



EN

ANNEX

Multi-Annual Indicative Programme

European Union – Lebanon

2021-2027

DATE 2022

1. The overall lines of the EU international cooperation in the partner country

1.1. Basis for programming

The priorities for cooperation through financial assistance as proposed in this Multi-Annual Indicative Programme (MIP) for Lebanon are in line with the broader regional political priorities of our relations with the partners in the Southern Neighbourhood, in particular the “Joint Communication on a Renewed Partnership with the Southern Neighbourhood – A new Agenda for the Mediterranean¹” with the annexed Economic and Investment Plan (EIP) and related Council Conclusions², with joint commitments undertaken in the framework of the Union for the Mediterranean (UfM) by means of relevant Ministerial Declarations, with the work undertaken for the preparation of post-2020 bilateral Joint Documents (Partnership Priorities), with the EU-Lebanon Association Agreement³ and with the Commission priorities. The MIP priorities also aim to provide a long-term response to the impact of COVID-19.

Lebanon is enduring a severe and prolonged economic depression. In the face of colossal challenges, continuous policy inaction and the absence of a fully functioning executive authority to implement reforms threaten already dire socio-economic conditions and a fragile social peace. Prior to the Parliamentary elections in May 2022, the International Monetary Fund (IMF) reached Staff-Level Agreement on economic policies with the Lebanese authorities aim to “bring back confidence and put the economy back on a sustainable growth path, with stronger private sector activity and job creation⁴”. The outcome of the elections showed growing support for candidates representing civil society and demanding reforms, which increases the potential to implement the five key pillars of reform outlined in the IMF Staff-Level Agreement. As Partner, the EU has shown solidarity with Lebanon and the Lebanese people in the critical challenges linked to protracted crises, including the Syria crisis, socio-economic hardship, the COVID-19 pandemic as well as the impact of the Russia’s war of aggression against Ukraine on the country.

Moreover, in response to the Beirut Port explosion in August 2020, the EU jointly with the United Nations and World Bank, developed in close cooperation with the Government of Lebanon, Lebanese civil society and the international community, the “Reform, Recovery, and Reconstruction Framework - 3RF⁵”. Launched the same year, the 3RF distinguishes two tracks, “supporting the most vulnerable individuals, communities and businesses affected by the explosion”; and “reconstructing critical assets and services”. The 3RF highlights that support for reconstruction, i.e., investment priorities identified under track 2, should be conditional to satisfactory reform progress, mainly in the areas of macro-economic and monetary policies; of rule of law, of anti-corruption and in the banking and electricity sectors.

¹ JOINT(2021)2 final and SWD (2021) 23 final

² Council Conclusions 7931/21 approved by written procedure on 16/4/2021

³ Euro-Mediterranean Agreement establishing an Association between the European Community and its Member States, of the one part, and the Republic of Lebanon, of the other part (OJ L 143 30.5.2006, p. 2) and its Protocols (OJ L47 20.2.2015 p. 3, OJ L113 1.5.2015 p.3, OJ L162 27.6.2015 p.3, OJ L144 1.6.2016 p.3).

⁴ The reform program is based on five key pillars, i.e. (i) restructuring the financial sector to restore banks’ viability and their ability to efficiently allocate resources to support the recovery; (ii) implementing fiscal reforms that coupled with the proposed restructuring of external public debt will ensure debt sustainability and create space to invest in social spending, reconstruction and infrastructure; (iii) reforming state-owned enterprises, particularly in the energy sector, to provide quality services without draining public resources; (iv) strengthening governance, anti-corruption, and anti-money laundering/combating the financing of terrorism frameworks to enhance transparency and accountability; (v) establishing a credible and transparent monetary and exchange rate system.

⁵<https://www.worldbank.org/en/country/lebanon/publication/lebanon-reform-recovery-reconstruction-framework-3rf>

The EU and Lebanon have a long lasting partnership across a wide range of sectors and have been linked through an Association Agreement since 2006, which has been affected by the multiple crises in Lebanon. The partnership aims to promote Lebanon as a stable, democratic, politically open and economically strong country. In line with the European Neighbourhood Policy, the EU and Lebanon adopted the EU-Lebanon Partnership Priorities, and the EU-Lebanon Compact in 2016. The Partnership Priorities have been extended⁶ until adoption of renewed ones, upon which work is currently taking place, in light of the aforementioned Joint Communication and taking into consideration the new context of multiple crises in Lebanon and urgent need for reforms, relevant Council Conclusions, national strategies⁷, ongoing negotiations with the IMF, and Lebanon's commitments made at the 3RF.

In addition to bilateral cooperation, a dedicated programming document will cover issues of regional cooperation. This regional MIP will propose measures to mitigate the long-term impact of the COVID-19 and tap into opportunities for regional cooperation and integration. Regional cooperation also allows to address overarching themes where there is a comparative advantage to tackle them through a cross-border perspective (e.g. environmental issues and climate change); working in sensitive areas where regional cooperation constitutes the only possible or most efficient action (e.g. support to civil society and human rights); and testing innovative approaches prior to implementation at the country level.

A separate programming document for a multi-country Migration Programme for the Southern Neighbourhood covers relevant bilateral and regional cooperation actions, namely 1) Providing protection to forcibly displaced persons, including asylum seekers, refugees, Internally Displaced Persons, and other persons in need, including migrants in vulnerable situations; 2) Strengthening, asylum and migration governance and management, as well as preventing irregular migration; 3) Fostering return, readmission and sustainable reintegration, as well as 4) Supporting a comprehensive approach to legal migration and mobility.

The Syrian crisis will continue to have a major impact on Lebanon, which is hosting the largest number of refugees per capita worldwide. Measures to support the country in hosting Syrian refugees will continue to be funded as part of the overall EU response to the Syrian crisis in complementarity to the measures as proposed under this MIP. These funds constitute the commitments pledged by the EU at the respective Brussels conferences on the future of Syria and the Region, of which the last one took place on 10 May 2022, as well as commitments undertaken by the European Council in 2021. Funding provided under the Syrian Crisis Response to Lebanon will in particular cover access to essential services building on lessons learnt from the interventions of the EU Regional Trust Fund in Response to the Syrian Crisis (MADAD). Sectors to be covered under this funding include, in particular education, social assistance, health, livelihood and water/sanitation. Actions will aim to strengthen systems where possible beyond service delivery only and contribute to the humanitarian-development nexus.

Moreover, complementarity between the MIP and thematic programmes on human rights; civil society; peace, stability and conflict prevention; global challenges; education (Erasmus+) will be ensured. This MIP has been prepared in line with Regulation (EU) 2021/947 establishing

⁶ Decision No .../ 2021 of the EU-LEBANON Association Council agreeing on the extension of the validity of the EU-Lebanon Partnership Priorities, (UE-RL 3003/2021)

⁷ National Anti-Corruption Strategy 2018-2023, Public Procurement Reform Strategy 2022-2024, Strategic Plan for the Protection of Women and Children 2020-2026, Education Sector Plan "Building Lebanon's Human Capital through Resilient High Quality Public Education" 2021-2025, Lebanon Digital Transformation Strategy 2020-2030, National Water Sector Strategy Update – 2020, Lebanon's National Biodiversity Strategy and Action Plan 2016-2030, Lebanon Marine Protected Area Strategy.

NDICI and more particularly Article 12 that resulted in a conflict analysis screening to integrate a conflict-sensitive and gender-sensitive approach in all actions and programmes.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union⁸.

1.2. Status of joint programming

Regular meetings with Member States on cooperation take place in Beirut. The EU is in particular cooperating with Member States on joint programming and policy dialogue in the critical governance sector. Through the adoption of “Lebanon Human Rights and Democracy Country Strategy 2021-2024”, the EU and Member States agreed on “common tools for coordination, monitoring and advocacy efforts” around seven priorities for action⁹. That same year, a second strategic framework was developed to mainstream gender in the country. Through the “Lebanon Country Level Implementation Plan 2021-2025”, the EU and Member States seek “to accelerate progress towards gender equality and women’s and girls’ empowerment”. In 2020, alignment on policy ambition and programming was specifically reinforced within the framework of the “Lebanon Reform, Recovery and Reconstruction Framework - 3RF”, in the steering of which the EU and Member States as co-donors - together with World Bank and the UN - play an important role. Several EU Member States expressed their interest to develop Team Europe Initiatives in the education, social protection and water sectors, where dialogue and coordination with the EU already takes place.

1.3. Priority areas of the EU's cooperation with the partner country

In line with the priorities outlined in these documents, the MIP will contribute to **enhancing good governance and supporting reforms**, to **strengthening an inclusive and resilient economy** and to **promoting a green and sustainable recovery**. It will also contribute to a number of “**flagship**” initiatives formulated under the Economic and Investment Plan (EIP) annexed to the Joint Communication on A Renewed Partnership with the Southern Neighbourhood¹⁰.

The choice of these three priority areas is in line with the orientations of the Joint Communication “A Renewed Partnership in the Southern Neighbourhood”, with the “Reform, Recovery, and Reconstruction Framework - 3RF” and with the IMF Staff-Level Agreement. Lebanon is facing a dramatic contraction of its economy resulting in massive poverty, unemployment and emigration. Far-reaching economic and governance reforms are needed to address Lebanon’s multiple crisis and meet the aspirations of the Lebanese people. The MIP thus reflects a fine balance between the need to promote good governance and reforms in a secure environment, rebuild an inclusive and resilient economy tackling increasing levels of extreme poverty and social vulnerabilities, while ensuring a green and sustainable recovery phase. This choice is a result of intense consultations with the Government of Lebanon, Lebanese civil society and private sector organisations, EU Member States and Financing Institutions and international partners.

⁸ www.sanctionsmap.eu 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.

⁹ Inter alia, Right to justice and accountability; Freedom of expression, assembly and media; Enhancing democratic participation and representation; Women, children and LGBTI rights; Rights of refugees and migrants (including domestic workers).

¹⁰ JOIN (2021) 2 final and SWD (2021) 23 final

These priority areas are broad in scope and designed to work in synergy with one another. They aim first at **enhancing good governance and supporting the reform agenda**, through promoting the rule of law and enhancing security for all, supporting progress in key areas of public administration reform and reinforcing democratic institutions. Strengthening these areas is essential to ensure a sustainable functioning of the state capable of delivering on the Lebanese people's aspirations, delivering on much needed reforms and paving the way out of the crises.

The MIP will also contribute **to strengthening an inclusive and resilient economy** with the aim to enhance the resilience of Micro Small and Medium Size Enterprises (MSMEs), providing support to the critical food and agricultural sector also to address the consequences of the Russia's war of aggression against Ukraine and to strengthen systems to address extreme poverty, unemployment and social vulnerabilities. Support will be programmed in synergy with the Syria Crisis Response Funding and the Food Resilience Facility¹¹ adopted in 2022.

Promoting a green and sustainable recovery is equally important as it represents a chance in the current context of crisis to build back better the economy, protect the national wealth and reduce the exposure of Lebanese citizens to health hazards and natural disasters. The MIP will thus contribute to achieve the EU's climate target and biodiversity ambition, the 2030 Agenda for Sustainable Development as well as Lebanon's national climate pledge under Paris Agreement. Specifically, this priority will focus on energy security and green energy, furthering a circular economy and conservation of natural resources.

Gender equality and women's empowerment will be mainstreamed in the three priorities of the MIP based on the guidance provided by the "Strategic Plan for the Protection of Women and Children 2020-2027" and the "Lebanon Country Level Implementation Plan 2021-2025". Dedicated support will aim at increasing women's leadership and participation in political and public sphere; foster an enabling environment for better engagement of women in the workforce and enhancing key legislative reform and measures that protect women from all forms of violence. Moreover, specific attention will be paid to the needs of women throughout the various priority areas as proposed throughout the MIP, and in particular when it comes to education, training, economic recovery and job creation.

1.4. Justification and context

Lebanon is enduring a **severe and prolonged economic depression**. In 2020, the COVID-19 pandemic took its toll on the economic activity, especially on small businesses and the informal sector. Lebanon defaulted on its public debt, cutting its 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 on food, gasoline, medication were lifted abruptly. In 2022, the country might be facing a "bread crisis" as 80% of its wheat imports originate from Ukraine. At the end of 2021, the World Bank held the country's elite accountable for this severe and prolonged economic depression in its bi-annual Lebanese Economic Monitor, entitled "the Great Denial". The institution estimates that Lebanon's economy contracted by 10.5% in 2021, the highest contraction amongst 193 countries globally. This devastating contraction follows from a 21.4% contraction in 2020, reflecting the near complete destruction of an economy: at USD 4,649 the Gross Domestic Product (GDP) per capita is close to the one from the 2000's. Lebanon's inflation rate for 2021 is the third highest globally after Venezuela and Sudan. At 6.6% of GDP, the government revenue ratio is the third lowest globally, ahead only of Somalia and Yemen. Lebanon's gross debt stood at 171% of GDP in 2019 and is projected to reach 183% in 2021. Remittances

¹¹ https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

inflows from the diaspora remain at very high level shares of GDP (54% in 2021). In this difficult economical context, it should be noted that Lebanon is hosting around 1.5 million Syrian refugees¹² and 280,000 Palestine refugees, which have already been particularly vulnerable before the multiple crises.

Prospects for economic recovery are closely linked with the strict implementation of the IMF Staff-Level Agreement, in particular 1) the restructuring of the financial sector to restore banks' viability and their ability to finance private sector development; 2) reforming state-owned enterprises, particularly in the energy sector, to provide quality services without draining public resources; 3) establishing a credible and transparent monetary and exchange rate system, 4) fiscal policy and 5) anti-corruption measures. The Government is the biggest buyer and could contribute significantly to the early stage of the recovery phase: public procurement accounted for an average of 20% of central government expenditure and 6.5% of GDP. But the business environment remains flawed due to inadequate supply of infrastructure, high cost of electricity, corruption, inefficient government bureaucracy, policy instability and extremely limited access to financing.

Furthermore, Lebanon suffers from a deep governance deficit. Public administrations are marked by low quality and accessibility of public services, suffering from weak decision-making processes; absence of clear vision, lack of transparency and accountability leading to increased corruption and weakening the public service delivery. The judiciary continues to face integrity and independence challenges, as well as significant financial and human resource constraints (0.4% of the State's budget). Access to justice, especially for women and children, is compromised by the limited availability of legal aid and public defender programmes and high court costs. With the crisis, salaries of civil servants and judges have plummeted. Production of national statistics is largely insufficient, which is particularly problematic for assessing the current economic situation as well as the depth of poverty and its determinants; and subsequently elaborate cost-effective social assistance programmes and economic reforms. Human security at individual and community level is decreasing in in the current context of instability in the whole region compounded with the unprecedented economic crisis, with e.g. crimes and terrorist threats on the rise since 2019.

Lebanon is a service-based economy, with services constituting 87% of its GDP in 2020, industry 7%, and agriculture approximately 3%. Before the crises, in 2018, the country ranked first amongst Mediterranean countries for its productive capacities, but productive sectors contribute to only 16% of the GDP and 26% of the labour force. Micro, small and medium enterprises (MSMEs) are the backbone of the economy and have been hardly hit by the banking sector and electricity crises. MSMEs employees constitute around 91% of full-time employment, but 45% of these employees are multi-dimensionally poor. More than 5,000 formal businesses have been destroyed by the Beirut's explosion¹³. By the end of 2020¹⁴, the pandemic had reduced formal private sector sales by 45% compared with 2019, while employment among full-time employees in the formal private sector decreased by an average of 23% in key sectors. Only 16% of workers are women; in large firms, the female share of

¹² Of which almost 851,000 are registered with UNHCR as of mid-2022. Lebanon has not signed the 1951 UN Convention on Refugees although it has signed most other human rights treaties relevant to the protection of refugees.

¹³ The Building Beirut Businesses Back and Better (B5) Fund (2021-2024, USD 25 million) operated through the Lebanon Financing Facility (LFF) aims to support the recovery of 4,300 businesses and/or entrepreneurs and ensure the sustainability of eligible microfinance institutions. The European Union is the largest contributor to the LFF, a 5-year multi-donor trust fund established in December 2020 following the launch of the 3RF.

¹⁴ ESCWA, World Bank.

workers is only 10%. The crisis appears to have hit female employees relatively less than male employees¹⁵.

Despite its relatively small contribution to the overall economy, agriculture plays an important role, particularly in peripheral rural areas in terms of income generation and in helping local communities cope with the impacts of crises and shocks. The crisis could be an opportunity to further integrate agriculture and food industry value chains. Agricultural land occupies a staggering 65% of all land area. Irrigated agricultural land consumes 70% of Lebanon's water. Farming practices are generally inefficient and use excessive quantities of chemical inputs and water, contaminating soils and groundwater. Shifting to more sustainable farming practices is crucial in a country faced with increasing water shortages. Demand for sustainable agriculture and socially conscious products is increasing also against the background of the negative impacts of Russia's war against Ukraine. Organic farming is still very small but growing: in five years the total land area under organic farming doubled.

Climate change, environment pollution and degradation threaten Lebanon's natural resources and rich biodiversity and pose significant risks to its sustainable economic recovery and public health. Moreover, the dysfunctional power sector in Lebanon has been posing a significant burden on the national economy and people. Lebanon imports over 98% of primary energy into the country, exposing Lebanon to the full impacts of international oil price fluctuations. Moreover, it excessively relies on expensive and polluting fuel oil and diesel (for self-generation) for most of the power (i.e. electricity and heat) demand. Furthermore, in the last decade, the cost of environmental degradation increased by 1 point averaging 4.4% of the GDP; ambient air pollution and water-borne diseases being the main contributors. Terrestrial biodiversity is facing various threats, principally habitat loss and fragmentation, unsustainable exploitation of natural resources, pollution from waste dumping and discharge of untreated wastewater, deforestation and forest loss. The coastal zone is under increasing pressure from urban sprawl and privatisation of the maritime public domain for tourism, private use and waste landfilling. Additional stresses to marine ecosystems include erosion and sea-filling, marine litter and wastewater discharges.

1.5. Duration of the MIP and option for synchronisation

The current political, economic and social environment in Lebanon is extremely volatile, making the planning of development cooperation challenging. The MIP will have a duration of seven years (2021-2027). It will be subject to a mid-term review and possibly ad-hoc reviews, as needed. In particular, the conclusion of a programme with the International Monetary Fund would mark a fundamental shift in the willingness to implement key macro-economic, monetary and governance reforms and possibly necessitate a review of the MIP.

The existing EU-Lebanon Partnership Priorities have been extended on 15 November 2021 and frame the Multiannual Indicative Programme for Lebanon pursuant to Articles 19(1) and 14(3)(c) of the Regulation (EU) 2021/947. Once revised Partnership Priorities are adopted by the Association Council, the Multiannual Indicative Programme will be reviewed and amended as necessary in accordance with Article 16(3) of the Regulation (EU) 2021/947.

2. EU support per priority area and proposals of Team Europe Initiatives

2.1. PRIORITY 1: Enhancing good governance and supporting reforms (SDG 5, 10, 16) (DAC code 150, 740)

¹⁵ ESCWA, World Bank

In line with the Economic and Investment Plan's "Flagship 2- Human rights, the rule of law, and modern, effective administrations, governance and accountability", this priority aims at enhancing good governance and supporting reforms, through promoting the rule of law, reinforcing accountable, effective and democratic institutions and supporting progress in key areas of public administration reform.

2.1.1 Rule of law and security

It will be key for Lebanon to pursue deep, comprehensive and inclusive reforms strengthening the effectiveness, efficiency, transparency and independence of the judiciary in line with international standards as well as equal access to justice for all and accountability for all those responsible for unlawful acts, including in relation to the explosion of the Port of Beirut. A comprehensive and inclusive reform of the judicial system is important to achieve an accountable and independent system as well as to restore the checks and balances that would contribute to a fairer society for all. The adoption of the draft law on the independence of the judiciary could be a turning point if compliant with international standards¹⁶. The "right to justice and accountability" is one of the five key objectives of the "EU Human Rights and Democracy Country Strategy for Lebanon 2021-2024" calling in particular for "ensuring the independence of the judiciary, promoting accountability and access to justice, fight against corruption and impunity, fighting torture and inhumane conditions in detention centres, as well as operationalising the National Preventive Mechanism." The EU can also build on the achievements made in the area of juvenile justice. Since 2013, efforts to divert children from the adult criminal system allowed to significantly improve the safety of prosecuted and imprisoned boys and girls¹⁷. Support will address the immediate needs of the criminal justice system to ensure that justice continues to be delivered in a protected and decent environment. Sector-wide challenges will also be tackled, recognising the need for a deep and comprehensive reform of the justice system as a basis for the correct functioning and upholding of the rule of law and the respect of human rights. The EU and Lebanon will moreover strengthen judicial cooperation in civil matters by promoting accession to, and implementation of, the relevant international conventions and through engagement towards an international agreement on judicial cooperation in criminal matters with Eurojust.

Ensuring human security at individual and community level is a key priority in the current context. The instability in the whole region, compounded with an unprecedented economic crisis, is having a destabilising effect on the security situation in Lebanon. Petty and violent crimes are on the rise since 2019, as are terrorist threats. The management of land borders has improved recently, and now Lebanon intends to reinforce its maritime and air borders management to counter cross border crimes, including smuggling and trafficking. More and more Lebanese and non-Lebanese (mainly Syrian and Palestinian), are trying to flee the harsh conditions in Lebanon through the Mediterranean Sea and some deadly accidents prompted the authorities to request assistance in establishing a Search and Rescue area of intervention. Uncontrolled storage of hazardous chemical products and chemical warfare agents constitute a concrete threat to national stability. Additional assistance is necessary to support Lebanon's effort to address irregular migration, i.e. integrated border management and maritime sector governance, safety and security. The capacities of national institutions mandated for disaster

¹⁶ Under the impetus of the EU Delegation, the President of the Parliament and the Minister of Justice have sought the opinion of the Venice Commission.

¹⁷ The about 100 girls and boys under 18 imprisoned in the Roumieh prison, will be progressively transferred to the first juvenile detention centre built in Warwar with EU assistance (also in Beirut-Mount Lebanon).

preparedness proved to be an important asset in dealing with the COVID-19 pandemic and the Port of Beirut’s explosion and EU support will be expanded.

The strategic plans of the Lebanese Army Forces, the Internal Security Forces and the General Security remain mainly focussed on the provision of equipment and do not address key elements of inter-agency co-ordination and co-operation. Lebanon does not have a National Defence Strategy, which could greatly contribute to the safeguard of the country’s stability. Strategies on Prevention Violent Extremism, Integrated Border Management and Cybersecurity were recently adopted; a Chemical, Biological, Radiological and Nuclear Strategy was developed and a National Maritime Policy is being drafted. Lebanon has ratified some relevant international conventions¹⁸ that can inform the revision of the statutory counter terrorism and procedural law and the drafting of a national strategy.

Specific objectives related to the priority area, expected results per specific objective and indicators

| <i>Specific objective</i> | <i>Indicators</i> |
|--|--|
| Rule of law is enforced and human rights are protected | ▪ World Justice Project - Rule of Law Index |
| Human security at individual and community level is ensured | ▪ World Justice Project - Order and Security |
| <i>Expected results</i> | <i>Indicators</i> |
| Well-functioning of the criminal justice system (institutional, organisational and infrastructure) ensured | ▪ World Justice Project - Criminal investigation system effectiveness |
| Effectiveness, efficiency, transparency and independence of the judiciary improved | ▪ World Justice Project - Civil justice free of improper government influence |
| Access to legal aid, especially for the poor and vulnerable groups improved | ▪ Number of people who received public representation free of charge with EU support |
| Strengthened internal and external accountability of security sector actors | ▪ World Justice Project – Crime effectively controlled |
| Security sector is more inclusive, legitimate and security actors are respected and positively perceived | ▪ Percentage of population who express confidence in the security actors |
| Strengthened effectiveness in Disaster Prevention and Management | ▪ Number of directly affected people attributed to disasters, per 100,000 population |

2.1.2 Public administration reform

Strengthening State’s institutions, with a view to develop a culture of public accountability, is key to restore trust in the State. It requires an urgent yet steady implementation of public administration reform. In particular, one of the five pillars of the IMF Staff-Level Agreement aims to strengthen governance and anti-corruption mainly through civil service reform, the

¹⁸ International Convention for the suppression of the Financing of Terrorism (approved in August 2019), International Convention for the Suppression of Acts of Nuclear Terrorism (approved in 2006)

modernisation of public financial management, the implementation of the Public Procurement Law and the reinforcement of oversight bodies, in particular the Anti-Corruption Commission.

The implementation of the “Reform, Recovery and Reconstruction Framework - 3RF”, which also includes urgent reforms to reinforce the public administration, is an opportunity for the Lebanese civil society to advocate for the adoption of measures to fight corruption and engage in a profound reform of this administration. The implementation of specialised reform laws since 2018¹⁹, the approval of the “National Anti-Corruption Strategy 2020-2025” in 2020, the adoption of a new Public Procurement Law in 2021 and the nomination of the board members of the National Anti-Corruption Commission in 2022 are important steps in this reform process. The 2022 Parliamentary elections also showed growing support for candidates representing civil society and demanding reforms. This increases the potential to implement the five key pillars of reform outlined in the International Monetary Fund Staff-Level Agreement, which specifically refers to the work required to strengthen governance and fight corruption through “civil service reform, the modernisation of public financial management, the implementation of the Public Procurement Law and the reinforcement of oversight bodies, in particular the Anti-Corruption Commission”.

In order to maintain this momentum, it is essential to continue supporting national efforts in strengthening the institutions that play a major role in enhancing transparency and accountability. To this end, the National Anti-Corruption Strategy provides a comprehensive framework for public administrative reform, through seven strategic objectives, namely to 1) complete and activate specialised anti-corruption legislation, 2) safeguard integrity in public human resource management, 3) enhance integrity in public procurement, 4) strengthen the role of the justice system in anti-corruption, 5) strengthen the role of the oversight institutions in anti-corruption, 6) enhance public participation in promoting a culture of integrity, and 7) integrate corruption prevention measures at sectoral level.

The adoption of the long-awaited law on decentralisation could open new opportunities to reform the financing of local authorities, increase their contribution to local economic development and strengthen their role in the provision of public services.

Specific objectives related to the priority area, expected results per specific objective and indicators

| <i>Specific objectives</i> | <i>Indicators</i> |
|--|---|
| To support progress in key areas of public administrative reforms | <ul style="list-style-type: none"> ▪ Corruption Perceptions Index |
| <i>Expected results</i> | <i>Indicators</i> |
| Integrity of the public administration safeguarded, mainly in the area of public human resources management | <ul style="list-style-type: none"> ▪ Transparent promotion and recruitment system adopted |
| Transparency in public administration systems, mainly in the area of public procurement at central and local level and access to public information enhanced | <ul style="list-style-type: none"> ▪ Number of procurement transactions launched through the platform |
| Accountability of the administration by reinforcing the role of oversight bodies in | <ul style="list-style-type: none"> ▪ Number of anticorruption policies (incl. preventive/repressive measures) i) |

¹⁹ Access to Information Law (2017); Law on e-Transactions and Personal Data adopted (2018); Whistle-Blower Protection Law (2018), and Law on Enhancing Transparency in the Petroleum Sector (2018).

| | |
|---|--|
| fighting and preventing corruption strengthened | adopted and/or ii) implemented with EU support |
|---|--|

2.1.3 Democracy, Gender Equality and Gender Empowerment

Furthermore, timely transparent and inclusive elections according to the law and further reform of the electoral framework are essential, alongside measures to ensure a responsive and accountable administration. This is also a key objective of the “EU Human Rights and Democracy Country Strategy for Lebanon 2021-2024”, which names “enhancing democratic participation and representation, including through achieving timely elections, enhancing the mandate of the supervisory body, improving regulation of financial campaign funding, and enhancing the political participation of women, youth and persons with disabilities.” The EU Election Observation Mission (EOM) on the Parliamentary elections in 2022 concluded the existing legal framework constitutes an overall adequate basis for holding democratic elections, although important reforms are needed to address enduring and serious legislative gaps in various fields which fall short of the relevant international commitments to which Lebanon adheres. These include campaign finance regulations, principle of equality between men and women, the right of certain categories of citizens to vote, the powers and functioning of the Supervisory Commission for Elections, counting procedures for the out of country ballots, media and social media legal provisions. The critical issues identified by the EOM require profound amendments to the legislative framework, including the Constitution, the electoral law and the bank secrecy law. Policy dialogue should be pursued and assistance tailored to the ambitions expressed by Lebanese counterparts.

Despite the fact that Lebanese women enjoy equal political and civil rights before the law with men, they face discrimination and inequality preventing them from engaging across the political, public and economic sphere and being protected from violence. Enhancing gender equality in Lebanon will contribute to improving human rights, as well as well-being, economic growth, prosperity, good governance, peace and security. The “Lebanon Country-Level Implementation Plan 2021-2025” translates the “EU Gender Action Plan III” into priorities and actions for Lebanon using “rights based” and “leave no one behind” approach. Through this plan, the EU and its Member States will pool resources and efforts, “through dialogues, activities and programmes, in three thematic areas of engagement, namely 1) Ensuring freedom from all forms of gender-based violence, 2) Promoting economic and social rights and the empowerment of women, and 3) Enhancing women’s participation and leadership in politics and public life”.

Specific objectives related to the priority area, expected results per specific objective and indicator

| <i>Specific objective</i> | <i>Indicators</i> |
|--|--|
| To strengthen and promote democracy and inclusive democratic processes | ▪ Economic Intelligence Unit - Democracy Index |
| To promote advancement and empowerment of women | ▪ Gender Development Index (GDI) |
| <i>Expected results</i> | <i>Indicators</i> |
| Improved inclusiveness of democratic process | ▪ Number of EU EOM recommendations implemented |

| | |
|--|--|
| Key legislative reform and measures that protect women from all forms of violence enhanced | ▪ Number of relevant gender-sensitive laws |
|--|--|

2.1.4 Possible use of blending and guarantees for investment under EFSD+

Under this priority, the use of blending or guarantees under EFSD+ is not envisaged.

2.2. PRIORITY 2: Strengthening an inclusive and resilient economy (SDG 3, 4, 8, 9, 10, 16) (DAC code 110, 120, 160, 220, 310, 320)

In line with “Flagship 3- Resilient economies”, “Flagship 7- Digital transformation, research and innovation” and “Flagship 12- Sustainable food systems, agriculture, and rural development”, this priority intends to strengthen the resilience of the Lebanese economy in general and specifically the agriculture and food sector and the digital economy.

2.2.1 Resilient Micro, Small and Medium Enterprises

In the absence of a policy framework promoting a business friendly environment, there is an urgent need to strengthen the resilience of MSMEs by increasing their competitiveness within selected economic sectors with potential to grow sustainably and create employment that can help pave the way out of the current crisis. Action is required to support sectors of the economy that contribute to employment and remain attractive career sector for youth. Innovation is a key driver of productivity and growth, which, in turn, are the ultimate engine of economic development. Lebanon is still home to much talent and entrepreneurship despite the crises, and has been ranking well on several international indices in this context²⁰. EU support intends to stimulate a culture of collaboration around innovation through three main objectives, namely 1) increasing the competitiveness of SMEs within specific sectors, such as the ICT/creative industries and the pharmaceutical industry; 2) developing innovative market-oriented solutions that enhance companies’ growth and expansion, locally and internationally; and 3) stimulating the innovation ecosystem in Lebanon in a more systemic way.

The digitalisation of start-ups/MSMEs presents a potential for the transition into the direction of a digital economy in Lebanon. With COVID-19 having forced consumers to make their purchases online and promoting the adoption of e-commerce, there is an incentive for small businesses to ‘go online’. Moreover, opportunities exist to reinvigorate the e-government strategy and promote digital literacy as well as to contribute to the digitalisation in the education and the higher education sectors. The digital economy could generate up to 125,000 jobs and constitutes in the short term one of the few avenue to limit brain drain amongst new graduates and young talents. Its GDP share (5.6%) could increase and attract foreign direct investment.

Specific objectives related to the priority area, expected results per specific objective and indicators

| <i>Specific objective</i> | <i>Indicators</i> |
|--|---|
| Increased competitiveness of MSMEs within selected key economic sectors with innovation potential as key vector for sustainable growth | ▪ Number of firms that report an increase of income as a result of EU support |

²⁰ Indices include the Global Entrepreneurship Monitor; Global Talent Competitiveness Index; Global Innovation Index

| Job creation in the ICT sector | <ul style="list-style-type: none"> ▪ Number of jobs supported/sustained by the EU in the ICT sector |
|---|--|
| <i>Expected results</i> | <i>Indicators</i> |
| Sustainable innovative products, systems and processed are adopted and developed by MSMEs | <ul style="list-style-type: none"> ▪ Number of businesses supported by the EU introducing a new product/service to the market |
| Increase access to local or international markets of selected MSMEs | <ul style="list-style-type: none"> ▪ Number of firms supported by the EU that meet standards and technical requirements for exports |
| Increased digital transformation in the public and private sector | <ul style="list-style-type: none"> ▪ Number of countries supported by the EU to a) develop and/or revise, b) implement digital-related policies/strategies/laws/regulations |

2.2.2 Supporting the food and agriculture sector

The food industry continues to be of vital importance to the economy²¹ and is more than ever critical for the country's national food security also in the context of the Russian war against Ukraine. The agriculture sector is the third employer (11%). By 2035, the agriculture sector could generate up to 215,000 direct jobs and agricultural exports be multiplied by four. Building on the European Green Deal²², support will therefore be stepped up in the food and agriculture sector, adapting the Farm-to-Fork approach²³. The development, adoption and scale-up of technology and innovation promoting a more sustainable and climate resilient agriculture and resource-efficient agri-food industry should contribute to the transition to more sustainable food systems. The sector can have an economy-wide multiplier effect as it stimulates other economic sectors, including input supplies, transport, food processing, logistics and financial services. The agriculture population is ageing and therefore strengthening the quality and access to Technical and Vocational Education Training in this sector, but also in the food industry, are required to attract youth. The digitalisation of the agri-food sector could also create a new momentum for economic development by supporting the transition toward a more competitive, commercially oriented, and export-oriented agriculture and agri-business sector²⁴.

In the agriculture sector, support will aim at increasing the application of learning, innovation and improved technologies. Actors along agri-food value chains (i.e. farmers, MSMEs involved in food processing, distribution, input provision, etc.) as well as knowledge providers (researchers, research institutions, academia) from Lebanon and the EU, will be technically supported and financially incentivised to establish collaborative arrangements to pilot sustainable approaches. Local production of sustainable agricultural inputs and local drought-resistant varieties will be promoted. Specialised technical support will be provided to farmers, the training of technicians specialised in sustainable farming practices will be enhanced, including by supporting curriculum reviews and/or the creation of new specialised courses in Agricultural Technical Schools. Certification and market quality compliance will be promoted

²¹ In 2019, food and beverages constituted almost 30% of the total Manufacturing Value Added and was the largest sector. Followed by non-metallic mineral products, electric machinery and apparatus, and furniture.

²² COM(2019) 640 final

²³ COM(2020) 381 final

²⁴ *Digital Revitalization of the Agri-food Sector in Mashreq – Iraq, Jordan and Lebanon*, World Bank and American University of Beirut, 2021.

along the value chain and technical assistance made available to enhance market access and internationalisation.

In the food industry sector, support will aim at supporting MSMEs in being more resource-efficient and adopt circular economy approaches in their value chains. Among the many challenges companies are facing is the need to overcome limited fuel supplies and interruptions in the supply chain. Therefore, the possibility to save production costs through resource efficiency and cleaner production, to find alternative sources of energy and to engage in new circular business opportunities can make a significant difference to companies’ survival.

Specific objectives related to the priority area, expected results per specific objective and indicators

| <i>Specific objective</i> | <i>Indicators</i> |
|---|--|
| Job creation in the agriculture and agri-food sectors | ▪ Number of jobs supported/sustained by the EU in the agriculture and agri-food sectors, disaggregated for green jobs |
| <i>Expected results</i> | <i>Indicators</i> |
| Increased application of learning, innovation and improved technologies | ▪ Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land |
| Reduced environmental and climate footprint of food systems | ▪ Proportion of agricultural area under productive and sustainable agriculture with EU support (SDG 2.4.1) |

2.2.3 Strengthening systems to deliver essential services

Essential services remain crucial in the context of multiple crises and increase of vulnerabilities among the population. The complementary response of the EU to the presence of Syrian refugees in Lebanon will continue to focus on the delivery of essential services (i.e. education, primary health care, social protection, water and wastewater, waste management) to Lebanese host communities, Syrian refugees and Palestine refugees from Syria as well as the provision of assistance, through cash assistance and livelihoods support to ensure decent standard of living to the whole population. The protracted nature of the Syria crisis requires a multi-pronged approach that ensures on one hand synergies between humanitarian aid and development assistance and on the other hand a progressive transfer of capacities (both organisational and financial) from international implementing partners (United Nations and international NGOs) to Lebanese public institutions, NGOs and community based-organisations to strengthen systems. To respond to the crisis of the Lebanese public administration, contracting out policies to the private sector or NGOs should be assessed (primary healthcare, primary education, social services) and subsequently the role of the State be revisited. This process should take place within the framework of national policies developed with the participation of relevant Lebanese and international stakeholders. Such policies exist in the water and education sectors. The national health strategy and the national social protection strategy e.g. are planned to be adopted in 2022.

Priority under this MIP will therefore be given to strengthening national systems for delivering essential services (i.e. primary education, social assistance, primary health care, water supply, waste water treatment), including through decentralised systems and digitalisation wherever

relevant. Assistance will aim at supporting the Ministry of Education and Higher Education, of Public Health and of Social Affairs in implementing existing (i.e. primary education) and forthcoming national policies (i.e. health, social protection). Policy dialogue will be conducted in parallel with the aim of increasing the fiscal space required for delivering quality and affordable services.

Specific objectives related to the priority area, expected results per specific objective and indicators

| <i>Specific objective</i> | <i>Indicators</i> |
|--|--|
| Improved literacy, numeracy, qualifications and wellbeing of the targeted population. | <ul style="list-style-type: none"> ▪ Trends in International Mathematics and Science Study (TIMSS) ▪ Programme for International Student Assessment (PISA) |
| Secured access to water and wastewater services around the country and protection of national water resource | <ul style="list-style-type: none"> ▪ Quantity of water distributed per capita per day |
| Increased Universal Health Coverage | <ul style="list-style-type: none"> ▪ Universal Health Coverage Index |
| An inclusive social protection system is built | <ul style="list-style-type: none"> ▪ Proportion of extreme poor covered by social safety nets |
| <i>Expected results</i> | <i>Indicators</i> |
| More efficient and effective education system, better prepared to contingencies | <ul style="list-style-type: none"> ▪ Total public expenditure on education as percentage of GDP |
| Improved reliability of public water services (water and wastewater) | <ul style="list-style-type: none"> ▪ % of subscription and % payment to water and wastewater services |
| Ministry of Health owns a strategy for funding and/or partially recovering the costs of provided services | <ul style="list-style-type: none"> ▪ Total public expenditure on health as percentage of GDP |
| The legal and policy framework and the fiscal space for social protection are in place | <ul style="list-style-type: none"> ▪ Total public expenditure on social safety nets as percentage of GDP |

2.2.4 Possible use of blending and guarantees for investment under EFSD+

Given the ongoing massive financial crisis, there are no possibilities for using blending and guarantees for investing in large-scale economic development programmes. If conditions allow, EFSD+ could be used to address infrastructural challenges (i.e. international connectivity, domestic backbone, fiber optic network infrastructure) and start-ups/MSMEs financing gaps (private equity, commercial loans) required to scale-up the digital transformation of the economy and finance the promotion of sustainable and climate resilient agriculture (microfinance, commercial loans). Wherever possible, the interventions will contribute to the implementation of the EU’s Global Gateway Strategy.

The water sector, including wastewater treatment, would also be a natural candidate for the instrument, as infrastructure needs remain important. The wastewater network (excluding industrial) coverage reaches only 60% and treatment only 8%.

Building back better the Port of Beirut could attract clusters of economic and industrial activity through improved connectivity to the rest of the world. Before reconstruction can be envisaged

with EU support however, the regulatory system related to ports' governance and customs must be overhauled to address sustainability, efficiency, transparency and security issues. Furthermore, another possibility to strengthen the industrial sector could be targeted support for industrial parks and special economic zones, subject to the authorities' capacity to deliver a workable, transparent and investor-friendly regulatory environment; private sector readiness to invest in the creation of sustainable employment opportunities; broaden the tax base and tackle informality. In the area of health, education, water and social services, the EFSD+ could be mobilised to support the upgrade and extension of infrastructures of the sector through blending to reduce the burden on Lebanon and guarantees to mitigate the risk for private investors.

2.3. PRIORITY 3: Promoting a green and sustainable recovery (SDGs 6, 7, 12, 13, 15) (DAC codes 140, 230, 410)

In line with the Economic and Investment Plan's "Flagship 10 – Energy transition and energy security" the transition from fossil fuel towards clean energy and enhance energy security will be key a key determinant of Lebanon's recovery and essential to meet its commitments under the Paris Agreement. Moreover, the conservation of national resources included in "Flagship 11 - Resource efficiency and biodiversity" is essential for the pursuit of sustainable and inclusive socio-economic development for urban dwellers and to support rural communities mitigating climate change and address resource scarcity challenges.

Research and innovation play a key role in promoting green and sustainable recovery, and thus the actions identified in the context of the UfM Regional Platform for Research and Innovation roadmaps²⁵ will be considered.

2.3.1 Energy security and green energy

Supporting the energy sector remains of critical importance in Lebanon, as shown by the massive energy crisis. While transitioning to a greener energy remains the target, Lebanon and the EU will work together to improve the energy provision in the country and the essential reforms in the sector, in particular through stepping up investments in renewable energies and energy efficiency (REEE). A key pillar of the IMF Staff-Level Agreement pertains to the "reform of state-owned enterprises, particularly in the energy sector, to provide quality services without draining public resources". The sector has been suffering for decades from a financial deficit that required annual budget transfers of USD 1-2 billion to the national public utility Electricité du Liban (EDL), representing around 46% of the public debt. Yet power stations run on imported polluting fuel and rely on an outdated transmission and distribution system. Since mid-2021, EDL has only produced 2-3 hours of electricity per day, forcing households and businesses to increase their reliance on privately owned, expensive and polluting diesel generators. Regional electricity deals are yet to materialise given that funding is conditional on reforms that are not yet being implemented.

Until the reform is on track, EU's assistance will adopt a two-pronged approach, aiming at increasing the uptake of REEE measures in public buildings and MSMEs, thereby supporting Lebanon in achieving its Nationally Determined Contribution targets. In the public sector, support is urgently needed to increase access to affordable electricity and comprehensive energy management solutions (demand-side management, energy efficiency and small scale renewable systems), and eventually improve the provision of basic public services supported by the EU (education, justice, security sector, social development centres). Interventions will build on the experience and results achieved during the previous programming period, through bilateral and

²⁵ <https://ufmsecretariat.org/platform/ufm-regional-platform-on-research-and-innovation/>

regional programmes. EU assistance was critical in spearheading the implementation the Sustainable Energy Strategy of the Lebanese Armed Forces. The cost of energy, water supply, wastewater and waste treatment is becoming increasingly prohibitive for MSMEs and is a main cause of bankruptcy. Building on the results of previous EU programmes²⁶, the EU will continue to foster research, innovation and entrepreneurship in the REEE sectors through technology transfer, i.e. advancing existing and creating new value chains, assisting in the scale-ups of existing REEE companies and ensuring the sustainability of knowledge transfer.

Specific objectives related to the priority area, expected result per specific objective and indicators

| <i>Specific objective</i> | <i>Indicators</i> |
|---|---|
| Energy security and transition to energy and resource efficiency improved | ▪ Fossil fuel import (tons/year) avoided with EU support |
| <i>Expected results</i> | <i>Indicators</i> |
| Increased quality and access to sustainable energy solutions for public buildings | ▪ Renewable energy generation capacity installed (MW) in public buildings with EU support |
| Increased quality and access to sustainable energy solutions for MSMEs | ▪ Renewable energy generation capacity installed (MW) in MSMEs with EU support |

2.3.2 Circular economy

Supporting circular economy in the industrial sector in Lebanon, through investments, research and innovation, will reduce its environmental footprint and improve its competitiveness through sustainable consumption and production patterns. The current economic and financial crisis has pushed the Lebanese industrial sector to a critical situation. Since the COVID-19 pandemic, MSMEs are particularly affected, having to face simultaneously a sharp decrease in sales and a sharp increase in the costs of production (see 2.3.1). For companies relying on the import of raw materials, this is further compounded by the devaluation of the national currency. EU assistance will focus on the challenges and barriers that industries face to become more resource and energy efficient, non-polluting, and to produce goods that are responsibly managed throughout their life cycle, while also increasing productivity and enhancing access to international markets. In particular, financial and technical support will be provided to industrial enterprises, mostly along the food and beverages value chain, to increase resource efficiency and the adoption of circular economy approaches. Experience and results accumulated through regional projects²⁷ will be instrumental. The action demonstrated the economic and environmental benefits of applying resource efficiency in enterprises through the implementation of the Transfer of Environmentally Sound Technology (TEST) methodology in 10 industries of the Food and Beverage sector.

This “green” approach is one that leads to a reduction in the generation of waste and pollution, an increased compliance with environmental regulations, and where the value of products, materials and resources are maintained in the economy for as long as possible, while treating waste as a resource. Moving towards a resource efficient and circular economy requires large changes in society and has implications for all actors along the value chain of products and

²⁶ “Country Entrepreneurship for Distributed Renewables Opportunities - CEDRO V” and CLIMA-MED.
²⁷ SwitchMED I and II

services. The current crisis can present an opportunity to build back a better Lebanon via new and dynamic business models supported by enabling factors such as market pressure, innovation and cooperation. The Ministry of Industry has a leading role in making this transformation among industries, and will be a key partner.

Specific objectives related to the priority area, expected results per specific objective and indicators

| <i>Specific objective</i> | <i>Indicators</i> |
|---|---|
| Increased competitiveness of industry through new resource efficient and circular business models | ▪ Number of firms with economic gains as a result of cumulative improved energy efficiency / material efficiency/water efficiency |
| <i>Expected results</i> | <i>Indicators</i> |
| Adoption of TEST methodology in the food and beverage sector | ▪ Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support |
| Circular economy practices mainstreamed | ▪ Number of new technologies adopted |

2.3.3 Conservation of natural resources

The threats to Lebanon’s environment and ecosystems are numerous and dangerously increasing as a direct result of the socio-economic crisis. The conservation of natural resources is more than ever crucial for the future of the country and the well-being of its citizens. The Law on Protected Areas, the Lebanon Marine Protected Area Strategy (2012) and the National Biodiversity Strategy and Action Plan (2016-2030) provides a sound framework to achieve the national target to protect at least 20% of natural terrestrial and marine by 2030. 16 nature reserves and 2 marine reserves have been established (by law) during the past decade.

The conservation of natural resources is urgent in Lebanon. Research and innovation cooperation and partnerships can play a key role in these areas, by boosting the potential for an integrated and efficient sustainable management of natural resources, through a nexus approach applying the broader principle of Mediterranean Common Goods as reflected in the New Agenda for the Mediterranean. Work on climate resilience and adaptation, meaning investing in preventive measures and reinforcing cooperation on civil protection and disaster risk management should be enhanced, building on the Sendai framework and regional EU funded programmes such as Prevention, Preparedness and Response to Disasters. The EU has moreover set for the period 2021-2027 binding targets on climate change and biodiversity, to which this MIP would contribute. Given the limited budget allocated to the Ministry of Environment, the contribution of Lebanese NGOs – already very active - will be instrumental. The long-term expected outcomes are to establish new nature reserves and marine protected areas and support the resilience of existing ones. Support will focus on threatened species through research and conservation actions; maintaining and sustaining existing protected areas; increasing ecosystem restoration; improving communication, education and public awareness; strengthening the capacities of management committees.

Specific objectives related to the priority area, expected result per specific objective and indicators

| <i>Specific objective</i> | <i>Indicators</i> |
|--|--|
| By 2030, Lebanon’s biodiversity is valued and sustainably managed for the preservation and conservation of its ecosystems and habitat and the species they harbour ²⁸ | <ul style="list-style-type: none"> ▪ Environmental Performance Index |
| <i>Expected results</i> | <i>Indicators</i> |
| To contribute to the national target of protecting at least 20% of natural terrestrial and marine ecosystems | <ul style="list-style-type: none"> ▪ Areas of terrestrial and freshwater ecosystems under a) protection b) sustainable management with EU support (ha) ▪ Marine areas under a) protection b) sustainable management with EU support (km²) |

2.3.4 Possible use of blending and guarantees for investment under EFSD+

Given the ongoing massive financial crisis, there are no possibilities for using blending and guarantees for financing large-scale investments in this priority area either. If conditions allow, the EFSD+ could be used to upscale the uptake of renewable energy and energy efficiency measures in the residential and commercial sector (80% of electricity consumption). Other opportunities may arise via projects identified in the Nationally Determined Contributions (INDCs) and the National Adaptation Plans (NAPs), which can provide a route for a green and fair recovery and may be used for identifying further investment priorities. The full integration of environmental and climate considerations in the mobilisation of investment funds, EFSD+ guarantees and blending under the Neighbourhood Investment Platform, which would help to further mobilise private and public investments, would ensure that investments are climate-proof and environmental impacts are considered and mitigated. Wherever possible, the interventions will contribute to the implementation of the EU’s Global Gateway Strategy.

2.3.5 Proposal of country Team Europe Initiatives

The EU’s indicative contribution to TEIs is subject to confirmation of the Team Europe partners’ indicative meaningful contribution as early as possible. In the absence thereof, the EU’s indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives of the Commission to this effect, as per article 210 of the TFEU, always applies.

Team Europe Initiatives will be consolidated in the education and water sector, which are both funded primarily from the complementary Syria Crisis Response for Lebanon. In the education sector, several relevant actors already expressed interest in collaborating on the first outcome of the proposed intervention, i.e. equitable and inclusive access to education for all vulnerable children; proposing to shift from a nationality approach (education for refugees at the core) to a vulnerability approach (equitable access to education for all vulnerable children).

²⁸ Vision statement of the Lebanon National Biodiversity Strategy and Action Plan.

With complementary funding from the Syria Crisis Response - the “Flagship 11- Resource efficiency, including water and waste management, and biodiversity” will also be covered through the Team Europe Initiative “EU4Water”. Some Member States expressed interest in supporting the four water establishments in increasing efficiency in water demand management and improving non-revenue water reduction. The TEI will materialise only if conditions allow the resumption of infrastructure financing.

3. Support actions

3.1. Measures in favour of civil society

Meaningful engagement with Lebanese Civil Society Organisations (CSOs) along the lines of the Civil Society Roadmap 2021-2027 will be rolled out in all priority areas. In the area of justice, human rights and democratic participation, biodiversity protection as well as in the agriculture health and social protection sector Civil Society Organisations are direct service providers. Such engagement will involve consulting civil society on specific policies or programmes, ensuring their active participation and involvement in policy dialogue and/or implementation, and strengthening CSOs’ capacities through support interventions. In other areas of work, inter alia fight against corruption; public finance management and national statistics, CSOs will be key target groups. Analysing of their influence and interests shall be incorporated into programme design, especially with a view to reinforce their advocacy work.

Social cohesion of the Lebanese society needs to be strengthened and new ideas generated to withstand internal tension and external interference. Local processes and civil society initiatives, cultural operators and local government will be supported to foster dialogue and exchanges with a view to underpinning a new social contract and new thinking about national identity across confessions. Mainstreaming social cohesion is equally important at community level through inclusive and participatory approaches to develop consensus building among vulnerable groups, including women and youth into EU community-based development programmes.

In addition, in the context of the “Reform, Recovery and Reconstruction Framework - 3RF”, an innovative platform for civil society will be supported to shape and monitor the implementation of key reforms, ensure better service delivery, and enhance political accountability and transparency.

3.2. Cooperation facility

The cooperation facility will support specific technical assistance in sectors which are not part of the main priorities but still important for EU-Lebanon relations, including, where relevant, twinning projects to maximise the return on EU investment in reforms or strengthen the capacities of other Lebanese institutions, which are key for implementing the EU-Lebanon Partnership Priorities.

It could also support communication and visibility actions on EU cooperation and public diplomacy specific interventions to promote EU policies as well as its multilateral agenda in the partner country. Finally the facility will support policy dialogues, including sector dialogues leading to policy reforms, support to facilitate Joint Programming / TEIs coordination at country level, actions to support the participation of the country in EU Programmes and cooperation with EU Agencies.

4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders.

| | | |
|---|------------------------|-------------|
| Priority area 1: Good governance and reforms | EUR 53 million | 25% |
| Priority area 2: Inclusive and resilient economy | EUR 84 million | 40% |
| Priority area 3: Green and sustainable recovery | EUR 53 million | 25% |
| <i>Support actions</i> | | |
| – <i>In favour of civil society</i> | EUR 10.5 million | 5% |
| – <i>Cooperation facility</i> | EUR 10.5 million | 5% |
| TOTAL 2021-2024 | EUR 211 million | 100% |

Attachments

1. Intervention framework
2. Donor matrix

1. Attachment 1: Intervention framework

PRIORITY 1: Enhancing good governance and supporting reforms (SDG 5, 10, 16) (DAC code 150, 740)

| <i>Specific objective (I)</i> | <i>Indicators</i> |
|--|---|
| Rule of law is enforced and human rights are protected | <ul style="list-style-type: none"> ▪ World Justice Project - Rule of Law Index – Baseline (2021): 0.45 – Target: 0.49 |
| Human security at individual and community level is ensured | <ul style="list-style-type: none"> ▪ World Justice Project - Order and Security – Baseline: 0.64 – Target 0.72 |
| <i>Expected results</i> | <i>Indicators</i> |
| Well-functioning of the criminal justice system (institutional, organisational and infrastructure) ensured | <ul style="list-style-type: none"> ▪ World Justice Project - Criminal investigation system is effective – Baseline (2021): 0.47 – Target: 0.44 |
| Effectiveness, efficiency, transparency and independence of the judiciary improved | <ul style="list-style-type: none"> ▪ World Justice Project - Civil justice is free of improper government influence – Baseline (2021): 0.34 – Target: 0.46 |
| Access to legal aid, especially for the poor and vulnerable groups improved | <ul style="list-style-type: none"> ▪ Number of people who received public representation free of charge with EU support – Baseline: 0 – Target: tbd |
| Strengthened internal and external accountability of security sector actors | <ul style="list-style-type: none"> ▪ World Justice Project - Crime is effectively controlled – Baseline: 0.70 – Target: 0.76 |
| Security sector is more inclusive, legitimate and security actors are respected and positively perceived | <ul style="list-style-type: none"> ▪ Percentage of population who express confidence in the security actors – Baseline: tbd – Target: + 25% |
| Strengthened effectiveness in Disaster Prevention and Management | <ul style="list-style-type: none"> ▪ Number of directly affected people attributed to disasters, per 100,000 population²⁹ – Baseline: 2.59 – Target: LB report under validation |

²⁹ <https://sendaimonitor.undr.org/>

| <i>Specific objective (2)</i> | <i>Indicators</i> |
|--|--|
| To support progress in key areas of public administrative reforms | <ul style="list-style-type: none"> ▪ Corruption Perceptions Index – Baseline: 24/100 – Target: 28/100 |
| <i>Expected results</i> | <i>Indicators</i> |
| Integrity of the public administration safeguarded, mainly in the area of public human resources management | <ul style="list-style-type: none"> ▪ Transparent promotion and recruitment system adopted ▪ Baseline: 0 ▪ Target: 1 |
| Transparency in public administration systems, mainly in the area of public procurement at central and local level and access to public information enhanced | <ul style="list-style-type: none"> ▪ Number of procurement transactions launched through the platform ▪ Baseline: 0 ▪ Target: 100% |
| Accountability of the administration by reinforcing the role of oversight bodies in fighting and preventing corruption strengthened | <ul style="list-style-type: none"> ▪ Number of anticorruption policies (incl. preventive/repressive measures) i) adopted and/or ii) implemented with EU support ▪ Baseline: 2 ▪ Target: 3 |
| <i>Specific objective (3)</i> | <i>Indicators</i> |
| To strengthen and promote democracy and inclusive democratic processes | <ul style="list-style-type: none"> ▪ Economic Intelligence Unit - Democracy Index ▪ Baseline: 3.84 ▪ Target: > 4 |
| To promote advancement and empowerment of women | <ul style="list-style-type: none"> ▪ Gender Development Index (GDI) ▪ Baseline: 0.89 ▪ Target: No degradation. |
| <i>Expected results</i> | <i>Indicators</i> |
| Improved inclusiveness of democratic process | <ul style="list-style-type: none"> ▪ Number of EU EOM recommendations implemented – Baseline: 23 recommendations – Target: 25% of recommendations |
| Key legislative reform and measures that protect women from all forms of violence enhanced | <ul style="list-style-type: none"> ▪ Number of relevant gender-sensitive laws – Baseline: 0 – Target: 1 |

PRIORITY 2: Strengthening an inclusive and resilient economy (SDG 3, 4, 8, 9, 10, 16)
(DAC code 110, 120, 160, 220, 310, 320)

| <i>Specific objective (1)</i> | <i>Indicators</i> |
|---|--|
| Increased competitiveness of MSMEs within selected key economic sectors with innovation potential as key vector for sustainable growth | <ul style="list-style-type: none"> ▪ Number of firms that report an increase of income as a result of EU support – Baseline: 0 – Target: tbd |
| Job creation in the ICT sector | <ul style="list-style-type: none"> ▪ Number of jobs supported/sustained by the EU in the ICT sector – Baseline: 0 – Target: tbd |
| <i>Expected results</i> | <i>Indicators</i> |
| Sustainable innovative products, systems and processed are adopted and developed by MSMEs | <ul style="list-style-type: none"> ▪ Number of businesses supported by the EU introducing a new product/service to the market – Baseline: 0 – Target: tbd |
| Increase access to local or international markets of selected MSMEs | <ul style="list-style-type: none"> ▪ Number of firms supported by the EU that meet standards and technical requirements for exports – Baseline: 0 – Target: tbd |
| Increased digital transformation in the public and private sectors | <ul style="list-style-type: none"> ▪ Number of companies supported by the EU to a) develop and/or revise, b) implement digital-related policies / strategies / laws / regulations – Baseline: 0 – Target: 1 |
| <i>Specific objective (2)</i> | <i>Indicators</i> |
| Job creation in the agriculture and agri-food sectors | <ul style="list-style-type: none"> ▪ Number of jobs supported/sustained by the EU in the agriculture and agri-food sectors, disaggregated for green jobs – Baseline: 0 – Target: tbd |
| <i>Expected results</i> | <i>Indicators</i> |
| Increased application of learning, innovation and improved technologies | <ul style="list-style-type: none"> ▪ Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land – Baseline: 0 – Target: tbd |

| | |
|---|---|
| Reduced environmental and climate footprint of food systems | <ul style="list-style-type: none"> ▪ Proportion of agricultural area under productive and sustainable agriculture with EU support (SDG 2.4.1) – Baseline: 0 – Target: tbd |
| <i>Specific objective (3)</i> | <i>Indicators</i> |
| Improved literacy, numeracy, qualifications and wellbeing of the targeted population. | <ul style="list-style-type: none"> ▪ Trends in International Mathematics and Science Study (TIMSS) <ul style="list-style-type: none"> – Baseline: score of 429 (Mathematics 8th Grade) and score of 377 (science 8th Grade) – Target: same level post-COVID ▪ Programme for International Student Assessment (PISA) <ul style="list-style-type: none"> – Baseline: Reading Literacy: score of 353 (15 year old students) and Mathematics; score of 393 (15 year old students) – Target: same level post-COVID |
| Secured access to water and wastewater services around the country and protection of national water resource | <ul style="list-style-type: none"> ▪ Quantity of water available per capita per day <ul style="list-style-type: none"> – Baseline: n/a – Target: 120 l/cap/day |
| Increased Universal Health Coverage | <ul style="list-style-type: none"> ▪ Universal Health Coverage Index <ul style="list-style-type: none"> – Baseline: 72 – Target: 80 |
| An inclusive social protection system is built | <ul style="list-style-type: none"> ▪ Proportion of extreme poor covered by social safety net programme <ul style="list-style-type: none"> – Baseline: tbd in 2022. – Target: tbd |
| <i>Expected results</i> | <i>Indicators</i> |
| More efficient and effective education system, better prepared to contingencies | <ul style="list-style-type: none"> ▪ Total public expenditure on education as percentage of GDP <ul style="list-style-type: none"> – Baseline: 2.15% – Target: no decrease |
| Improved reliability of public water services (water and wastewater) | <ul style="list-style-type: none"> ▪ % of subscriptions to water and wastewater services <ul style="list-style-type: none"> – Baseline: 55% – Target: 70% ▪ % of payments to water and wastewater services <ul style="list-style-type: none"> – Baseline: 62% – Target: 80% |

| | |
|---|---|
| <p>Ministry of Public Health owns a strategy for funding the health sector and/or partially recovering the costs of provided services</p> | <ul style="list-style-type: none"> ▪ Total public expenditure on health as percentage of GDP – Baseline: 7.8% – Target: no decrease |
| <hr/> | |
| <p>The legal and policy framework and the fiscal space for social protection are in place</p> | <ul style="list-style-type: none"> ▪ Total public expenditure on social safety nets as percentage of GDP – Baseline: 13.8% – Target: 15% |

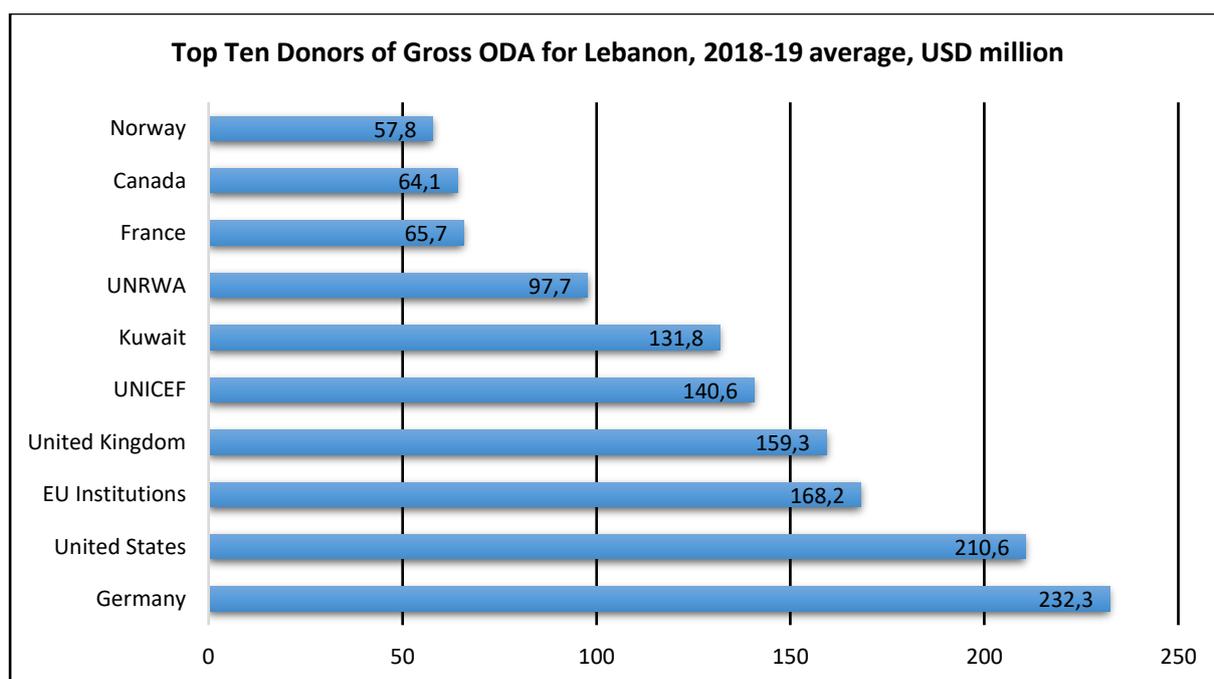
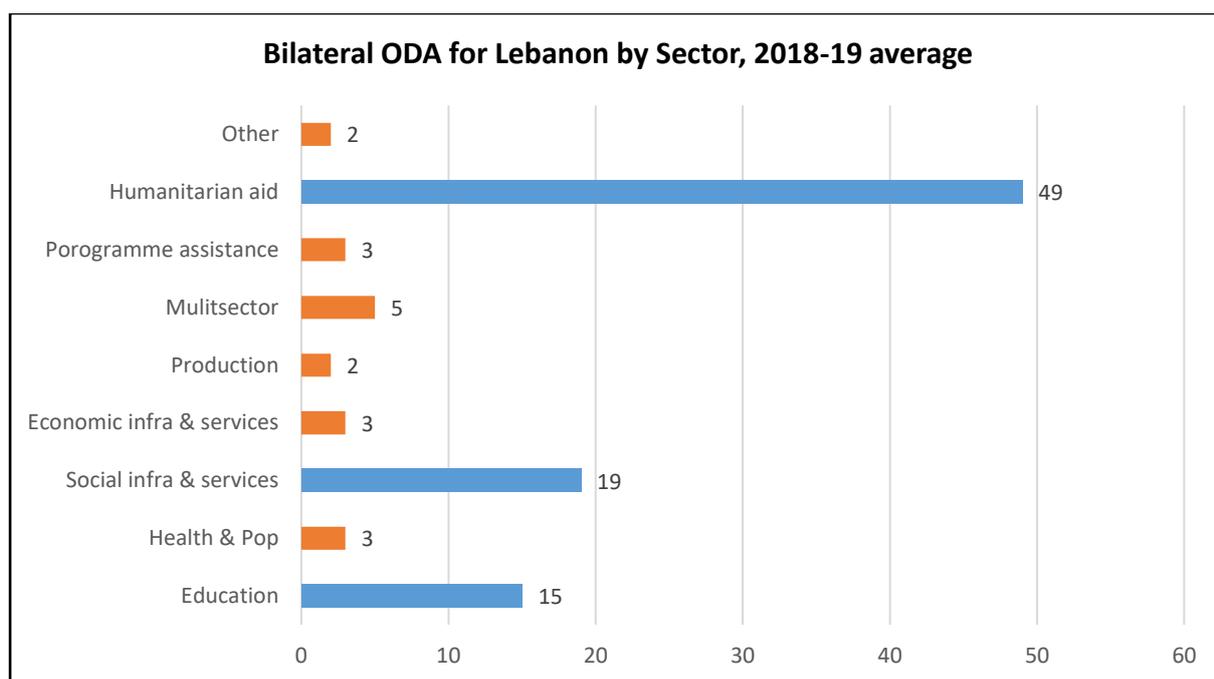
PRIORITY 3: Promoting a green and sustainable recovery (SDGs 6, 7, 12, 13, 15) (DAC codes 140, 230, 410)

| <i>Specific objective (1)</i> | <i>Indicators</i> |
|--|---|
| Energy security and transition to energy and resource efficiency improved | <ul style="list-style-type: none"> ▪ Fossil fuel import (tons/year) avoided with EU support – Baseline: tbd – Target: reduction by at least 4,900 tons |
| <i>Expected results</i> | <i>Indicators</i> |
| Increased quality and access to sustainable energy solutions for public buildings | <ul style="list-style-type: none"> ▪ Renewable energy generation capacity installed (MW) in public buildings with EU support – Baseline: tbd – Target: 4250 MWh per year RE generated |
| Increased quality and access to sustainable energy solutions for MSMEs | <ul style="list-style-type: none"> ▪ Renewable energy generation capacity installed (MW) in MSMEs with EU support – Baseline: tbd – Target: 4250 MWh per year RE generated |
| <i>Specific objective (2)</i> | <i>Indicators</i> |
| Increased competitiveness of industry through new resource efficient and circular business models | <ul style="list-style-type: none"> ▪ Number of firms with economic gains as a result of cumulative improved energy efficiency / material efficiency/water efficiency – Baseline: 0 – Target: Minimum of 35 MSMEs |
| <i>Expected results</i> | <i>Indicators</i> |
| Adoption of TEST methodology in the food and beverage sector | <ul style="list-style-type: none"> ▪ Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support – Baseline: 0 – Target: Minimum of 35 MSMEs |
| Circular economy practices mainstreamed | <ul style="list-style-type: none"> ▪ Number of new technologies adopted with EU support – Baseline: 0 – Target: Minimum of 35 MSMEs |

| <i>Specific objective (3)</i> | <i>Indicators</i> |
|--|---|
| By 2030, Lebanon’s biodiversity is valued and sustainably managed for the preservation and conservation of its ecosystems and habitat and the species they harbour³⁰ | <ul style="list-style-type: none"> ▪ Environmental Performance Index – Baseline: 32.2 – Target: 36 |
| <i>Expected results</i> | <i>Indicators</i> |
| To contribute to the national target of protecting at least 20% of natural terrestrial and marine ecosystems | <ul style="list-style-type: none"> ▪ Areas of terrestrial and freshwater ecosystems under a) protection b) sustainable management with EU support (ha) – Baseline: 0 – Target: 10% |
| – | <ul style="list-style-type: none"> ▪ Marine areas under a) protection b) sustainable management with EU support (km²) – Baseline: 0 – Target: 10% |

³⁰ Vision statement of the Lebanon National Biodiversity Strategy and Action Plan.

2. Attachment 2: Donor matrix (OECD data)



Receipts for Lebanon

| | 2017 | 2018 | 2019 |
|----------------------------------|---------|---------|---------|
| Net ODA (USD million) | 1,303.0 | 1,422.2 | 1,525.5 |
| Net ODA/GNI (%) | 2.5 | 2.6 | 2.9 |
| Gross ODA (USD million) | 1,451.2 | 1,579.8 | 1,674.9 |
| Bilateral share (gross ODA) (%) | 66.4 | 77.1 | 64.8 |
| Total net receipts (USD million) | 1,689.0 | 1,757.2 | 1,501.5 |