

Action Fiche for Lebanon

1. IDENTIFICATION

Title/Number	Stimulating sustainable growth and job opportunities in Lebanon (ENPI/2012/023-316)		
Total cost	EU contribution: EUR 12 million		
Aid Method / Method of implementation	Project Approach – direct centralised management		
DAC-code	25010	Sector	Business support and institutions

2. RATIONALE

2.1. Sector Context

Following the collapse of the National Unity Government in January 2011 Lebanon's new Government took office in mid-July 2011. The new Government quickly moved to a new political agenda with a policy statement which gained the Parliament's vote of confidence. Economic and social reforms, particularly in the electricity, telecommunications and social protection sectors, and fiscal management reforms top the agenda of the new Cabinet. The new Government's policy statement shows a political will to capitalise on Lebanon's human and financial potential. It aims to engage in a reform process by creating a more diversified, innovation-driven economy, capable of generating the high number of attractive jobs required to absorb sustained increases in skilled labour force. Currently the Lebanese economy fails to attract sufficiently the domestic labour force which has led to massive outflows of young graduates and the replacement of the local workforce by migrant workers deprived of the most fundamental rights.

These issues are fully captured in the Joint Communications of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy 'A partnership for democracy and shared prosperity with the Southern Mediterranean'¹ and 'A new response to a changing Neighbourhood'² as well as in the National Indicative Programme (NIP) (2011-2013)³ which foresee the improvement of the institutional policy framework and business support services designed to create innovation policies, develop human capital and stimulate growth and decent job opportunities (for instance through an Euro-Mediterranean Charter for Enterprise). So far, the Lebanese economic development has heavily relied on an unsustainable 'brown' economy model based on subsidised imported fossil energies to produce electricity, an inefficient use of its natural endowment, especially water, and a neglect of its environmental externalities. As a result, the cost of environmental degradation is high. A growing number of cars affect air quality while an unprecedented spread of unregulated solid waste dumping sites and disposal of sewage and industrial effluents into the sea heavily affect the Lebanese environment. The great challenge faced by

¹ COM(2011)200 of 8 March 2011.

² COM(2011)303 of 25 May 2011.

³ C(2010)1144 of 2 March 2010.

Lebanese economy today therefore is to integrate environmental sustainability with economic growth and welfare by decoupling environmental degradation from economic growth and doing more with less.

Mounting evidence as set out in the formulation mission report suggests that transitioning to a green economy would present major economic opportunities for Lebanon. A green economy is low-carbon, resource efficient, and socially inclusive. In a green economy, growth in income and employment are driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. The formulation mission report also examines how the green economy is currently being financed and explores the priorities and potential methods for increasing these investments. It makes the case for scaling up financing to help drive the transition and amplifying the financial sector's role as an agent of change to the green economy. The benefits that will arise from a greener Lebanese economy include new areas of economic growth and income generation, new jobs in emerging green sectors and increased sustainability of existing jobs, improved environmental quality and poverty alleviation. Investments in the green economy also reduce downside risks of adverse events associated with climate change, energy shocks, water scarcity and loss of ecosystem services all relevant issues for Lebanon. In addition, avoiding the costs of environmental degradation represents one of the key benefits to Lebanon from greening the economy.

2.2. Lessons learnt

The EU funded SWITCH programme implemented in Asia between 2007 and 2010 has some key lessons in relation to the means deployed to support the green economy and to ensure barriers to development are tackled. According to the experience drawn from the SWITCH programme (i) small and medium enterprises (SMEs) require the support of external agents to mainstream the implementation of clean technologies improvements in their businesses and (ii) in general, access to finance is a basic requirement for economic efficiency, productivity, and competitiveness in Asian countries.

2.3. Complementary actions

Complementarities with other actions are fully ensured in the framework of the present programme. This intervention will mainly complement the entire on-going EU funded Support to Reform programme which promotes institutional changes and direct support to the private sector:

- Integrated support to small and medium enterprises (2006-2011, EUR 16 million);
- Strengthening quality management, capabilities and infrastructures (2008-2014, EUR 14 million);
- Support to education reform (2010-2015, EUR 13,7 million);
- Support to trade, public finance management, governance, water, transport and energy (2009-2015, EUR 8 million).

It will also complement the three EU-funded environmental programmes on institutional strengthening and support to energy efficiency investments:

- Facility in support of small and medium enterprises energy efficiency investments (2008-2014, EUR 14,7 million);
- Towards clean energy technologies and innovative environmental solutions in Lebanon (2011-2014, EUR 1,8 million);
- Strengthening reforms and environmental governance (2011-2016, EUR 8 million).

Close collaboration with EU regional and thematic programmes, the European Investment Bank and other donor-related programmes will be sought at all stages and all levels of the programme.

Lastly, the programme is also fully in line with the Communication from the European Commission '*Rio+20: towards the green economy and better governance*'⁴ and the two intertwined themes of the initiatives '*a green economy in the context of sustainable development and poverty eradication*' and '*the institutional framework for sustainable development*'. Rio+20 can mark the start of an accelerated and profound, world-wide transition towards a green economy (i.e. an economy that generates growth, creates jobs and eradicates poverty by investing in and preserving the natural capital offers).

2.4. Donor co-ordination

The green economy is at an early stage of development in Lebanon. Given the cross sectoral nature of the green economy donor co-ordination offering the framework for donors to establish synergies and agree on a common approach towards the sector is required. There is an established Working Group on Environment providing a framework for donors hosted by the Ministry of Environment. In view of the commonalities between the green economy sector and environment the potential to extend the remit of the Working Group to the green economy should be assessed at an early stage in project implementation.

3. DESCRIPTION

3.1. Objectives

The *overall objective* of this programme is to support inclusive sustainable economic growth and decent job opportunities in Lebanon.

The *specific objective* is to kick start the shift toward a green economy generative of new job opportunities through:

- 'Push' of good practices, technologies through Pilot-projects with a pro-business focus (including beneficiaries from the private sector, etc);
- 'Pull' of good clean technologies through innovative financing and green banking;
- Dissemination activities including promotion of the pilot-projects results and awareness campaign;

⁴ COM(2011)363 of 20 June 2011.

- Dialogue amongst stakeholders (civil society organisations (CSO), private/public sectors) and support to the creation of the National Environmental Council (NEC);
- A roadmap is developed for the green economy in Lebanon.

3.2. Expected results and main activities

Expected results are as follow:

Result 1: Pilot schemes showing clean resource efficient technologies, green practices are implemented.

Result 2: Innovative financing and green banking opportunities are enhanced.

Result 3: New green technologies and good practices are consolidated and disseminated.

Result 4: Effective dialogue amongst stakeholders on mainstreaming green practices and technologies is established.

Result 5: A strategic framework for the green economy in Lebanon is developed.

3.3. Risks and assumptions

Assumptions

- The project has been designed assuming a good ownership of targeted stakeholders (CSO and private sector).
- The project is anchored on the National Environmental Council (NEC) assuming that there will be no changes to the legal status or membership of the Council.

Risks

- The main risk is linked to the deterioration of the security and political situation in Lebanon during the programme implementation.
- Another risk is that a change of Government during the course of implementation of the project could affect the sector-related priorities (environment, job creations, etc.).

3.4. Cross-cutting issues

Climate change & environmental sustainability

The focus of the project is on stimulating sustainable growth and job opportunities and the transition to a green economy in Lebanon. Climate change solutions require a move from the traditional unsustainable 'brown' economy model to better balanced growth, resource use and equity. This more balanced model, commonly referred to the 'green economy' is low-carbon, resource efficient, and socially inclusive. The project will support the Lebanese economy to meet the challenge of climate change by moving to a green model of development which integrates environmental sustainability with economic growth and welfare.

Gender equality

The project will contribute to gender equality through balanced participation of women in the implementation of activities to be promoted as part of the project. The four identified priority sectors Agriculture, Coastal Zone, Forest and Waste Management will offer the opportunity to economically lift local communities including women. Nature tourism for example is known to provide income generating opportunities for women. This is important because climate change has a disproportionate negative impact on women. The project will also contribute to gender equality by using, when available, gender-sensitive indicators of outcome, output and if possible, results.

3.5. Stakeholders

Stakeholder dialogue should bring together diverse interest groups in Lebanon including Government, private sector and business including the banking sector, SMEs, Non-Governmental Organisations (NGOs), and academic institutes. The green economy typically requires inter-ministerial co-ordination between Ministries of transport, industry, agriculture, economy, and environment. Environment ministries typically take the lead in the strategic framework as they have an overview of the green economy. Working through the NEC will provide for wide ranging inter-ministerial co-ordination and embrace wide ranging representation both from the public and from the private sector.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Direct centralised management. A financing agreement will be signed with the Government of Lebanon. The envisaged method of implementation is mainly grant contracts through Call for proposals (Result 1) and service and supply contracts through Call for tenders (Results 2, 3, 4 and 5).

Audit and evaluation activities will be implemented through direct centralised management (service contracts).

A steering committee shall be set up to oversee and validate the overall direction and policy of the project (or other responsibilities to be specified).

4.2. Procurement and grant award procedures

1) Contracts

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

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

2) Specific rules for grants

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

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the EU.
- Derogation to the principle of non-retroactivity a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget of the EU.

4.3. Indicative budget and calendar

The total project cost is estimated at EUR 12 million that will be financed from the NIP in the framework of the general budget of the European Union. The indicative breakdown of the budget is as follows:

Pilot schemes: EUR 9,500,000 (mainly service and grants contracts)

Dialogue and strategic framework development: EUR 500,000 (mainly service contracts)

Communication/Visibility: EUR 1,500,000 (mainly service and supply contracts)

Monitoring, external evaluation and audit: EUR 250,000 (service contracts)

Contingencies: EUR 250,000 (use of contingencies is the subject to prior approval of the European Commission)

The foreseen operational duration is of 48 months as from the signature of the Financing Agreement.

4.4. Performance monitoring

The Commission may carry out results oriented monitoring via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase.

4.5. Evaluation and audit

The Commission will carry out external evaluations (via independent consultants), as follows:

- a mid-term evaluation mission;
- a final evaluation, at the beginning of the closing phase.

The Beneficiary and the Commission shall analyse the conclusions and recommendations of the mid-term evaluation and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The reports of the other evaluation and monitoring missions will be given to the Beneficiary, in order to take into account any recommendations that may result from such missions.

The Commission shall inform the Beneficiary at least 3 months in advance of the dates foreseen for the external missions. The Beneficiary shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

Audit missions might be carried out as necessary and in addition to the foreseen verification measures (fee-based service contracts and grants).

The total of EUR 250,000 is earmarked for audit and evaluation purposes which will be implemented through procurement (service contracts).

4.6. Communication and visibility

The Commission will in co-ordination with partners steer and carry out all activities pertaining to the promotion of the programme's activities, ensuring that information reaches out the largest and most relevant possible population. This includes but is not restricted to the establishment of a communication and visibility action plan, contracting visibility/communication expertise, organisation of workshop, seminars, etc.

Communication and Visibility Manual for EU External Actions⁵ should be followed at all times.

⁵ http://ec.europa.eu/europeaid/work/visibility/index_en.htm