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ANNEX III

to the Commission Implementing Decision on the Annual Action Plan in Favour of Lebanon 2023

Action Document for “Support to the Economic Reforms required under the IMF Programme in Lebanon”

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

| | |
|---|--|
| 1. Title OPSYS Basic Act | Support to the Economic Reforms required under the IMF Programme in Lebanon Annual Action Plan in Favour of Lebanon 2023 OPSYS business reference: ACT-61942 ABAC Commitment level 1 number: JAD.1170469 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe) |
| 2. Economic and Investment Plan (EIP) | Yes |
| EIP Flagship | FLAGSHIP 2 – Human rights, the rule of law, and modern, effective administrations, governance and accountability FLAGSHIP 3 – Resilient economies |
| 3. Team Europe Initiative | No |
| 4. Beneficiary of the action | The action shall be carried out in Lebanon |
| 5. Programming document | Multiannual Indicative Programme 2021-2027 ¹ |
| 6. Link with relevant MIP(s) | PRIORITY 2: Strengthening an inclusive and resilient economy |

¹ C(2022)8363 final of 24/11/2022

| | | | | |
|--|---|-------------------------------------|-------------------------------------|-------------------------------------|
| objectives/expected results | | | | |
| PRIORITY AREAS AND SECTOR INFORMATION | | | | |
| 7. Priority Area(s), sectors | 151- Government & Civil Society 240- Banking & Financial Services | | | |
| 8. Sustainable Development Goals (SDGs) | Main SDG: 16. Peace, justice and strong institutions Other significant SDGs and where appropriate, targets: 5. Gender equality and empowerment of Women and girls 8. Decent work and economic growth 9. Industry, innovation and infrastructure 6 Clean Water and Sanitation 7 Affordable and Clean Energy 10 Reduced Inequality 17 Partnerships for the Goals | | | |
| 9. DAC code(s) | 15110 - Public sector policy and administrative management- 40% 15111 - Public finance management (PFM) - 40% 24020 - Monetary institutions – 20% | | | |
| 10. Main Delivery Channel | Multilateral organisation – 40000 International Monetary Fund (IMF) – 43000 United Nations agency, fund or commission (UN) - 41000 | | | |
| 11. Targets | <input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Human Rights, Democracy and Governance | | | |
| 12. Markers (from DAC form) | General policy objective | Not targeted | Significant objective | Principal objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Aid to environment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Gender equality and women's and girl's empowerment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, maternal, new-born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | | |
|--|--|---|-------------------------------------|---------------------------------------|
| | Disaster Risk Reduction | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Inclusion of persons with Disabilities | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Nutrition | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Principal objective |
| | Biological diversity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Internal markers and Tags | Policy objectives | Not targeted | Significant objective | Principal objective |
| | EIP | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | EIP Flagship | YES <input checked="" type="checkbox"/> | | NO <input type="checkbox"/> |
| | Tags | YES | | NO |
| | transport | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | energy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | environment, climate resilience | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | digital | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | economic development (incl. private sector, trade and macroeconomic support) | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | human development (incl. human capital and youth) | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| health resilience | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| migration and mobility | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| agriculture, food security and rural development | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| rule of law, governance and public administration reform | <input checked="" type="checkbox"/> | | <input type="checkbox"/> | |
| other | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| Digitalisation | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| Tags | YES | | NO | |
| digital connectivity | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| digital governance | <input checked="" type="checkbox"/> | | <input type="checkbox"/> | |
| digital entrepreneurship | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| digital skills/literacy | <input checked="" type="checkbox"/> | | <input type="checkbox"/> | |

| | | | |
|---|--|-------------------------------------|-------------------------------------|
| | digital services | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | <u>Connectivity</u> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Tags | YES | NO |
| | digital connectivity | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | energy | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | transport | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | health | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | education and research | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Migration | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Reduction of Inequalities | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | COVID-19 | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| BUDGET INFORMATION | | | |
| 14. Amounts concerned | Budget line(s) (article, item): 14.020110 – Southern Neighbourhood Total estimated cost: EUR 20 000 000 Total amount of EU budget contribution EUR 20 000 000 | | |
| MANAGEMENT AND IMPLEMENTATION | | | |
| 15. Implementation modalities (management mode and delivery methods) | Direct management through: Twinning Grant Indirect management with the entities to be selected in accordance with the criteria set out in section 4.2.2 and 4.2.3 | | |

1.2. Summary of the Action

Lebanon's economic crisis has had far-reaching and devastating consequences, with the country facing a severe decline in disposable income, the collapse of the banking sector, an inflation-depreciation spiral, coupled with a dramatic contraction of Gross Domestic Product (GDP). To respond to this crisis, the Lebanese authorities reached a staff-level agreement with the International Monetary Fund (IMF) in April 2022² for a potential Extended Fund Facility (EFF) programme. However, as a consequence of the financial crisis, many skilled civil servants left the public administration without being replaced, and the administration's operational needs (e.g. equipment) cannot be met because of a fundamental lack of public resources. The depletion of the public administration has largely contributed to the slow down implementation of necessary reforms so far, including the prior actions agreed upon with the IMF in the staff-level agreement.

To address this situation, the Action aims to provide support to the Lebanese authorities for the implementation of economic reforms in line with the envisaged IMF programme priorities. In particular, the Action will mainly focus on fiscal policy and public finance management, as they have been identified as the most in need of

²<https://www.imf.org/en/News/Articles/2022/04/07/pr22108-imf-reaches-agreement-on-economic-policies-with-lebanon-for-a-four-year-fund-facility>

technical and logistical support to implement the IMF-backed reform programme. All other reform areas may also be covered by the Action, as and when requested by the authorities.

Accordingly, the Action will actively contribute to revamping the country's flawed economic model into a modern and viable one that promotes sustainable and inclusive growth by improving the management and execution of public finances, introducing progressive tax measures that promote fairness, sustainability and social inclusion and consolidate public revenues, enhancing the governance of state-owned enterprises, implementing a proper monetary policy in line with international standards, as well as supporting any other economic and financial reform efforts as needed.

The Action will adopt a two-pronged approach, with "soft" measures aimed at enhancing the technical capacity of public institutions, through trainings, workshops, and exchange visits; as well as "hard" measures aimed at supporting their operational and logistical capacity, through the provision of goods such as equipment, and services such as short-term consultancies to fill missing knowledge gaps.

To ensure commitment and ownership, the Action will be demand-driven and respond to needs identified by the institutions themselves in accordance with the economic recovery programme agreed upon with the IMF.

To further support this objective, the Action will also include twinning between the EU Member States' administrations and Lebanese public institutions. The twinning will enhance the technical capacity of these institutions and foster the exchange of best practices and knowledge.

The Action is aligned with the Sustainable Development Goal (SDG) 16 "Peace, justice and strong institutions". It also relates to SDG 8 "Decent work and economic growth", SDG 9 "Industry, innovation and infrastructure" and SDG 5 "Gender empowerment and equality of women and girls", as well as SDG 6 "Clean Water and Sanitation", SDG 7 "Affordable and Clean Energy", and SDG 17 "Partnerships for the Goals".

This action falls under the European Commission priority for external cooperation priority "Enhancing good governance and supporting reforms".

The intervention supports the efficient and timely implementation of the flagship initiatives of the Economic and Investment Plan for the Southern Neighbours that will reinforce the EU's partnership with Lebanon, including in the following key policy areas: human development, good governance, strengthen, resilience and interconnection/participation in the world economy.

1.3. Beneficiary of the action

The action shall be carried out in Lebanon, which is included in the list of ODA recipients.

2. RATIONALE

2.1. Context

Lebanon is facing an **unprecedented crisis**, which has led to a dramatic economic contraction, a large increase in poverty, unemployment and brain drain. In March 2020, Lebanon defaulted on its Eurobonds which was followed by a deep recession, a dramatic fall in the value of the Lebanese currency and triple digit inflation. The deteriorating economic situation has hit the public sector to an extent that it is now visibly disintegrating. Public authorities lack the necessary funds to maintain their operations and to pay their staff more than symbolic salaries. The COVID-19 pandemic and the August 2020 port of Beirut explosion have compounded the crisis, while the Russian war against Ukraine is exacerbating pressures on inflation and straining further food and fuel supplies.

The crisis has had devastating effects on the country's economy and its people, resulting in a massive impoverishment of the middle classes. The public sector has been hit particularly hard with the bulk of the labour force still paid in Lebanese lira, suffering from plummeting purchasing power. Thousands of highly qualified civil servants are leaving for better paid jobs in the private sector or migrating in search of better opportunities.

The current economic crisis in Lebanon is a result of a complex set of factors, including political instability, corruption, and mismanagement of public finances. The economic contraction has resulted in a sharp increase in unemployment, poverty, and inflation, making it difficult for the government to deliver essential services and for the people to access basic necessities. Besides, the 2020 default on public debt cut Lebanon's access to financial markets. In 2021, the devaluation of the national currency against the US dollar accelerated, affecting dramatically an economy highly dependent on imports. The Central Bank and the banking sector severely restricted access to people's savings and limited cash withdrawals. Subsidies (food, gasoline, medications) were lifted abruptly. Lebanon's economy contracted by 10.5% in 2021, the highest contraction amongst 193 countries globally, and is estimated to further contract by 5.2% in 2022, with real GDP more than halved over the span of 4 years. This devastating contraction reflects the near complete destruction of an economy and a GDP shrinking to 21.8 billion USD.

The International Monetary Fund (IMF) has acknowledged the urgent need for economic reforms in Lebanon. Given the gravity of the situation, the Lebanese authorities reached a Staff-Level Agreement with the IMF in April 2022 to support the country's economy and help it implement economic reforms, conditional on the implementation of 10 prior actions before presenting the programme to the IMF Board. The authorities have already agreed with the IMF Staff on a comprehensive reform programme, which emphasizes the need for a strategic, sequenced approach to developing a rapid and decisive recovery from the current difficulties. The programme aims to address Lebanon's longstanding economic vulnerabilities and structural weaknesses while protecting the most vulnerable segments of the population.

The economic reforms required under the IMF programme in Lebanon are essential to stabilize the country's economy and put it on the path to recovery. The reforms will address some of the fundamental issues that have contributed to the current crisis, including fiscal and monetary policy, public finance management, and macroeconomic imbalances. The reforms will also aim to bring fiscal and budgetary discipline, improve processes, transparency and accountability, reduce state capture and corruption, and enhance the business environment to promote investment in productive economic activity.

The implementation of economic reform plan will be critical to stabilise the country's economy and create a sustainable path towards recovery. The IMF Programme in Lebanon aims to address the underlying structural challenges and restore macroeconomic stability through policy reforms.

The action is located under the EU Lebanon Partnership Priorities 2016-2020 extended in November 2021³ and the European Commission's Priority "Promoting our European Way of Life", in particular the policy area "European Health Union". The action is aligned with the Joint Communication "Renewed partnership with the Southern Neighbourhood – A new Agenda for the Mediterranean", in particular the proposed actions under its Economic and Investment Plan Flagship 2 of its Economic and Investment Plan: "Human rights, the rule of law, and modern, effective administrations, governance and accountability" and Flagship 3 "Resilient economies". It is also in line with the Gender Action Plan on Gender Equality and Women Empowerment in External Relations 2020 – 2025 (GAP III) adopted in 2020. The GAP III provides an ambitious external policy framework for achieving progress on gender equality and women's empowerment, in coherence with the Gender Equality Strategy.

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22021D2214>

The action will contribute towards the achievement of Lebanon's Nationally Determined Contributions (NDC) of reducing greenhouse gas emissions by 20% relative to Business-as-Usual (BAU) levels and generating 18% of electricity demand and 11% of heat demand (in the building sector) from renewable energy sources by 2030. By promoting good governance, the action seeks to ensure that relevant policy decisions take into account environmental and social safeguards.

The action is in line with the Multiannual Indicative Programme European Union - Lebanon 2021-2027 and its priority areas. The “Reform, Recovery and Reconstruction Framework (3RF)” launched by the European Union, the United Nations and the World Bank in December 2020 in response to the explosion of the Port of Beirut is complementary to the implementation of this action.

EU Added Value

The EU has been providing financial and technical assistance to the country, which has helped to mitigate the impact of the crisis on the most vulnerable segments of society. Additionally, the EU's engagement with the Lebanese authorities has been instrumental in promoting good governance, transparency, and accountability, which are essential for building a sustainable and inclusive economy. Namely, the EU has been providing support for the implementation of the national anti-corruption strategy, adopted by the Council of Ministers in May 2020, through various interventions such as modernizing public procurement, reinforcing oversight bodies, and fostering a culture of integrity through backing CSO-led initiatives.

By supporting the Lebanese authorities in implementing fiscal reforms, the EU can help to promote economic stability, reduce economic distortions, and support the country's transition to a more sustainable and inclusive economic model. Through the twinning with EU Member States' administrations, the Action will bring in the expertise of practitioners in dealing with complex economic and financial matters such as fiscal discipline, inflation targeting and banking restructuring, which are all pillars of the future IMF programme in Lebanon.

The EU's expertise in the public provision of basic services, along with its experience in administrative reform, can provide valuable support in implementing the required economic reforms in Lebanon.

The EU's involvement in these economic reforms can contribute to achieving the SDG 16 of promoting peaceful and inclusive societies for sustainable development, providing access to justice for all, and building effective, accountable, and inclusive institutions at all levels. By supporting public administrations, the EU action will contribute to the overall strategy for promoting sustainable development in Lebanon including the provision of basic service such as water, sanitation and energy.

The EU's added value lies in its longstanding experience in Lebanon, as well as its 3RF institutional arrangements that ensure close coordination between the main actors involved in this reform, which are some of the EU Member States, the World Bank, and the United Nations.

2.2. Problem Analysis

Short problem analysis

The IMF's Staff-Level Agreement with the Lebanese government proposes a comprehensive economic reforms program, including fiscal, monetary, financial, and governance reforms. These reforms aim to address structural weaknesses, currency crisis, and weak institutions while improving transparency, accountability, and creating sustainable economic growth conditions. Lebanon's severe economic crisis, characterized by a

weakened public sector, deteriorated fiscal discipline, and incoherent monetary policy, has however led to a decline in public institutions' capacity to implement reforms.

PRIORITY #1: Fiscal Discipline and Revenue Generation

Lebanon's fiscal deterioration is fuelled by inadequate revenue systems, a narrow tax base, and inefficient expenditure policies. To address this, authorities must modernize revenue administration, broaden the tax base including by application of the "Polluter pay principle", rationalize expenditure policies, enhance transparency, and improve Public Financial Management (PFM). Additionally, modernizing the legal framework for State-Owned Enterprises will increase accountability and minimize fiscal risks.

PRIORITY #2: Monetary and Financial Stability

The Lebanese banking sector faces significant challenges, such as non-performing loans, insufficient capital buffers, and loss of depositor confidence. The Central Bank's struggle to maintain exchange rate stability has fuelled inflation and further weakened the purchasing power of public sector employees. Urgent reforms are needed to improve the regulatory and supervisory framework for the financial sector and restore monetary stability.

PRIORITY #3: Structural Reforms and Inclusive Growth

Lebanon's economy suffers from structural weaknesses, including an unfavourable business environment, limited investment in critical sectors, and a lack of labour market flexibility. High unemployment levels, especially among youth and vulnerable populations, are exacerbated by inadequate social safety nets. Addressing these challenges requires targeted investments in infrastructure, energy, and education, as well as comprehensive social protection policies.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action.

The main stakeholders and their corresponding institutional and/or organizational issues, mandates, potential roles, and capacities to be covered by the action, as well as the stakeholders most affected by the issues to be addressed, include:

- **Ministry of Finance (MoF):** Responsible for fiscal policy, revenue administration, public financial management, and debt management. The crisis has severely limited its capacity in key areas, such as tax policy and PFM. The MoF plays a crucial role in the implement reforms. Civil servants in its services will be the main target of the capacity-building and technical assistance activities. The involvement of the MoF is decisive to ensure ownership of the reform by the authorities.
- **Prime Minister Office (PMO):** Constitutionally empowered body for coordination of government activities, policy formulation, and overall supervision of public administration, however the Lebanon's sectarian system somewhat hampers the effective functioning of these responsibilities. It has limited capacity in monitoring and evaluation, as well as coordination of reform implementation. It will play a critical role in action by ensuring alignment of reforms with national priorities and coordinate efforts among various public institutions.
- **Central Bank of Lebanon (BdL):** The mandate of BdL consists of maintaining monetary and financial stability, overseeing banking sector, and managing foreign exchange reserves. It has become one of the least trusted public institutions by the Lebanese people. It is in dire need for enhanced transparency and accountability, as well as improved coordination with other public institutions. It will play a key role in

action in terms of implementation of the financial sector reforms, contribution to policy formulation, and engagement in capacity-building activities.

- **Oversight and Regulatory bodies (Banking Control Commission, Special Investigation Commission, Central Inspection, Civil Service Board, Court of Accounts, Public Procurement Authority):** Their mandate includes ensuring compliance with regulations, promoting transparency and accountability, and monitoring the performance of public institutions, respectively. These institutions all suffer from limited capacity in enforcing regulations, conducting inspections or implementing their mandate. The action will work with these bodies to strengthen their oversight capabilities, engage in capacity-building initiatives, and collaborate with other stakeholders in promoting transparency and accountability. Support to reinforce the role of oversight bodies in promoting accountability and transparency is envisaged under the AAP 2022 action, which aims to advance key areas of public administration reform in Lebanon.
- **Other relevant public institutions and agencies (e.g. Central Administration of Statistics, Institute of Finance, Customs Administration):** Responsible for collecting, analysing and disseminating statistical data, providing financial training, and enforcing customs regulations, these institutions have seen significant drop in the capacity of data collection and analysis, staff training, and enforcement of regulations. The action will work to strengthen their operational abilities, involve them in capacity-building activities, and support them in the implementation of fiscal reforms.
- **State-Owned Enterprises (SOEs):** Responsible of the provision of public services in various sectors such as energy, water, and telecommunications. The all suffer from inefficiency, lack of transparency, and weak financial performance. The action will work to improve governance, involve them in capacity-building activities, and implement reforms to enhance performance, transparency as well as the adoption of environmental and social standards.

In addition to the Lebanese public stakeholders, international institutions, donors, the private sector and civil society organizations, will also be involved in the action. These stakeholders will play a crucial role in monitoring the implementation of reforms, providing feedback, and fostering dialogue among various actors. Their involvement will contribute to the overall success of the action by ensuring that the interests of the Lebanese population are represented and addressed throughout the reform process.

- **International Monetary Fund (IMF):** Major actor in charge of coordination with national authorities and other international stakeholders. IMF will play a crucial role in providing technical assistance, policy advice, and financial support to implement economic reforms.
- **IMF Middle East Regional Technical Assistance Center (METAC):** A collaborative venture between the IMF and development partners, including the EU, METAC aims to strengthen capacity in targeted areas such as revenue administration, public financial management, and financial sector supervision. It plays a key role in coordination with other technical assistance providers and ensuring alignment with national priorities. METAC has almost twenty years of expertise in deliver targeted technical assistance, capacity-building activities, and support for reform implementation.
- **International partners:** Coordination with other donors to ensure alignment with national priorities through platforms such as the Reform, Recovery, and Reconstruction Framework (3RF) to facilitate resource mobilization including access to climate finance, align donor support, monitor the implementation of reforms, share expertise, support capacity-building activities.
- **Private sector:** Lebanon's economy is based on a dynamic and entrepreneurial private sector, which has largely managed to weather the financial crisis. The private sector is also an influential voice in the Lebanese society, as well as being a key actor in the actual implementation of economic reforms. Dialogue

with the Lebanese business community will be key in ensuring their acceptance and compliance with economic reforms.

- **Civil society organizations (CSOs):** Lebanon enjoys has a vibrant, diverse and active civil society, representing a wide range of voices in reform and development debates, advocating for the rights of vulnerable and marginalised populations, defence of the environment, but also taking responsibility for the delivery of services. Regular exchanges with CSOs active in the economic and financial sectors will ensure the wider public's understanding and acceptance of economic reforms, as well as being key for monitoring the implementation of reforms, providing feedback, and fostering dialogue among various actors.

By engaging these non-state actors in the action, their diverse expertise and resources can be harnessed to support Lebanon's economic reforms. Cooperation and coordination among all stakeholders will be crucial for the successful implementation of the EU action to support economic reforms under the IMF Programme in Lebanon.

2.3. Lessons Learned

The highly unpredictable political and economic context in the country has proven the need to enable some flexibility in the project modalities and implementation. Political instability, frequent government turnover and lack of transparency as regards the utilization of public finances are also at the roots of the strategy to focus on small-scale interventions rather than on large-scale investments. Continuous engagement and policy dialogue with the authorities are key in order to facilitate implementation, showcase results, as well as providing useful inputs for further policy formulation.

Implementing partners will be requested to devise strategies to ensure the long-term sustainability of the equipment that the project will provide to the public sector, especially when it comes to operation and maintenance (O&M) beyond the project's life. The environmental sustainability of new equipment will also be considered through the project.

The action builds on the success of past EU programs such as the Technical Assistance Facility (TAF), which is a demand-driven, need-based facility that provided technical, legal, and training assistance to over 20 government institutions to improve accountability and transparency in public administration. The action also complements and strengthens the ongoing EU Public Administration Reform Action focusing on improving key areas of public administration in Lebanon, in line with the IMF Staff-level Agreement, including civil service reform to safeguard the integrity of the public administration, public financial management reform to enhance transparency, and accountability by reinforcing the role of oversight bodies.

The action is also complementary to the ongoing EU funding in the area of public service delivery, including water, education, and healthcare. It not only contributes to achieving Lebanon's NDCs to reduce greenhouse gas emissions and generate renewable energy, but it also supports good governance in public administrations. This will have a positive impact on the provision of public services, such as water and energy, as well as the management of natural resources, including through the integration of the polluter-payer principle in setting utilities fees. Furthermore, by enhancing the operational capacity of public administrations, this action will lead to better management and delivery of public services, ultimately benefiting the people of Lebanon.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Impact of this action is sustained macro-economic stability, improved confidence in public institutions and economic recovery, by supporting the successful implementation of the IMF-backed reform programme in Lebanon.

The Specific Objectives (Outcomes) of this action are:

1. The capacity of public institutions to implement reforms, with enhanced governance, accountability, transparency and inclusiveness is strengthened

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

- 1.1 Technical and analytical capacity, environment and gender sensitive knowledge and skills are enhanced among public officials.
- 1.2 The modernisation of legal framework of public institution is sustained for stronger governance, accountability transparency, sustainability and inclusiveness
- 1.3 The operational capacity of public institutions is enhanced

3.2. Indicative Activities

This Action is designed as needs-based and demand-driven, hence the indicative activities outlined below are intended to be flexible and adaptable, as long as they align with the scope of the IMF reform programme. All activities will align with environmental standards by promoting sustainable development best practices and green principles into procurement and service delivery processes.

The **indicative activities** are as follows:

Activities related to Output 1.1 - Increased technical and analytical capacity of civil servants

Activity 1 Training and Capacity Building:

This activity involves the design and implementation of targeted training and capacity-building for civil servants and SOEs, focusing on relevant technical skills in the work areas identified by the authorities. The activity will address policy formulation and effective implementation of reforms. The capacity building efforts will also involve the sharing of best practices and experiences from other countries, as well as targeted technical assistance to address identified gaps and weaknesses in the management and governance of SOEs, including environmental and social performance standards.

Tailored training modules will be developed based on the needs assessment and demands expressed from public institutions and will include a mix of classroom instruction and practical exercises to ensure participants acquire the necessary skills and knowledge. This approach will foster collaboration and information exchange, while ensuring the sustainability of knowledge transfer for future generations of civil servants.

Activity 2 Knowledge Sharing and Best Practices:

This activity entails organizing workshops, seminars, and study visits to promote knowledge sharing and the adoption of international best practices among civil servants. Study visits will allow participants to observe

first-hand the functioning of public institutions in countries with advanced practices in the relevant fields, facilitating the transfer of knowledge and ideas, as well as providing a platform to discuss and exchange ideas on emerging trends and innovative solutions. Capacity building activities will extend beyond traditional PFM to enhance understanding of climate change systemic risks, as promoted by the International Platform on Sustainable Finance and the Network for Greening the Financial System (association of Central Banks).

Activity 3 Development of Analytical Tools and Frameworks:

This activity involves the creation and implementation of analytical tools and frameworks to support evidence-based decision-making, policy formulation, and performance monitoring and evaluation of public institutions and SOEs. The development process will involve close collaboration between technical experts, civil servants, and other stakeholders to ensure that the tools and frameworks are tailored to the specific needs and contexts of the participating public institutions. Capacity building and training will be provided to ensure that civil servants are equipped with the skills and knowledge needed to effectively utilize the tools and frameworks in their day-to-day work. In addition, the activity will provide support for the establishment of a robust data management system, ensuring access to timely and accurate data for analysis and forecasting activities.

Activity 4 Promoting Gender Responsive Budgeting and Inclusiveness in Public Institutions:

This activity aims to promote gender-responsive budgeting (GRB) and inclusiveness in public institutions through the development of a framework, capacity building, stakeholder engagement, and monitoring and evaluation. By analysing current budgeting processes and integrating gender and inclusiveness considerations, the framework will ensure equitable resource allocation and decision-making while tracking progress and impact using a set of performance indicators and benchmarks.

Activities related to Output 1.2 – Modernised legal framework and enhanced governance of public institutions

Activity 1 Review and Update of Existing Legislation:

This activity involves the comprehensive review and update of relevant existing legislation, ensuring alignment with international best practices and addressing identified gaps and weaknesses. The review will focus on assessing the effectiveness and efficiency of the current legal framework, identifying areas where reforms are needed, and proposing amendments and updates to the legislation. This process will also involve consultations and dialogue with various stakeholders to ensure that the proposed changes are informed by diverse perspectives and experiences.

Activity 2 Support to the development and implementation of New Legal Frameworks:

This activity entails supporting the development and implementation of new legal frameworks and structures for public administrations, to enhance efficiency, transparency, and accountability. The development process will also take into account international best practices and standards, ensuring that the new frameworks are designed to promote effective and efficient public administration, and alignment with sustainability objectives.

Activity 3 Support to enhancing the Governance and Transparency of Public Institutions:

This activity involves supporting the development and implementation of robust governance frameworks and transparency mechanisms for public institutions, including SOEs. This includes updating existing legislation and regulations to ensure alignment with international best practices, promoting greater accountability, and enhancing efficiency, including a Citizen Budget explaining (i) expenditure and revenue totals; (ii) sources of deficit financing, (iii) main budget policy initiatives, and (iv) key macroeconomic forecasts. The process will also

involve strengthening the monitoring and reporting mechanisms, including the publication of annual financial statements and operational audits, to promote transparency and enable effective oversight.

Activities related to Output 1.3 - Enhanced operational capacity of public institutions systems

Activity 1 Procurement of Goods and Equipment:

This activity entails the procurement of essential goods and equipment to improve the operational capacity of public institutions. The procurement process will be guided by a thorough needs assessment, taking into account the specific requirements of each institution, as well as international best practices and standards, including green procurement principles. The goods and equipment to be procured may include hardware, software, and other IT infrastructure, as well as specialized tools and instruments for data collection, analysis, and reporting.

Activity 2 Provision of Services and Short-term Experts:

This activity aims to provide public institutions with access to specialized services and short-term experts in order to enhance their operational capacity and support the effective implementation of economic reforms. The services and experts will be selected based on the specific needs and priorities of each institution, and may include consultants, trainers, and advisers with expertise in areas such as policy design, legislative drafting, project management, IT systems development, and change management. The short-term experts will work closely with the relevant institutions to provide tailored support and advice, ensuring that the services provided are responsive to the specific context and challenges faced by each institution.

Activity 3 Implementation of Integrated IT Systems:

This activity focuses on the development and implementation of integrated IT systems to improve data management, reporting, analysis, and the provision of public services. The initiative also aims to strengthen cybersecurity infrastructure and provide capacity-building activities for staff to effectively utilize new IT systems across various public institution functions.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

Outcomes of the Environmental Impact Assessment (EIA) screening

The EIA screening classified the action as Category C (no need for further assessment).

Outcome of the Climate Risk Assessment (CRA) screening

The CRA screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality and empowerment of women will be addressed among the specific objectives and will be mainstreamed in the Action. The Action will promote meaningful and active participation of women in planning and decision making namely in the implementation of the 3RF agenda to ensure an inclusive recovery process. It will cover the needs, interests, and priorities of both women and men to support gender sensitive policies and engagement of women in the governance process.

National data and statistics reveal clear and wide qualitative gender gaps across the Lebanese public administration. In the public sector, while women make up 45% of all public administration positions, they account for only 21% of grade 1 positions. Several studies highlighted the legal barriers and the challenging gender norms that prohibit women’s advancement in public spheres. Even though there has been some progress as a result of civil society organisations campaigns over the years, women’s equal participation across different sectors and mainly in public administration has yet to be achieved.

Human Rights

The proposed action is fully aligned to the existing EU human rights strategies and action plans. Human rights concerns are mainstreamed throughout the action and will be taken into consideration in the finalisation of the activities to be drawn up during implementation stage. The action has been designed following a “rights-based” and “leave-no-one behind” approach. It promotes equal participation of all segments of the population in the decision-making at various levels. Consultations with civil society actors were organised and their recommendations are duly reflected in the design of the action.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1; this implies that Persons with Disabilities’ concerns will be mainstreamed across the Action, in line with the 3RF process which is based on a people-centred and inclusive approach.

Democracy

The main purpose of the action is to actively promote the empowerment of government, civil society and citizens and increase their participation in decision-making at local and national level mainly under the 3RF reform process. Through this Action, the EU promotes legally binding international standards to promote the respect of democracy, fundamental rights and the rule of law.

Conflict sensitivity, peace and resilience

This action takes into consideration conflict-sensitivity and a do-no harm approach, and addresses related priorities and recommendations.

Disaster Risk Reduction

Not applicable.

3.4. Risks and Assumptions

| Category | Risks | Likelihood (High/ Medium/ Low) | Impact (High/ Medium/ Low) | Mitigating measures |
|--------------------------------|---|---|---|---|
| 3. People and the Organisation | Limited availability of civil servants in public institutions | High | High | Recruiting short-term experts to fill the human resource gaps and provide the necessary support for effective implementation of the project Engaging with civil servants during the formulation phase to assess the capacities |

| | | | | |
|-------------------------------------|--|--------|--------|---|
| | | | | of public institutions and identify areas where consultants need to be contracted to support the project activities |
| 3. People and the Organisation | Lack of skilled personnel to effectively implement project activities | High | Medium | Engagement with public institutions to identify talented individuals and provide them with the tailored training and capacity building activities to bridge the gap between the current skill level of civil servants and the requirements of the project |
| 1. External Environment | Political instability affecting project implementation | High | Medium | Regular monitoring of the political environment, flexibility in implementation, and contingency planning |
| 3. People and the Organisation | Slow progress in implementing necessary reforms, leading to delays in achieving project outcomes | Medium | High | Political dialogue, advocacy and awareness raising, stakeholder engagement, setting realistic timelines, and monitoring progress financial contingency planning with reallocation of funds to other projects |
| 3. People and the Organisation | Resistance from key constituencies in the country against the reform process, leading to social unrest, political opposition, or obstruction of reform implementation. | Medium | Medium | Engaging in inclusive consultations, communicate clearly, focusing on the needs-based demand-driven approach for implementation, explaining the objectives, benefits, and potential impacts of the reforms to the public, addressing potential misunderstandings and countering misinformation, to help build support for reforms and reduce resistance. |
| 2. Planning, Processes, and Systems | Low e-readiness levels at public institutions leading to difficulties in adopting digital solutions | Medium | Low | Assessing e-readiness levels, targeted capacity building, phased digitalization, and resource allocation |
| 5- communication and information. | Lack of public support for the reform process, potentially hindering the legitimacy and effectiveness of the EU action | Low | High | Engaging with civil society organizations, the private sector, and the general public. Early and inclusive consultation with MPs, civil society and relevant stakeholders will be organised to ease discussions on the reform agenda and improves policy traction Develop effective communication strategies to promote awareness and understanding of reforms |
| 2. Planning, Processes, and Systems | Incompatibility of newly implemented systems with existing infrastructure | Low | Medium | Thorough systems analysis and testing, consultation with stakeholders, and phased implementation |
| 3. People and the Organisation | Poor coordination among stakeholders, | Low | Low | Use established coordination mechanisms to streamline collaboration and communication among stakeholders |

| | | | | |
|--|--|--|--|--|
| | leading to fragmented efforts and inefficient use of resources | | | Promoting coordination among international partners to align efforts and resources and avoid duplication |
|--|--|--|--|--|

External Assumptions

Willingness of authorities to reform:

The success of the action will depend on the commitment and willingness of Lebanese authorities to implement the necessary reforms. This will include the Lebanese authorities' readiness to making tough decisions, undertaking structural changes, and ensuring transparency and accountability throughout the process as well as ownership of the reform and a resolute buy-in throughout the process.

Prior actions of the Staff Level Agreement and IMF deal:

The action is designed to support the implementation of reforms under the IMF Programme. Therefore, the main assumption on which this Action is based is that prior actions required by the IMF will have been completed and that the Extended Fund Facility programme will have been endorsed by the IMF Board.

Stability of the political and security situation in Lebanon:

The effective implementation of the EU action depends on a stable political and security environment in the country. In the absence of stability, the implementation of reforms may be hampered, and progress may be slow or ineffective.

3.5. Intervention Logic

The underlying intervention logic for this action is that because public institutions that have been severely weakened by the crisis, IF they are provided support in terms of capacity building, operational capability and governance, THEN they will be in better capable of implementing the IMF-backed reform programme to put the economy back on track for growth.

IF public institutions have increased technical capacity of civil servants and modernised legal framework for enhanced governance (Outputs 1.1 and 1.2) THEN this will lead to better implementation of economic reforms in line with international standards. This is especially true in the case of the Lebanese public sector, as most of its better-trained civil servants with the adequate analytical skill have already left for better paying jobs either in the private sector or have immigrated abroad.

IF public institution have enhanced operational capacity (Output 1.3) THEN they will be in more effective and efficient public administrations. IF provided with the necessary resources and expertise, to address crucial operational needs, THEN public institutions will be able to function more effectively, even in challenging circumstances, to improve delivery of key government functions and resource allocation in public administration. Only IF public institutions have improved capacity, upgraded operational capabilities, and enhanced governance, accountability, and transparency (Outcomes 1), THEN will they be able to successfully implement the IMF-backed reform programme in Lebanon, thus contributing to sustained macro-economic stability, improved confidence, and economic recovery (Overall Impact). This is based on the evidence that countries with efficient public institutions and strong governance structures are better equipped to implement reforms, manage economic challenges, and attract investments, even in times of crisis. In the case of Lebanon, unless the former is addressed, the country will have a hard time getting out of the vicious circle the economy is entrenched in.

The key assumptions that must hold true for this intervention logic to be realised are the willingness of Lebanese authorities to reform and the implementation of structural benchmarks agreed upon with the IMF in the Staff Level Agreement.

3.1. Indicative Logical Framework Matrix

| Results | Results chain: Main expected results | Indicators | Baselines (values and years) | Targets (values and years) | Sources of data | Assumptions |
|--------------------------------------|---|--|---|---|---|--|
| Impact 1 | To support implementation the IMF-backed reform programme, contributing to sustained macro-economic stability, improved confidence, and economic recovery | 1 Percentage change in GDP 2 Inflation rate 3 Unemployment rate | 1 2022: -5.2% 2 2022: 218% 3 2022: 29.6% By sex: 28.4% males, 32.7% females. By age: Youth 16-24: 47.8%, Adults 25+: 25.6%, | 1 +2% 2 25% 3 15% | 1 National Statistics 2 World Bank 3 ILO | <i>Not applicable</i> |
| Outcome 1 | 1 The capacity of public institutions to implement reforms, with enhanced governance, accountability, transparency and inclusiveness is strengthened | 1.1 Percentage of structural reforms IMF benchmarked achieved within planned timelines 1.2 Government Effectiveness Index 1.3 Quality of budgetary and financial management rating | 1.1 TBD at inception stage 1.2 2021: -1.29 (-2.5 weak; 2.5 strong) 1.3 2021: Low=1 (6=High) | 1.1 75% 1.2 +1 1.3 Moderate=3 | 1.1 IMF 1.2 WB 1.3 WB | Political will and commitment to reforms E-readiness of public institutions |
| Output 1 related to Outcome 1 | 1.1 Technical and analytical capacity, environment and gender sensitive knowledge and skills are enhanced among public officials. | 1.1.1 Number of capacity-building programmes implemented for public institutions involved in the reform process 1.1.2 Number of civil servants trained in technical and analytical skills | 1.1.1 TBD at inception stage 1.1.2 TBD at inception stage 1.1.3 TBD at inception stage 1.1.4 TBD at inception stage | 1.1.1 10 (at least 5 for public administration, 3 for oversight bodies and 2 for SOEs) 1.1.2 at least 1000 (>50% females). 1.1.3 at least one yearly report for | 1.1.1 Report EU-funded intervention 1.1.2 Report EU-funded intervention 1.1.3 Report EU-funded intervention | Willingness and motivation of civil servants to participate in trainings and capacity- |

| | | | | | | |
|--|---|--|--|--|--|--|
| | | <p>disaggregated by sex, age and professional grade</p> <p>1.1.3 Number of audit and management report published in line with International Public Sector Accounting Standards</p> <p>1.1.4 Percentage of public institutions with gender-responsive budgeting practices</p> | | <p>each public institution published online</p> <p>1.1.4 50%</p> | <p>1.1.4 Annual reports submitted by public institutions</p> | <p>building initiatives.</p> |
| <p>Output 2 related to Outcomes 1</p> | <p>1.2 The modernisation of legal framework of public institution is sustained with stronger governance, accountability, transparency, sustainability and inclusiveness</p> | <p>1.2.1 Number of new or reviewed and updated/amended legislations in line with IMF programme</p> <p>1.2.2 Number of public institutions that have adopted and implemented governance and transparency measures</p> <p>1.2.3 Level of inclusiveness, participation and access to the budget</p> <p>1.2.4 Number of policies adopted or revised that incorporate environmental and social safeguards</p> | <p>1.2.1 TBD at inception stage</p> <p>1.2.2 Corruption Perception Index (CPI) score (24/100) and rank (150/180) for 2022</p> <p>1.2.3 No Citizen Budget for FY 2022</p> <p>1.2.3 TBD at inception stage</p> | <p>1.2.1 at least 5 updated/amended legislations</p> <p>1.2.2 CPI score of at least 30 corresponding to a rank above 120</p> <p>1.2.3 2024 CB for FY 2023, explaining (i) expenditure and revenue totals; (ii) sources of deficit financing, (iii) main budget policy initiatives, and (iv) key macroeconomic forecasts</p> <p>1.2.4 at least 5 updated/amended policies</p> | <p>1.2.1 Official Gazette; EU monitoring reports</p> <p>1.2.2 Transparency International</p> <p>1.2.3 Institute of Finances</p> <p>1.2.4 EU monitoring reports</p> | <p>Parliament is able to legislate</p> |

| | | | | | | |
|--|---|--|--|---|---|---|
| Output 3 related to Outcome 1 | 1.3 Enhanced operational capacity of public institutions with systems and processes that are more integrated, digital, and effective, in line with international standards. | 1.3.1 Attendance rate (percentage of days present at work)disaggregated by sex, age and professional grade 1.3.2 Percentage of operational e-government platforms 1.3.3 Public services utilities fees incorporating the polluter-pays principle | 1.3.1 40% of staff work 1 day a week 1.3.2 TBD at inception stage 1.3.3 No | 1.3.1 80% of staff work 5 days a week 1.3.2 80% 1.3.3 Yes | 1.3.1 Report EU-funded intervention 1.3.2 Report EU-funded intervention 1.3.3 Report EU-funded intervention | Effective cooperation and coordination between public institutions. |
|--|---|--|--|---|---|---|

4. IMPLEMENTATION ARRANGEMENTS

In order to implement this action, it is envisaged to conclude a financing agreement with the Government of Lebanon.

4.1. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in Section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer in duly justified cases.

4.2. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁴.

4.2.1. Direct Management (Grants)

4.2.1.1 Twinning grants

a) Purpose of the grants

Twining grants will contribute to achieve Outputs 1.1 and 1.2.

b) Types of applicants targeted

Applicants must be EU Member State administrations or their mandated bodies.

4.2.2. Indirect Management with a pillar-assessed entity

4.2.2.1. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar assessed entity, which will be selected by the Commission's services using the following criteria:

- sound track record of successfully implementing programmes for structural reforms in a similar context (and amounts) to Lebanon.
- sound track record of supporting public institutions capacity development in a post-crisis context similar to Lebanon.

⁴ [EU Sanctions Map](#). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- neutrality and capacity to work with governmental and non-governmental actors in all areas of Lebanon.

The implementation by this entity entails carrying out activities aiming at achieving Outputs 1.1 and 1.2.

4.2.2.2. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar-assessed entity which will be selected by the Commission's services using the following criteria:

- Sound track record of procuring goods and services in line with international standards
- sound track record of successfully mobilising experts in a similar context to Lebanon.
- sound knowledge of the country challenges and the close relationship with key stakeholders (public institutions and policymakers).
- neutrality and capacity to work with governmental and actors in all areas of Lebanon.

The implementation by this entity entails carrying out activities aiming at achieving Output 1.3.

4.2.3. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under indirect management as defined in sections 4.2.2.1 and 4.2.2.2 cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation of procurement under direct management would be used.

If the implementation modality under direct management as defined in section 4.2.1 cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by indirect management with a pillar-assessed entity would be used according to section 4.2.2.1.

4.3. Indicative Budget

| Indicative Budget components | EU contribution (amount in EUR) |
|--|------------------------------------|
| Implementation modalities – cf. section 4.2 | |
| Outcome 1 Improved capacity of public institutions to implement reforms composed of | |
| Indirect management with pillar-assessed entity – cf. section 4.2.2.1 | 8 000 000 |
| Indirect management with pillar-assessed entity(ies) – cf. section 4.2.2.2 | 7 700 000 |
| Twinning grants – cf. section 4.2.1 | 4 000 000 |
| Evaluation – cf. section 5.2 Audit – cf. section 5.3 | 300 000 |
| Strategic communication and Public diplomacy – cf. section 6 | N.A. |

| | |
|----------------------|-------------------|
| Contingencies | N.A. |
| Total | 20 000 000 |

4.4. Organisational Set-up and Responsibilities

A programme steering committee (PSC), including representatives from the Ministry of Finance, the Central Bank, oversight bodies, IMF resident representative and Civil Society shall be set to oversee and validate the overall direction and policy of the programme activities and ensure overall coherency. The PSC shall meet minimum twice a year.

The implementing partners will assist the PSC by fulfilling a technical secretariat functioning jointly and ensuring an active and meaningful participation of right holders as applicable (i.e. representatives of the relevant Ministries, beneficiaries, public and private sector organisations...) in each of the programme activities and in the decision making.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

4.5. Pre-conditions

An Extended Fund Facility programme is approved by the IMF Executive Board and put in place by the Lebanese authorities within 2 years from the signature of the Financing Agreement.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

- Implementing partners will be requested to identify clear baselines setting and targets and specify whether additional surveys are needed in case data are not yet available and/or should be refined during the inception phase. If needed, additional survey can be funded at contract level and budget lines to this aim to be clearly identified in the contract.
- Implementing partners will set in place a robust system to monitor the impact of the actions (in terms of personnel trained, laws drafted, audits reports published...)

- Collection of data will be the responsibility of the implementing partners and baselines data must be available at the latest at the end of the inception phase while results data must be collected on time for the submission of the final report.
- Analysis of sex-disaggregated data will be done whenever relevant and possible.
- Implementing partners will be requested to identify yearly milestones/targets to ensure a proper monitoring of the achievements at the time of the submission of the annual report. Grants contracts (or relevant agreements with final beneficiaries) logical framework will be developed based on the logical framework for each of the Outcomes to promote coherent data collection and reporting.
- To promote the measurement of the impact of the action, the programme will make use of and possible participate in surveys done by others (i.e. national authorities or other donors).
- Peer review mechanisms will be favoured, alongside with the engagement of relevant national stakeholders in order to promote stronger national M&E capacities.

5.2. Evaluation

Having regard to the importance of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving and learning purposes, in particular with respect to the overall strategic approach to the EU in Lebanon in supporting economic reforms.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least one calendar month in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement

as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [Communicating and raising EU visibility: Guidance for external actions](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

Any actions related to communication and visibility will be coordinated with the strategic communication actions of the EU Delegation, to ensure coherence of narrative and message, as well as horizontal strategic communication.