

## Action Fiche for Republic of Lebanon

### 1. IDENTIFICATION

Title/Number	Agricultural and Rural Development Programme (ARDP)		
Total cost	EU contribution: EUR 14 000 000		
Aid method / Method of implementation	Project approach – <i>partly decentralised management</i>		
DAC-code	31120	Sector	Agriculture Development

### 2. RATIONALE

#### 2.1. Sector Context

Agriculture represents 5 to 6% of Lebanon's GDP; however a much higher percentage of the population -at least 30%- directly or indirectly draws income from this sector. The agricultural sector in Lebanon is facing institutional, policy, structural, technological, financial and human resources constraints, hindering its development and resulting in the sector's low performance, combined with a degradation of natural resources.

At the institutional level, the challenges of the agricultural sector are illustrated by (i) inadequate policies and weak implementation capacities; (ii) weakness of the legislative and regulatory framework; (iii) insufficient agricultural support services (statistics, extension and advisory services, research, credit); (iv) limited coordination, synergy and coherence among the different actors, fragmented decision-making process; (v) ineffective public expenditures; and (vi) absence of farmers' legal status. There is no comprehensive strategy but in January 2010, the Lebanese Ministry of Agriculture (MoA) issued new strategy orientations encompassing policy, institutional and investment priorities.

At the local level, farmers constitute a vulnerable community due to small exploitations, low productivity, inequality in ownership and access to productive assets, increased vulnerability of rural women and a lack of access to infrastructure. In addition, access to credit remains a major obstacle for farmers and cooperatives. The share of agricultural credits from total bank credits remains very minimal. The majority of the agricultural loans are granted through commercial banks, require collaterals and do not target the needs of the agricultural actors.

#### 2.2. Lessons Learnt

This programme will take into account the results from the 2003 European Commission-funded Agriculture Development Programme (ADP), which ended in 2008, and supported the provision of services for production, commercialisation and marketing and helped cooperatives to implement small projects in the sector of fruits and vegetables. Despite the limited management capacity of the MoA and the lack of

institution building activities some positive results were achieved. Structural problems of farmers, such as access to credit, were not addressed.

Recommendations from the Inter-Lebanese Forum on Agriculture -organised in 2009 by the EU Delegation to Lebanon with the participation of all Lebanese political blocks– have been taken into account in this new programme. Thus, the Forum suggested to address institutional weaknesses and shortcomings of the policy framework, to improve production and quality/protection technology, to extend access to credit through a scheme adapted to the needs of the agricultural sector as well as to preserve natural resources.

### **2.3. Complementary Actions**

ARDP is structured around three main components and is designed to complement other donors' activities in the agriculture/rural sector. Regarding the institutional component (n°1), ARDP complements FAO's on-going programmes on quality agriculture production and the Lebanese National Observatory for Agricultural Development. Further, ARDP will also complement two projects, funded by IFAD and by the Spanish Cooperation, whose objectives are a sustainable increase of agricultural production through improving soil and water management in rained areas. Synergies with other EU operations will be sought, notably with on-going operations on water management<sup>3</sup> as well as forest protection<sup>4</sup>.

### **2.4. Donor coordination**

Several bilateral donors provide assistance to the agriculture sector. However, activities in the sector focus on assistance (i) in war-affected areas in the South or in the North of Lebanon, (ii) through NGOs and micro-projects, providing services to farmers on specific issues. Therefore, an EU comprehensive sectoral support would have an added value by developing a framework in which other donors could operate.

The MoA intends to establish a donor coordination mechanism, the Donors' Coordination Committee, which will allow to articulate ARDP with other donors' operations in a strategic way. In that context, a Technical Task Force (TTF) will be established to ensure complementarities and to avoid duplication of activities of the different agriculture/rural development projects funded mainly by FAO, GTZ and IFAD.

## **3. DESCRIPTION**

### **3.1. Objectives**

The general objective of ARDP is to improve the overall performance of the agriculture sector and improve livelihoods of rural and farming communities in order to achieve sustainable food security, agriculture and rural development.

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<sup>3</sup> A specific project addresses the management capacity in the water sector i.e. *Mise en place des outils techniques de gestion de l'eau (MOTGE)*.

<sup>4</sup> The EC has funded the elaboration of a national strategy of forest protection, including forest fire fighting, to clarify roles of all institutional stakeholders.

The specific objectives of the programme are:

- (a) to strengthen the capacity of national institutions to work on a coherent agricultural/ rural development vision, and to better implement agriculture strategic orientations and
- (b) to support and empower local rural actors (farmers as well as cooperatives) by increasing access to credit and to infrastructure.

### **3.2. Expected results and main activities**

ARDP is structured around three main components:

#### **Component 1. Capacity development of the Ministry of Agriculture at the institutional, organisational, and human resources level.**

##### ***Result 1.1. MoA's capacity developed at the institutional/policy level.***

ARDP will assist MoA in institutional and policy development. The programme will support MoA in implementing its updated Strategic Plan 2010-2014 and in integrating a vision on rural development, on modernising the legal and regulatory framework (e.g., status of cooperatives and farmers, farmers register) and on updating MoA's information to provide a solid basis for policy and decision-making. Capacity building in the field of monitoring and evaluation and setting-up of a performance-based budgeting tool are envisaged. Further, coordination mechanisms with donors and actors involved in agriculture will be put in place.

##### ***Result 1.2. MoA's organizational/infrastructure capacity is developed.***

ARDP will assist MoA in building its organizational capacity by putting in place an information/communication platform for proper planning, better coordination and increased transparency and accountability. ARDP will focus on enhancing the facilities closely tied to MoA's priorities (quality extension services, quality control of agricultural imports and exports). The programme will also upgrade the communication platform and set up an Agriculture Management Information System.

##### ***Result 1.3. MoA's human resources are developed.***

ARDP will assist MoA in building its human resources by (i) developing key value-chain training modules, which include all aspects of production, marketing, extension and are based on Good Agricultural Practices (GAP) as well as applied research and (ii) organising Training of Trainers (ToT) for MoA staff to provide extension on different agricultural products and the use of pesticides and fertilisers.

#### **Component 2. Support to rural development activities through increased access to credit and improved extension services.**

##### ***Result 2.1. A Credit for Agriculture and Rural Development scheme to support rural development initiatives established and operational.***

The ARDP will support a Credit scheme for agriculture and rural development to increase access to credit for small-scale farmers and agricultural cooperatives. This

activity will be implemented by a guarantee fund non-profit institution and through a selection of bank branches mainly operating in rural areas.

Two types of guarantees will be provided:

- (a) for micro and small enterprises
- (b) for long-term projects needing a longer grace period and higher investments.

Banks will be committed to providing Business Development Services that will support farmers in their loan applications and business plans. The banks' teams will be supervised by credit officers with proven experience in the agriculture sector.

This scheme will include mechanisms to target women in rural areas as well as young farmers in order to increase income-generating activities and to decrease rural-urban unemployment. Further, this scheme will prepare the grounds for the creation of a future Bank for Agricultural and Rural Development in Lebanon.

***Result 2.2. Capacities of individual farmers, farmers groups, and cooperatives for planning/executing micro-credit projects reinforced. Improved extension services.***

Training for beneficiaries will be provided throughout the credit cycle and it will include assistance for developing business plans, for management/governance capacities of cooperatives, and on any subject in line with the programme scope.

**Component 3. Support to the agriculture infrastructure to improve sustainable water and land management.**

The overall objective of this component is improving the rural infrastructure with a view to increase agricultural productivity as well as building the capacity of local actors in managing and maintaining that infrastructure while ensuring environmental sustainability.

***Result 3.1. Medium-sized hill lakes built and water users' associations established.***

To support a rational use of water resources and ensure irrigation networks, ARDP will support the construction of medium-sized hill lakes and help farmers and cooperatives to manage irrigation networks and to adequately use modern irrigation systems.

***Result 3.2. Sustainable land management practices through reforestation implemented.***

ARDP will rehabilitate MoA's nurseries for forest trees seedlings. The MoA will sign protocols of agreement for implementing reforestation activities with municipalities, collectives of municipalities and cooperatives. Reforestation activities will be implemented to improve land management, to combat desertification, to mitigate climate change and to provide income-generating activities for farmers and agricultural cooperatives. Further, it will strengthen the capacity of local actors to maintain and irrigate newly-planted forest seedlings.

### **3.3. Risks and assumptions**

ARDP's implementation is based on the following assumptions: (i) MoA will remain committed to build consensus on policy measures affecting agriculture/rural development and to provide in-kind contribution (human resources, offices), (ii) good coordination is ensured among MoA's different Directorates, the Green Plan (government reporting to the MoA, in charge of agriculture infrastructure), the Lebanese Agricultural Research Institute (LARI), and those institutions providing credit and extension services, as well as the involved local actors (municipalities, cooperatives and NGOs).

Any period of destabilisation or conflict could harm the implementation of activities, and political tensions in the country could affect the fragile consensus on agriculture challenges.

### **3.4. Crosscutting Issues**

The programme will contribute to environmental sustainability as Component 3 focuses on natural resources protection (forests, water). The programme is also expected to contribute to poverty reduction by increasing access to credit (Component 2). Within this component, those modalities potentially having a particular impact on women farmers will be defined. Improving MoA's communication capacities, both transparency and accountability, will be increased at all MoA's institutions at the central and decentralised levels.

### **3.5. Stakeholders**

The main stakeholders of ARDP are the Ministry of Agriculture (MoA), those Ministries that will participate at the National Steering Committee (see below) such as the Ministry of Environment and the Ministry of Energy and Water, the Lebanese Agricultural Research Institute (LARI), the Green Plan, farmers and cooperatives, and local actors and authorities.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

The method of implementation is *partly decentralised management* mode, through the signature of a Financing Agreement with the Government of the Republic of Lebanon and with the Ministry of Agriculture as Contracting Authority. The Commission controls *ex ante* all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies *ex ante* control for procurement contracts > 50,000 EUR and may apply *ex post* for procurement contracts ≤ 50,000 EUR. The Commission controls *ex ante* the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible 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.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< 300.000 EUR	< 150.000 EUR	< 200.000 EUR	≤ 100.000 EUR

A **Programme Task Force (PTF)**, headed by a Programme Director appointed by the MoA will be established to manage the implementation of the project and support to institutional capacity building. This PTF will be hosted by the MoA will be staffed by employees provided by the beneficiary, supported by external experts. In line with the Backbone Strategy, the management rules for the PTF will be designed in a way that will ensure appropriation, ownership and leadership by the MoA. The contract to provide technical assistance to the PTF will include key and non-key experts reporting to the MoA to ensure transfer of knowledge, ownership and sustainability.

A **National Steering Committee (NSC)** will be established by the MoA and will be composed of representatives of the relevant Ministries and institutions, such as Environment, Water and Energy, Finance, Interior and Municipalities Ministries, Conseil du Développement et de la Reconstruction (CDR), the LARI, the Green Plan, the EU participating as an observer.

The Technical Cooperation envisaged under this project will fulfill the four purposes identified in the EU's Backbone Strategy for Technical Cooperation, namely:

- (a) capacity development of both the MoA and its staff;
- (b) provision of policy and/or expert advice for implementing MoA's Strategic Plan 2010-2014 as well as on specific technical areas;
- (c) strengthening implementation of services and investments, specifically by developing MoA's extension capacities; and
- (d) preparation/facilitation of EU and broader donor cooperation by ensuring the holding of regular donor coordination meetings.

## **4.2. Procurement and grant award procedures**

### **(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 ENPI Regulation. Further extensions of this participation to other natural or legal persons by the relevant 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 EU 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) No 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 (i. e. the Practical Guide to procedures for programme estimates).

#### 4.3. Budget and calendar

The indicative global budget is:

<b>Component</b>	<b>Indicative budget EUR</b>
Component 1 (mainly services, some equipment, grants and works)	6 000 000
Component 2 (mainly grants, some services)	4 000 000
Component 3 (mainly grants, some equipment and works)	2 900 000
Communication and visibility	200 000
Audit and evaluation	200 000
Contingency	700 000
<b>Total</b>	<b>14 000 000</b>

The project will have the duration of 72 months following the signature of the Financing Agreement. The operational implementation phase will be 48 months and the closure phase will be maximum 24 months.

#### 4.4. Performance monitoring

The programme monitoring will be conducted at two levels through: (i) Activity monitoring (output monitoring) on implementation progress, being responsibility of the relevant MoA's Directorates as well as of other organisations involved in specific components/activities; (ii) Assessment reports of performance in achieving expected outcomes (outcome monitoring). The monitoring is the responsibility of the PTF in close cooperation with the Department of Development Projects of the Ministry of

Agriculture. The National Steering Committee will be regularly updated with monitoring results, which will be also shared with Donors' Coordination Committee. ARDP will be monitored in line with the Objectively Verifiable Indicators (OVIs) as provided in the programme logical framework to be developed and annexed to the financing agreement.

#### **4.5. Evaluation and audit**

The EU will carry out a mid-term evaluation of ARDP to see whether corrective measures are necessary to fulfil the objectives of the programme and a final evaluation to evaluate the results and draw lessons. Further, the final evaluation will assess the relevance and conditions for implementing future EU-supported budget support operations in agriculture and rural development in Lebanon under forthcoming EU-Lebanon bi-lateral programming. The EU will also carry out independent audit and monitoring missions, whenever they are deemed necessary.

#### **4.6. Communication and visibility**

The programme will produce other communication material and organise events to publicise ARDP's activities. All information provided to the press, the beneficiaries of funds, and all related publicity material, reports and publications, will respect the Communication and Visibility Manual for EU external actions.