

Annex 2 : Action Fiche for Lebanon/ENPI/ Support to Reforms

1. IDENTIFICATION

Title/Number	Support to Reforms III – ENPI/2008/020-491		
Total cost	€8,000,000 EC contribution €400,000 Government of Lebanon		
Aid method / Method of implementation	Project approach – Decentralised management		
DAC-code	15110	Sector	Economic and Development Planning

2. RATIONALE

2.1. Sector context

Before Paris III, Lebanon did not have any general development strategy. Lebanon is characterised by an absence of sector policies. The Paris III reform agenda set up structures and offered a new visibility over the Government's priorities and an opportunity to support and reinforce the reform process. The "Support to Reforms Programmes I and II have been instrumental to address strategic issues with high leverage for good governance in critical sectors such as: security, justice, telecommunications regulation, customs enhancement, taxation and quality-related legal and technical infrastructure. All of these in line with the ENP Action commitments and the Paris III Commitment Documents. STR III is thus meant to be a strategic tool to be driven and coordinated by the Government Reform Programme Coordinating Office (GRPCO) at Presidency of the Council of Ministers to respond to government reform initiatives.

2.2. Lessons learnt

The main lessons learnt from previous similar programmes are the need to focus on a limited number of interventions and to enhance the cooperation and synergies among the previous and other public and institutional stakeholders. The former Support to Reforms Programmes I and II have showed that focusing on a limited number of areas contributes to a higher added-value support and potential impact. The Twinning instrument has showed a high added value by providing EU know how and 'on the job' training. Ownership by the beneficiary structure is also to be ensured during the identification process and to be nurtured during all the implementation phase.

2.3. Complementary actions

The programme attains is complementary with other EC activities at both Regional (EuroMed Market programme, EuroMed Trade negotiations, etc) and bilateral levels. It also consolidates a series of EC-funded support to reforms actions under Support

to Reforms - STR I and II. The trade-related activities will build upon the achievements and structures reinforced by the 2003 €16 million "Integrated Support to Small and Medium Enterprise" and the €14 million "Strengthening Quality Management, Capabilities and Infrastructures", which tackled trade, investment and production aspects at micro-economic level.

2.4. Donor coordination

The local coordination with Member States takes place through regular and thematic meetings chaired by the Delegation. The Member States are kept regularly informed about the preparation and implementation of the EC assistance since the very early stages of the identification. The Government Reform Program Coordination Office (GRPCO) is currently playing a leading role on the Government side. In addition, the EU is maintaining a regular dialogue with the World Bank (including the IFC) and UN Agencies in what relates to good governance, sectoral policies and economic development (UNDP).

3. DESCRIPTION

3.1. Objectives

Overall objective:

To support the Government of Lebanon (GoL) in the implementation of its reform priorities defined by the government in its Reform Programme (Paris III, January 2007) and in the joint EU-Lebanon ENP Action Plan.

Specific Objective:

To facilitate Lebanon's access to WTO and to reinforce the conditions for economic growth, including more efficient and fair tax collection.

3.2. Expected results and main activities

- (1) Lebanon's competitiveness is increased by trade performance enhancement and trade integration and cooperation.

A.1. Trade Policy and Regulation are strengthened.

The EC will provide technical assistance to support Lebanon's accession to the World Trade Organisation and the development of an appropriate trade policy environment. This will include capacity building and institutional strengthening to enable the development of effective trade policy, primarily at public sector/government level. Private sector representatives and civil society will also benefit, notably, through the creation of mechanisms of involvement and awareness in trade-related issues and negotiations. This will include work to develop understanding of and ability to implement multilateral rules in a number of the areas. These areas are being identified on the basis of the Trade Needs Assessment that the government has launched with the support of the EC and might include:

- WTO Accession

- Trade mainstreaming in Poverty Reduction Initiatives/plans
- Regional trade agreements (RTA)
- Negotiation training/capacity building, tariff negotiations – non-agricultural
- Trade and environment/investment/competition
- Trade facilitation
- Dispute settlement, customs valuation
- TRIPs, TBT and SPS
- Market access/freedom of establishment
- Agriculture/Services
- Regulation (including utilities)
- Tariff reform

A. 2. Trade is further developed.

The support will tackle supply side constraints which impact directly on the Lebanon's ability to exploit its international trading potential and in particular private sector development from an institutional perspective. This will consist on technical assistance, capacity building and institutional strengthening to the main governmental bodies, private sector and civil society representatives directly involved the indicative areas below:

- Trade promotion strategy design and implementation
- Market analysis and development
- Trade finance, business support services and institutions
- Public-private sector networking
- E-commerce

(2) A more modern and efficient Lebanese tax administration.

The main objective of the project is to assist the tax administration in reorganising the structural framework of its operations contributing to facilitate the business environment. The project will consist of technical assistance and training in 5 main and interrelated areas: a) defining a single consistent Tax Administration; b) upgrading the functions of: planning, setting policies, performance monitoring; c) review the regional offices structure; d) moving the collection function from Treasury to tax administration and e) ensuring an adequate segmentation of taxpayers along with the appropriate management schemes and structural frameworks. In addition, the project will assist the Lebanese tax administration in planning and

implementing a performance monitoring programme, analysing areas of over/underachievement, and establishing strategic and operational key performance indicators.

3.3. Risks and assumptions

Main risks:

- Socio-political instability that might delay the decision-making by the Government and the Parliament;
- Poor availability, high turnover, and/or limited absorption capacity of counterpart staff at the ministries and in beneficiary organisations.

Main assumptions:

- Socio-economic and political stability;
- The beneficiaries make available enough human resources with enough time and capability to absorb the assistance, backed up by other necessary resources.
- The Trade Needs Assessment consultative process with the government/private sector representatives/civil society aims at mitigating the political risk.

3.4. Crosscutting Issues

Sustainability is based on political will to make changes, EU support targeting only the cost of change. The reforms will not impose additional burden on the Government's budget and should contribute to a more efficient utilisation. No new structures will be created and the project will not take in charge operating costs of the beneficiaries. Regarding **ownership**, the support actions have been defined and requested by their natural owners to support their policy goals.

The programme aims at mainstreaming **gender** into trade-related support. One of the stakeholders, CRTDA, is an NGO working towards an integrated approach into knowledge, skills, economic literacy and other tools of economic empowerment to enable women's active participation in economic life. **Environmental** compliance towards WTO accession will be an instrumental aspect for a number of sectors of the Lebanese economy (agriculture, agri-food, etc). These aspects will be subject to detailed impact analysis and specific support will be designed where relevant.

3.5. Stakeholders

The **final beneficiaries** of this project are the Lebanese citizens who should benefit from enhanced economic trade performance having an impact in sustainable economic growth and job creation. They will also benefit from a more efficient, transparent and accessible tax administration.

The **leading implementing** partner will be the GRPCO, contracting through the Programme Administration Office -PAO – at the Presidency of the Council of Ministers. The **immediate beneficiaries** will be the Government of Lebanon; the line Ministries and the public structures relating to Lebanese trade, investment, and

production; and tax administration. Their institutional capacity and commitment is ensured by the satisfactory technical cooperation and natural ownership already provided during the technical identification works.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The programme will be managed under partial **decentralised management** mode through the signature of a financing agreement with the Presidency of Council of Ministers (PCM). The PCM will be the Contracting Authority for all contracts except framework contracts, audit, monitoring and evaluation contracts that will be contracted directly by the EC. For decentralised contracts, the Commission controls *ex-ante* the contracting procedures for procurement contracts > 50.000 EUR and *ex post* for procurement contracts • 50.000 EUR. The Commission controls *ex- ante* the contracting procedures for all grant contracts.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the ceilings indicated in the table below. The Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< 300.000 EUR	< 150.000 EUR	< 200.000 EUR	• 100.000 EUR

4.2. Procurement and grant award procedures [/programme estimates]

(1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) ENPI.

(2) Specific rules of grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80 %. Full financing may only be

applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) N° 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

(3) Specific rules on programme estimates

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The budget of the programme is €8.4 million, with EC contribution of €8 million. The indicative budget breakdown is as follows:

	Total €	EC contribution	Lebanon contribution
1. Activity Fund (Services, supplies, twinning, grants)	7,200,000	7,200,000	-
2. Operating Costs (services, supplies)	800,000	400,000	400,000
3. Visibility (services)	200,000	200,000	-
4. Audit, Monitoring, Evaluation (services)	200,000	200,000	-
Total	8,400,000	8,000,000	400,000

The **operational duration** of the programme will be 48 months as from signature of Financing Agreement.

4.4. Performance monitoring

In the Financing Agreement a set of **key monitoring indicators** will be detailed for each activity. The indicators will be of Input/Output/Outcome and if possible of Impact. The Indicators will be related to the objectives and in line with EuropeAid trade and tax administration-related programmes' indicators. Gender sensitive indicators on governance will be considered in the trade component. The Euro-Mediterranean Charter for Enterprise and the World Bank 'Doing Business' Data will provide additional benchmarks. The accession of Lebanon to WTO would reflect the success of the programme.

4.5. Evaluation and audit

The programme will undergo audits on a regular basis, in line with provisions of the Programme Estimate Practical Guide. Additionally, a mid-term or/and an ex-post evaluation, as well as monitoring missions will also be carried out.

The EC will prepare the terms of reference and select the service providers for audit, monitoring and evaluation missions. The EC will communicate all audit and evaluation reports to the Beneficiary. The beneficiary will put at the disposal of the audit, monitoring and evaluation missions all requested supporting documents.

4.6. Communication and visibility

The EC will ensure that adequate communication and visibility is given to the EC-funding by the Presidency of the Council of Ministers (press conference, brochures/flyers, media reports, etc). For this, a budget of €200.000 has been allocated. Finally, the implementation of the programme will abide by the EU Visibility Guidelines for External Actions.