 2022). Bread is an essential staple in the poorest people's diet. Bread is the single largest item in the survival and minimum expenditure basket (SMEB) in Lebanon, as calculated by the World Food Programme (WFP) in 2020.

5. Following the Beirut port explosion, wheat imports have been handled in a just-in-time fashion and current domestic wheat stocks are alarmingly low. The explosion at the Port of Beirut in August 2020 destroyed the only large silos for grains storage in country. Since then, wheat and other grains have been stored exclusively in the country's private mills. It is estimated that the country is currently relying on a stock of about 50,000 tons of wheat, able to cover only about a month of consumption.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

6. The Project Development Objective is to ensure the availability of wheat in Lebanon, in response to the economic impact of the conflict in Ukraine, and to maintain access to affordable bread by poor and vulnerable households.

Key Results

7. Progress toward the PDO will be monitored through the following key indicators: (1) the cumulative amount of wheat procured through the project and delivered in the ports of Beirut and Tripoli (target 250,000 tons); and (2) Vulnerable beneficiaries with access to affordable bread¹ (target: 95 percent vulnerable beneficiaries; vulnerable host communities: 95 percent; refugees: 90 percent; vulnerable women: 95 percent).

D. Project Description

8. The project will have three components: Component 1- Financing immediate wheat import needs and emergency bread access for targeted population groups, Component 2 – Project management and capacity building and Component 3 - Contingent emergency response.

9. Component 1 will finance immediate wheat purchases to avoid the disruption of imports in the short term, and its dire socioeconomic implications. This will be done in accordance with Bank Policy on Investment Project Financing and its special considerations for Projects in Situations of Urgent Need of Assistance or Capacity Constraints. No retroactive financing is foreseen.

¹ The vulnerable beneficiaries (poor Lebanese population and refugees, respectively) will be drawn and sampled based on the current WFP and UNHCR databases, respectively. The indicator will track bread consumption, specifically, rather than food security more broadly; the actual values will be determined through the high frequency surveys foreseen during project implementation.



10. While market conditions and price developments are difficult to anticipate in the following months, it is expected that the project would be able to help procure approximately 250,000 metric tons of wheat. This would allow maintaining food security for approximately 6.8 million Lebanese including close to 1.5 million refugees and asylum seekers over a period of 3 to 5 months. Procurement will aim to ensure regular and adequate monthly supply (on par with current levels) and avoid disruptions and shortages in wheat availability on the Lebanese market. It is particularly important, given the current global market and domestic financial pressures, to ensure continuity in wheat supply immediately after project effectiveness.

11. The component will equally foresee adaptive mechanisms to safeguard access to affordable bread to the poorest and most vulnerable households, including refugees, in case of severe shortages in domestic wheat supply and/or to the severe deterioration in bread access for the vulnerable groups. Such responses will be informed by the monitoring systems and data collection supported under Component 2.

12. This component will finance all aspects of project management, including equipment and materials, consultant costs, compliance with fiduciary, procurement (including internal controls and auditing), and safeguards (environmental and social) requirements (including a citizen engagement mechanism and a strengthened GRM for better risk management), monitoring and evaluation, and impact assessment, knowledge management and communication.

13. The component will specifically finance mechanisms to improve the mitigation of risks associated with wheat imports and access to affordable bread under Component 1. To address fiduciary risks and ensure the integrity of the wheat procurement process, it will finance semi-annual financial audits focused on participating importers. To address technical risks, such as misuse or misappropriation of project-financed wheat imports, the project will finance consultancy services and technical assistance to strengthen the role of the consumer protection agency under MOET and of Lebanon's Central Inspection agency, as well as third-party monitoring agency (TPMA). Third-party monitoring will be contracted under the project according to clearly defined terms of reference and will collect data on: (1) declared prices/quantities at loading port to compare with declared and actual prices/quantities at destination (port of Beirut or Tripoli), for each shipment; (2) quantity of wheat received at each mill as well as quantity of flour produced and sold by each mill, daily for each mill; and (3) quantity of flour procured by bakeries as well as quantity of bread produced and sold by each bakery (direct retail and distribution), daily for an agreed sample of bakeries across all governorates. TPMA will complement and reinforce the public monitoring capacity and will provide timely information for appropriate remedy in accordance with the national laws and regulations. To address price risks and monitor access to affordable bread, the project will finance TPMA facilitated price data collection for flour at the mill, for bread at the bakeries, and for bread at retail outlets, on a weekly basis and for a sample of outlets across all governorates. At the same time, the project will finance high frequency 'Listening to Poor and Vulnerable Household Surveys', entailing data collection on bread prices and consumption for the poor and vulnerable households, by conducting random sampling and surveying (biweekly) using UNHCR and WFP beneficiary lists. This information will be triangulated at MOET level with information consolidated from the consumer protection agency, Grievance Redress Mechanism (GRM), and WFP price monitoring system, and used to adopt appropriate remedies. All monitoring reports will be published on Central Inspection's IMPACT online platform.



14. The component will also support consultancy services and technical assistance that will strengthen MOET's oversight function as well as capacity to manage the gradual transition from the current wheat subsidy system to a more market-oriented system. This will include developing a better price monitoring and data system (both for wheat and bread); developing an implementation plan for gradually removing wheat subsidies and bread prices and potentially increasing importers' financial participation in wheat import purchases, to be informed by the complementary activities described below; conducting an adequate stakeholder outreach and communication about these reforms; and strengthening regional cooperation around food security and risk management in the wheat supply chain.

15. Component 3: Contingent Emergency Response Component (US\$0): In recognition of Lebanon's current significant vulnerability to shocks, a CERC with no funds is included in accordance with the World Bank policy on Investment Project Financing for contingent emergency response to an eligible crisis or emergency, as needed. This component will allow the GOL to request the World Bank for rapid reallocation of the project funds to respond promptly and effectively to an eligible emergency or crisis that is a natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact. If the World Bank agrees with the determination of the disaster and associated response needs, this component will draw resources from the categories financing Components 1 and 2, and/or allow the GOL to request the World Bank to recategorize and reallocate financing from other project components to cover emergency response and recovery costs.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

16. The MOET, which oversees grain imports in Lebanon, will provide overall project oversight. It will coordinate with the Ministry of Finance (MoF) and BdL on fiduciary aspects.

17. While no project implementation unit will be established, project implementation will rely on a designated project task team, consisting of MOET staff with clearly assigned roles. External consultants (estimated 2-3) will be hired to complement MOET staff in key areas such as fiduciary and strengthening capacity. The project task team will be responsible for managing the day-to-day implementation of the project. It will include the roles of a project coordinator, a procurement officer, a financial and accounting manager, a monitoring and evaluation specialist and a safeguards officer.



18. Framework agreements between MOET and selected local importers will be put in place to state the roles and responsibilities of each party, lay out the technical and contractual requirements for wheat import purchases, and set the rules for pricing and payments.. Framework Agreements with selected importers will be reviewed and cleared by the Bank prior to signature. To be selected, local importers will have to comply with the World Bank eligibility requirements and to meet the predefined qualification criteria, in terms of number of years in wheat import business and volume of annual wheat imports. The selected importers will procure wheat, using established market practices acceptable to the World Bank. They will continue to contribute a share of the cost of wheat imports..

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**APPROVAL**

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