



Q&A

Lebanon: Economic and Social Impact Assessment of the Syrian Conflict

September 2013

Q: What is the objective of the Economic and Social Impact Assessment (ESIA), and how will it support Lebanon in its efforts to weather the shock of the Syrian conflict and the refugee crisis?

A: The ESIA aims to provide the Government of Lebanon with a solid analysis of the impact of the Syrian conflict. It can serve as the basis to define needs and priorities for support from the international community. The report addresses three main sectors under severe strain as a result of this humanitarian crisis: macro-economic and fiscal sector, human development and social sector, and infrastructure sector.

Q: What is the timeframe covered by the ESIA report?

A: The shock which Lebanon is enduring is not a direct one but a spillover from a growing crisis in a neighboring country. As such, the assessment captures flows rather than material damages per se and covers the period from January 2012 to December 2014, consistent with the request from the Government of Lebanon.

Q: What is the methodology used for conducting the ESIA?

A: One common methodology has been followed throughout the report for consistency and aggregation purposes to measure impact and stabilization assessments. The report examines the actual additional spending for 2012-2014 as a result of the influx of refugees into the country. It also examines the cost needed in order to maintain the pre-conflict level of access to and quality of public services for the Lebanese people. Common assumptions have also been used throughout the sectors, most notably those regarding the increase in the population due to the Syrian conflict, including projections through 2014.

Q: How is this Assessment different from a traditional Post-Conflict Needs Assessment (PCNA)?

A: This Assessment, unlike a typical PCNA, attempts to quantify the impact of an ongoing crisis and provides a snapshot of a rapidly evolving situation. The material damages are not at the crux of the assessment; rather the team has tried to capture flows. Additionally, the Assessment looks at what is needed in the short-term and long-term to restore the quality and access to pre-crisis levels. It is worth noting that the Assessment was completed in four weeks only and was prepared in a very collaborative and transparent way, with heavy involvement of Government and partners, including the UN and the EU. The World Bank is the primary author but it is fully - owned by the government of Lebanon who will present it to the Lebanon Support Group at the UN General Assembly meeting on September 25, 2013.

Q: What is the next step in supporting Lebanon to mitigate the impact of the Syrian crisis?

A: The Assessment is a starting point. **The next step will be to outline key priorities for support from the international community including concrete projects to build resilience in hosting communities.** During Phase II, the World Bank will work closely with the Government to determine policy and investment priorities within the context of enormous needs. This is a critical time in Lebanon's history. The Bank will facilitate engagement with partners to help strengthen the country's resilience through development support that can complement immediate humanitarian actions.

Q: Is the World Bank setting up a financing mechanism for partners to channel funds?

A: **The World Bank is in discussions with the Government of Lebanon and partners, including the UN, about the pros and cons of setting up a multi-donor trust fund (MDTF).** Some donors may prefer an MDTF mechanism but others, including Gulf States, prefer bilateral channels. The Government of Lebanon will provide direction on this matter based on their needs, capacity and funding realities. During Phase II, the World Bank will produce a framework for partners to provide financing to priority areas and projects. A number of the Bank's ongoing projects can be quickly scaled up with donor financing to address the impact of the Syrian crisis on communities – e.g. in the areas of education and local service delivery.

Q: What is the overall economic impact on Lebanon and what are the key impact channels?

A: The overall impact of the Syrian conflict has been the reduction of **Lebanon's real GDP growth rate by 2.9 percentage points for each conflict year over the 2012-2014 period.** The insecurity and uncertainty spillovers have had a negative impact on investor and consumer confidence and decisions to spend and invest in Lebanon. The conflict disrupts Lebanon's trade routes for exports and imports of goods. It also disrupts Lebanon's tourism and financial services. This has placed downward pressure on government revenues which, combined with rising demand for public services due to the large refugee influx, is further damaging Lebanon's public finances. **The combination of lower revenue and higher expenditure is widening Lebanon's already large fiscal deficit by a cumulative USD2.6 billion during 2012-2014.**

Q: What is the impact of the Syrian conflict on trade in Lebanon?

A: The impact of the Syrian conflict is evident in the trade sector affecting goods and services trade as well as the large tourism sector. Lebanon is significantly exposed to Syria not only due to its role as a trading partner but also because a sizable share of Lebanese trade transits through Syria. The conflict poses substantial risks on Lebanon's large services exports especially tourism with the number of international visitors having steadily declined since 2010. The first half of 2013 witnessed sharp reductions in trade flows particularly for food products and consumer goods. Trade disruptions have pushed up domestic prices of some staples such as wheat flour which has important implications on welfare especially for poor households.

Q. What is the estimated number of refugees from Syria who have sought shelter in Lebanon (as of August 2013)? How does this number compare to the Lebanese population?

A: As of August 2013, over 914,000 people have crossed the border between Lebanon and Syria because of the Syrian conflict, of which more than 710,000 are refugees already registered or awaiting registration with the United Nations' refugee agency (UNHCR). Lebanon, therefore, hosts the largest number of Syrian refugees in both absolute terms and relative to population shares (these 914,000 people represent 21 percent of Lebanon's pre-crisis population). Based on UNHCR information derived from current registration data, it is estimated that the demographic composition of the refugee population by end-2014 will be approximately 671,079 (51 percent) female and 644,763 (49 percent) male in a baseline arrival scenario, and 997,723 (female; 51 percent) and 958,597 (male; 49 percent) in a high arrival scenario; approximately 20 percent of refugees will be children under the age of five.

Q: What is the impact of the Syrian spillover on poverty and on the labor market in Lebanon?

A: By end-2014, some 170,000 additional Lebanese will be pushed into poverty (over and above the current 1 million below the poverty line). Furthermore, an additional 220,000-324,000 Lebanese citizens are expected to become unemployed (compared to pre-conflict figures), most of them unskilled youth. This would approximately double the unemployment rate to over 20 percent.

Q: What is the estimated fiscal impact of the Syrian conflict on Lebanon in its provision of health, education and social safety net services for the period 2012-2014?

A: Over the period 2012-14, the fiscal impact of the Syrian conflict on health, education and social safety nets (i.e. spending incurred by the Government) is estimated to range between USD308-USD340 million. In order to reinstate the access to and the quality of these services to pre-conflict levels, approximately **USD1.4-1.6 billion (3-3.4 percent of GDP) would be needed**, including USD166-242 million for short-term job creation.

Q: How many Syrian refugee children are expected to enroll in Lebanese public schools this academic year (2013)? What is the impact on the Ministry of Education and Higher Education (MEHE)?

A: An additional number of **90,000 Syrian refugee children are expected to enroll in public schools during the current academic year and by 2014 this number might reach 140,000 to 170,000 students.** The latter figure amounts to 57 percent of public school students in Lebanon. In order to bring the quality and access of the public schools back to pre-conflict levels, MEHE would need to spend an additional USD183 million in 2013 and between USD348-434 million in 2014 depending on the refugee influx scenario.

Q: What is the impact of the refugee influx on public health? What is the estimated cost in the health care sector?

A: The refugee influx has resulted in: **a sharp rise in communicable diseases (measles cases increased from 9 cases in 2012 to 1,456 cases in 2013); emergence of new diseases not present in Lebanon before such as leishmaniasis (420 cases); and increasing risks of epidemics such as water borne diseases, measles, and TB. As a result, the estimated total health care cost is rising from USD177 million in 2013 to USD216-306 million in 2014, depending on the refugee influx scenario.**

Q: How is the refugee crisis affecting the access to and the quality of infrastructure services? What is the estimated fiscal cost in the infrastructure sector?

A: The country's infrastructure sector (water and sanitation, municipal services including solid waste management, electricity and transport), was ill-prepared to cope with increased use resulting from the surge in refugee numbers. The already cash-strapped and under-capacitated local and municipal governments are severely impacted by the crisis as they have to extend basic services and tend to the immediate needs of both the refugees and the host communities. **Over the period 2012-14, the fiscal cost of the Syrian conflict on infrastructure is estimated at USD589 million. The estimated amount needed to restore access to and the quality of Lebanon's infrastructure to its pre-crisis level (based on the high refugee influx projections for 2014) is USD1.1 billion.**

Q: Will the World Bank be signing loan agreements with the government of Lebanon to mitigate the impact of the Syrian refugees?

A: The World Bank is not considering lending to Lebanon to mitigate the impact of the Syrian refugees. The Assessment aims to help the government of Lebanon define the impact of the crisis on its economic and social sectors and will serve as the basis to define needs and priorities for support from the international community. The World Bank has an active portfolio in Lebanon across various sectors and ongoing projects can be quickly scaled up with donor financing to address the impact of the Syrian crisis on communities – e.g. in the areas of education and local service delivery.