This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the Special Measure 2019 in favour of Libya, including one action to be carried on in 2020

Action Document for European Union for Private Sector Development in Libya – Phase 2

ANNUAL MEASURE

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	European Union for Private Sector Development in Libya – Phase 2 CRIS number: 2019/042-170 financed under the European Neighbourhood Instrument	
2. Zone benefiting from the action/location	Libya The action shall be carried out at the following locations: Libya and Tunisia	
3. Programming document	N/A — in view of the volatile security situation, the Country Strategy Paper 2014-2016 is no longer valid	
4. Sustainable Development Goals (SDGs)	Main SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Secondary SDG 1 End poverty in all its forms everywhere Secondary SDG 12 Responsible consumption and production	
5. Sector of intervention/ thematic area	Economy	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 4 000 000 Total amount of European Union (EU) contribution EUR 4 000 000	
7. Aid modalities and implementation modalities	Project Modality **Direct management** through: Procurement **Indirect management** with the entrusted entity to be selected in accordance with the criteria set out in section 5.3.2	
8 a) DAC code(s)	DAC Code 25010 (Business support services and institutions); DAC	

	Code 33110 (Trade policy)			
b) Main Delivery Channel	International Organisations and competent legal entities			
9. Markers (from CRIS DAC form)[1]	**General policy objective**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	✓	☐
	Aid to environment	✓	☐	☐
	Gender equality and Women's and Girl's Empowerment[2]	✓	☐	☐
	Trade Development	☐	☐	✓
	Reproductive, Maternal, New born and child health	✓	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	✓	☐	☐
	Combat desertification	✓	☐	☐
	Climate change mitigation	✓	☐	☐
	Climate change adaptation	✓	☐	☐
10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

Libya is an oil-rich country with a population estimated at around 6.5 million and a Gross domestic product (GDP) per capita 12.5 thousand USD (2018). The existing economic policies, carrying the legacy of the past and promoting a dominant centralised economic model, give little room for sustainable economic recovery, diversification and growth. In sectors where the public sector is dominant, private enterprises suffer from unfair competition with public enterprises affecting their productivity and growth prospects. The private sector in Libya is dominated by the presence of small and medium enterprises. A survey and private sector mapping carried out by the World Bank in 2015 confirms this assumption: 82% of the sample companies are SMEs, out of which 59% considered small (5-19 employees), 23% medium (20-99 employees).

A new economic vision to transform Libya's economy is needed; this implies mobilising a large number of stakeholders to set the basis for a new social contract. Given the depth of changes necessary and the inherent weakness of state institutions, establishing a broad and a

(1) When a marker is flagged as significant/principal objective, the action description should reflect an explicit intent to address the particular theme in the definition of objectives, results, activities and/or indicators (or of the performance / disbursement criteria, in the case of budget support).

(2) Please check the Minimum Recommended Criteria for the Gender Marker and the Handbook on the OECD DAC Gender Equality Policy Marker. If gender equality is not targeted, please provide explanation in section 4.5 Mainstreaming.

legitimate process for policy dialogue is necessary to support the urgently required economic reforms.

In Libya, private sector firms face a variety of constraints to enterprise growth, increased competitiveness, and job creation. While improvements to the business environment can help lifting these constraints, more often than not, the most significant constraints to growth are company-specific. At the same time, conflict-torn economies such as Libya's are complex, dynamic and full of business opportunities due to the collapse of traditional business models and technological disruption.

The activities proposed in this action document are designed to contribute to the development of the private sector in Libya through public-private dialogue (PPD) and support to private enterprises.

1 CONTEXT ANALYSIS

1.1 Context Description

Libya is an oil-rich country with a population of 6.5 million and a GDP per capita of 12.5 thousand USD (2018)[3]. The Libyan Political Agreement (LPA) signed in December 2015 aimed at bringing the two governments in Tripoli and Tobruk together by forming a Presidency Council (PC) in Tripoli and appointing an interim Government of National Accord (GNA). However, although installed in Tripoli since March 2016, the GNA has never been recognized by the House of Representative (HoR), based in Tobruk, which was one of the conditions set by the agreement. The internationally backed GNA continues to struggle for legitimacy and with it to restore security and build institutions that are able to provide basic services across the country.

In the post-revolutionary years, the Libyan economy suffers from acute political division that does not allow reaching its potential. Following four years of recession, the Libyan economy recovered in 2017, thanks to the resumption in the production of hydrocarbon products, after key oil fields were repossessed from armed groups last year, which allowed Libya to more than double its production of oil and to register a production growth rate of approximately 25%. However, this dynamic has not been sustained over the first half of 2018, where oil production stagnated around 1 million barrels per day (bpd), before dropping again to levels below that due to attacks and productions disruptions in key oil fields[4]. Natural resource wealth tends to expose resource-rich countries to higher political and economic risks. Libya is a clear demonstration of this posit.

The volatility of oil prices, unstable oil production, overvalued exchange rates, and political instability, all at the same time, discourage investments in non-resource traded goods. This in turn hinders the development of the Libyan private sector and overall economic diversification, creating a vicious circle leading to interrelated enduring macroeconomic volatility and low economic growth rates. Libya witnessed a sharp decline of activities in non-hydrocarbon sectors in the post-2011 period. Many jobs have been lost and most families depend on public sector salaries, with about 65% of all public expenditures in 2018 going towards wages, a figure which is expected to rise even further in 2019. In fact, more than 1.8 million employees, i.e. about half of the working-age population, are currently on the

([3]) https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/LBY?year=2018.
([4]) http://pubdocs.worldbank.org/en/966241538076849003/mpo-am18-libya-lby-ks-9-14-fin-new.pdf.

government payroll. To compensate for the economic decline and inflation, public salaries have increased four-fold since 2011, which may have relieved short-term social pressures, but is likely to have further exacerbated inflationary pressures. Unemployment is the highest among young people of the 15-24 age range, estimated at 44%, according to the World Bank (International Labour Organisation (ILO) model estimates)[5].

The existing economic policies, carrying the legacy of the past and promoting a dominant centralised economic model, give little room for sustainable economic recovery, diversification and growth. In sectors where the public sector is dominant, private enterprises suffer from unfair competition with public enterprises affecting their productivity and growth prospects. Government-controlled sectors such as oil and gas, defence, health, education, social services, and electricity, gas and water supply accounted for over 85% of the GDP in 2012. Many other sectors are mostly controlled by public enterprises, although they are small contributors to the GDP. These include transport, storage and telecommunications (3% of GDP), financial services (1.4%), and agriculture and fisheries (less than 1%)[6].

Libya has one of the most undiversified productive structures in the world: hydrocarbons account for approximately 70% of the GDP, more than 95% of exports, approximately 90% of government revenue, and therefore they determine decisively the economic performance of the country. The lack of alternative revenue sources makes Libya very vulnerable to oil price fluctuations or oil blockades. Moreover, the reliance on import of goods makes the economy subject to currency fluctuations and inflationary pressures. Inflation, after hitting a record high of 28.5% during the first half of 2017 driven by acute shortages in the supply of basic commodities and speculation in the expanding black market, is expected to drop to 17,9% in 2019[7].

At the same time, the macroeconomic environment in Libya remains volatile and unpredictable, with clear symptoms of an economy in decline and rapidly diminishing resources. Despite increased public revenues in 2018, the budget deficit remains large and is estimated at 40% of the GDP, while the public wage bill and subsidies amount to approximately 40% of GDP. Deficits are financed by the declining reserves of the Central Bank of Libya. Macroeconomic volatility is an important indicator for the performance of an economy and it has a direct effect on investment decisions and resource allocations.

1.2 Policy Framework (Global, EU)

The European Neighbourhood Policy (ENP)[8], revised in 2015-2016, has stabilisation of the region at its core, addressing comprehensively and simultaneously political, economic and security factors. However, the ENP also puts a great emphasis on the need to respect and appreciate different aspirations of the EU's neighbours. Thus, it seeks to respond to the needs and demands formulated by partner countries, while also pursuing common interests of the EU and partner countries in the broader neighbourhood region. Beyond the ENP, the EU has adopted global policy orientations, outlined in the EU Agenda for Change[9], advocating for inclusive and sustainable growth for human development, prioritising private sector

(5) https://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=LY.
(6) Calice, Pietro; Benattia, Tahar; Carriere, Adrian; Davin, Eric. 2015. *Simplified enterprise survey and private sector mapping: Libya 2015 (English)*. Washington, D.C.: World Bank Group.
(7) https://www.imf.org/en/Countries/LBY#whatsnew.
(8) Communication of 12 May 2004 COM(2004)373 and Joint Communication of 18 November 2015 JOIN(2015)50.
(9) Communication of 13 October 2011, COM (2011) 637 and Council Conclusions of 14 May 2012.

development. Similarly, the European Consensus on Development[10] 'Our World, Our Dignity, Our Future' stresses that the EU will promote an economic transformation that creates decent jobs, increases productive capacity and fosters sustainable value chains and diversification, including sustainable industrialisation. The European Consensus puts an emphasis on the interlinkages between economic and societal development, fully reflecting the objectives of the 2030 Sustainable Development Agenda adopted by the United Nations.
In the member countries of the Organisation for Economic Co-operation and Development (OECD), small and medium enterprises (SMEs) are the predominant form of enterprises, accounting for approximately 99% of all firms. They are the main source of employment, providing on average about 70% of jobs, and major contributors to value creation, generating on average between 50% and 60% of value added. In addition, SME development can contribute to economic diversification and resilience. This is especially relevant for resource-rich countries that are particularly vulnerable to commodity price fluctuations[11]. The relative contribution of SMEs in job creation accounts for much less in Libya, however the experience from the OECD countries is telling of the growth prospects and employment opportunities SMEs can create in an economy. A targeted policy intervention to improve the conditions for private sector development and employability in Libya should focus on the support to SMEs.

1.3 Public Policy Analysis of the partner country/region

There is no single institution in charge of SME policy implementation nor is there any national SME strategy in place. There are several institutions dealing with SME policies in Libya. The following ministries are involved in some aspects of enterprise development since the revolution: the Ministry of Industry and Economy as well as the Ministry of Labour and Manpower. The Libyan Programme for Reintegration and Development (LPRD, previously the Warriors Affairs Commission) within the prime minister's office also works on SME development. Coordination mechanisms in this area are very complex and opaque in Libya, especially given its horizontal nature. Currently, as a result of the support provided by the EU-funded project 'Support to Libyan for Economic Integration, Diversification and Sustainable Employment (SLEIDSE)', four Chambers of Commerce (CoCs) develop new services for their members.

Support for SMEs, in recent years, has been characterised by a number of scattered national programmes and action plans. Before the events of 2011, the National Economic Development Board (NEDB) was established to advise the government on the elaboration and implementation of key economic reforms. The NEDB set up a national SME Programme in 2007 to boost the country's competitiveness through support to SMEs and entrepreneurship, innovative start-ups and human capital enhancement. After the revolution, this programme was transformed into an SME development agency called Libya Enterprise, operating since 2012 under the Ministry of Industry and Economy.

Interactions between the public and private sectors are not institutionalised. Their rare occurrence has so far had an informal character and lacked a systematic approach of consulting and developing a common understanding about policy problems. Libya does not have a policy to promote the participation of private sector in formulating state policies that affect the business environment and the economy as a whole. At the same time, the policy advocacy capacity of business support organisations, such as CoCs or business unions, is still

([10]) Communication of 22 November 2016, COM (2016) 740 final.
([11]) Enhancing the contributions of SMEs in a Global and Digitalised Economy; OECD (2017).

at very incipient stages. However, the Ministry of Economy and Industry has included public private dialogue as a key priority in its strategic planning for the next years and approached the EU for support in this field.

1.4 Stakeholder analysis

The main stakeholders to be involved in the action are the following: the Ministry of Planning (as the national authority coordinating international assistance, it facilitate co-ordination with the other Libyan institutions), the Ministry of Industry and Economy (MoE), the Ministry of Finance, the Libyan Central Bank, private companies and at local level, the municipalities, the Chambers of Commerce, commercial banks, and civil society organisations (CSOs) operating in economic sectors covered by the action. The role of these specific stakeholders is critical for the implementation of the action as some of them will be direct recipients of on the job training, technical assistance and peer-to-peer support. Their attitude towards the development of the private sector is positive given that they perceive such actions as an opportunity to improve their role and importance in the decision-making process and promote their agenda. The latter was confirmed in a consultation between the EU Delegation and a delegation of key Libyan businesses in April 2019. The delegation of Libyan businesses stressed the need to further support the private sector development, particularly in the areas identified in this action. The ongoing EU-funded actions concerning private sector development have worked closely with many of these stakeholders in improving their capacity and enlarging their understanding of the crucial role of the private sector in economic recovery and sustainable growth.

1.5 Problem analysis/priority areas for support

The priority areas identified by this action are consistent with the findings in key studies on private sector development in Libya by the Organisation of Economic Co-operation and Development (OECD[12], the World Bank[13] and an EU-funded programming identification study. They build on the results achieved by the ongoing EU-funded action ‘Support to Libya for Economic Integration, Diversification and Sustainable Employment (SLEIDSE)’, ‘EU for Private Sector in Libya (EU4PSL)’, the SME Action Plan developed by the OECD and endorsed by Libyan authorities, as well as consecutive consultations with Libyan stakeholder and other donors.

The action will focus on two priorities:

1) Develop a public - private dialogue (PPD) platform to promote structured interactions between the public and private sectors, thus contributing to the adoption and implementation of policies for economic recovery, diversification and sustainable growth;
2) Improve the competitiveness of targeted Small and Medium Enterprises (SMEs);

<u>Priority Area 1: Develop a platform for a public-private dialogue (PPD)</u>

([12]) *SMES in Libyan Reconstruction;* OECD (2016).

([13]) Calice, Pietro; Benattia, Tahar; Carriere, Adrian; Davin, Eric. 2015. *Simplified enterprise survey and private sector mapping : Libya 2015 (English)*. Washington, D.C. : World Bank Group.

The economic transformation needed in Libya requires a new economic vision, which in turn implies mobilising a large number of stakeholders to set the basis for a new social contract. Given the depth of changes necessary and the inherent weakness of state institutions, establishing a broad and a legitimate process for policy dialogue is necessary to support the economic reforms. Libya lacks a suitable institutional format that has the capacity to bring together diverse social and economic actors whose role is instrumental in the success of policy reforms. Moreover, such a framework could benefit in a broader sense the process of post-conflict reconciliation and stabilisation.

PPD is an internationally accepted tool that can remedy institutional fragmentation and negative effects of a centralised administrative culture by creating reliable institutional actors with transparent roles and mandates in a participatory process of policy reforms. On one hand, the government should be involved at different levels, with the assumption that the political will, commitment and ownership are present. On the other hand, the private sector has to be engaged in an inclusive manner to ensure broad representation, while at the same time allowing for effective and targeted dialogue.

PPD plays a key role in promoting and implementing an enabling environment for reforms. Governments that consult with the private sector are more likely to promote sensible, workable and sustainable reforms[14]. Entrepreneurs who understand what their government is trying to achieve are more likely to support these reforms. Structured interactions are the best way for the public and private sectors to set right priorities and to support common interests.

Moreover, setting up regular meetings builds trust and understanding between the private and the public sectors. Often, policies do not succeed due to a failure to communicate and understand each other's interests, concerns and priorities, which in turn leads to distrust and non-cooperation. International development practice has shown that reforms designed to improve the business climate are more effective when dialogue between the public and private sectors involve final beneficiaries of those reforms in diagnostics, solution design, implementation and monitoring[15]. If designed inclusively, PPD should also create a structured mechanism for the EU to engage with the Libyan business community.

Priority Area 2: Improve the competitiveness of targeted Small and Medium Enterprises (SMEs)

The private sector in Libya is dominated by the presence of small and medium enterprises. A survey and a private sector mapping carried out by the World Bank[16] in 2015 confirms this: 82% of the sample companies are SMEs, out of which 59% are considered small (5-19 employees) and 23% medium (20-99 employees). There is no official data on the number of SMEs in Libya. The 2006 Business Census[17] reported a total of 117,828 enterprises, but the figure is likely to have changed drastically since then. In Libya, private sector firms face a variety of constraints to enterprise growth, increased competitiveness, and job creation. While improvements to the business environment can help lifting these constraints, more often than not, the most significant constraints to growth are company-specific. At the same time,

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([14]) Williamson, Jon, "*The Political Economy of Policy Reforms*", 1994, Washington DC.

([15]) http://www.publicprivatedialogue.org/charter/.

Calice, Pietro; Benattia, Tahar; Carriere, Adrian; Davin, Eric. 2015. *Simplified enterprise survey and private sector mapping : Libya 2015 (English)*. Washington, D.C. : World Bank Group.

([17]) *SMES in Libyan Reconstruction;* OECD (2016).

conflict-torn economies such as Libya's are complex, dynamic and full of business opportunities, due to the collapse of traditional business models and technological disruption.

Manifold opportunities therefore exist and can be identified, working effectively and directly with potentially competitive SMEs to rapidly expand sales and leverage large numbers of new, sustainable jobs. A facility for a private sector-led economic growth program in Libya, designed to improve firm competitiveness in high-potential sectors and sub-sectors of the Libyan economy, could generate undeniable benefits, going beyond the level of individual companies in positively influencing the sectoral value chains. By enhancing the competitiveness of large networks of viable SMEs, the massive youth unemployment and inclusiveness of women in the job market could be also addressed.

2 RISKS AND ASSUMPTIONS

Risks	**Risk level (H/M/L)**	**Mitigating measures**
Political instability and possible changes of governments may interrupt existing relations and impede work at a national level.	H	The interventions will be designed in a flexible manner in order to enable adaptation of activities to different circumstances. Regular analyses of the situational context and continuous policy dialogues will be carried out to enable negotiations and trust building.
Security challenges and a lack of access to the field may hinder the project implementation in Libya.	M to H	The security situation is continuously evaluated and assessed. Periodic risk re-assessments will be carried out. Projects are designed in a flexible manner to adapt to different and changing situations. Certain activities (e.g. trainings) may be implemented abroad, depending on security assessment, focusing on Libyan nationals who will, in turn, be empowered to train other people back on Libyan territory. Implementing partners will rely on their networks and established presence on the ground to ensure solid buy-in and local ownership. An assessment of remote management modalities and third-party monitoring to provide best practice guidelines is currently ongoing and it will be fully taken into account in future contracts/grants/etc.
Libyan partner institutions cannot engage with the action, due to fear	M	The EU Delegation is re-establishing its presence on the ground in Libya and is

and/or insecurity.		thus well equipped to maintain a regular (policy) dialogue with the relevant institutional partners to strengthen trustful relationships and open dialogues.
Activities overlap with other interventions by the international community.	M to L	The EU is fully participating in the United Nations Support Mission in Libya (UNSMIL)-led coordination processes through different technical working groups. In addition, intra-EU coordination has been reinforced through both regular Heads of cooperation meetings as well as informal sector coordination platforms.
Assumptions		
1. Libyan public institutions are able to engage in a participatory and open process of policy reforms' design and implementation. 2. Security situation in Libya allows the mobilisation of technical expertise in the country. 3. Libyan public institutions are receptive to recommendations made as a result of programme interventions. 4. Libyan SMEs are receptive to recommendations made as a result of programme interventions.		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

The main lessons learned and experience developed from the implementation of previous projects on private sector development in Libya, such as the SLEIDSE and EU4PSL projects, include:

- Given the particular Libyan context, including an increased precariousness of the security situation since 2014, projects in Libya should be based on an adaptable and flexible approach. This is important to assure that activities are adjustable to different and changing circumstance on the ground as well as to avoid project failures or unforeseen obstructions.
- As a consequence of the volatility of the security context, most projects continue to be implemented remotely, exclusively through implementing partners. A regular in-depth dialogue with implementing partners is therefore indispensable, as is close (third-party) monitoring and risk analysis.
- Adopting a conflict sensitive approach is crucial to avoid association with sensitive cultural or political issues, which might jeopardize the implementation and readiness of an intervention. Maintaining trustful and participatory relations with CSOs and local actors is vital for minimising negative impacts and ensuring projects' legitimacy and efficiency.
- Implementing partners should provide an integrated management structure, share information with relevant stakeholders as well as clearly define and communicate on the

activities and objectives. This is important to ensure coherence of actions and projects' objectives, cost effectiveness of activities and synergies between different counterparts.

- National authorities are increasingly open to engage with international donors and to assume ownership of projects. However, limitations in capacity or a lack of mandate often hamper national authorities in performing such a role. Identification of niche institutional players who have the capacity and the mandate to perform the role of a project counterpart is important.

3.2 Complementarity, synergy and donor co-ordination

In the absence of a Country Strategy Document since 2016, joint programming remains a far prospect for the EU engagement in Libya. Yet, coordination within the EU as well as with the larger international community has intensified in recent months. Clear examples of an emerging willingness among donors to work towards a joint analysis and possible joint responses is surfacing in particular in the area of decentralisation, where Germany has taken up a leading role in the technical working group. In February 2019, the EU together with the World Bank (WB) and the United Nations (UN) undertook a mapping exercise to verify whether the relevant conditions are in place to undertake a Reconstruction and Peace Building Assessment (RPBA) for Libya. The EU remains convinced that the current security and political situation in Libya is not conducive for a full RPBA, but the work done in the mapping exercise is a positive step towards establishing joint analyses in a number of sectors. The United Nations Support Mission in Libya (UNSMIL), in parallel, has prioritised work on developing a humanitarian/development nexus in a number of locations.

Due to the fragile circumstances on the ground as well as the fact that the majority of the international community and implementing partners work via remote control from Tunis, donor coordination for interventions in Libya requires an additional effort. UNSMIL has the mandate for the overall coordination of the international support in Libya. Together with the Libyan Government, they agreed on the set up a number of coordination meetings and working groups, including the working group on Economic Recovery, which the EU Delegation to Libya follows closely and participates in.

Moreover, the EU Delegation to Libya holds regular coordination meetings with EU Member States, implementing partners and other donors working on the ground in Libya to make sure that consistent information-sharing is maintained. Those Coordination meetings with EU Member States and donors are an important tool to share information and work towards a more co-ordinated donor approach.

This action is complementary to the EU-funded SLEIDSE and EU4PSL actions that promote private sector development in Libya as well as to the component of support to entrepreneurship implemented by the EU-funded action ''Strengthening Local Capacities for Resilience and Recovery'. The action takes into account projects funded by other donors, such as the UK Department for International Development (DFID) on the establishment of a microfinance institution and a commercial business incubator in Tripoli. Moreover, it builds on the priorities identified by the OECD's work on formulating an Action Plan for SMEs in Libya, a project funded by the MENA Transition Fund.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective of the action is to contribute to the development of the private sector in Libya through a public - private dialogue and support to private enterprises.

The action has two specific objectives:

Specific objective 1: Develop a platform for a public - private dialogue (PPD) to promote structured interaction between the public and private sectors, thus contributing to the adoption and implementation of policies for economic recovery, diversification and sustainable growth.

Specific objective 2: Improve competitiveness of targeted Small and Medium Enterprises (SMEs).

<u>Expected Outputs under specific objective 1:</u>

O.1.1 PPD platforms are designed and established at national, subnational and sectoral levels.

O.1.2 PPD platforms identify and propose key priority reforms for economic recovery, diversification and sustainable growth.

O.1.3 A mechanism/framework for monitoring the implementation of key priority reforms is established at the PPD level.

<u>Expected Outputs under specific objective 2:</u>

O.2.1 Targeted SMEs increase their annual productivity rate.

O.2.2 Targeted SMEs increase their sales and turnover.

O.2.3 Targeted SMEs create new permanent jobs.

<u>Indicative activities for outputs of specific objective 1:</u>

1.1 Concept note for the definition and implementation of a PPD platform in Libya.

1.2 Creation of a PPD secretariat to support the development, implementation and national ownership of the platform.

1.3 Training of the secretariat's staff.

1.4 Launch of a PPD platform with a wide coverage of multi-sectorial private sector associations as well as local and national authorities.

1.5 Creation of an online platform to support communication about the PPD and enable transparency and participation.

1.6 National consultation to identify subnational and sectorial needs.

1.7 Mapping of Libya's subnational and sectorial needs: a process of consultation and validation to prioritise identified subnational and sectorial needs.

1.8 Support a development of a National Strategy for PPD.

1.9 Drafting of an action plan by policy dialogue focus groups under each of the selected priority areas.

1.10 Capacity building and policy dialogue focus groups on monitoring, project management, implementation mechanisms and technical knowledge related to the priority areas identified.

1.11 Trimestral coordination and monitoring meetings to assess and fine-tune the strategy's implementation.

Indicative activities for outputs of specific objective 2:

2.1 Identification of targeted enterprises following a set of geographical, sectoral and business-specific criteria.

2.2 Contact with potential partner enterprise, preliminary assessment, interviews with different departments, depending on context (management, finance, and production).

2.3 Definition of short/medium-term potential for business growth, competitiveness enhancement strategies, and prospective employment creation impact.

2.4 Together with the identified enterprises, definition of clear and quantifiable goals that will help the enterprises achieve measurable growth and employment creation.

2.5 Definition and agreement of individual action plans, timelines, types of intervention and specialised expertise required.

2.6 Provision of on-the-job advisory services, technical support and training for the selected enterprises.

2.7 Frequent monitoring via on-site and off-site staff and regular reporting.

4.2 Intervention Logic

The intervention logic behind the action structure is based on the gaps identified during the various needs assessments and consultations carried out with relevant stakeholders and donors, the experience from the ongoing EU-funded projects as well as the recommendations of the identification study conducted in February and March 2018.

The action will rely as much as possible on the inputs and expertise of Libyan institutions, considering that their cooperation is important for succeeding in the operational context of Libya. The action will seek the maximum possible consensus among Libyan institutions and help to motivate them to engage in a participatory and open process for the design and implementation of policy reforms.

The implementation will take into account existing bilateral and multilateral programmes, funded by EU and other Donors, as referred to in section 1.5.

This implies that operational sustainability is built-in, maximising ownership of the Libyan counterpart/partner institutions. Moreover, building on the experience gained while implementing other EU-funded actions, activities will take place both in Libya and Tunis, as appropriate, duly taking into account the evolving security conditions and political divisions in the country.

It is assumed that Libyan public institutions will be receptive to recommendations resulting from action interventions and that the political will and appropriate mandate will be assigned to the institutions able to champion the PPD. Likewise, from the private sector's perspective, it is assumed that the PPD will be perceived as an opportunity to positively influence the economic and structural reforms in the country. In addition, it is expected that SMEs, beneficiaries of the Specific Objective 2, will effectively implement the advisory recommendations in view of improving their competitiveness.

4.3 Mainstreaming

The action will contribute to an overall improved rights-based and inclusive economic growth model. This, in turn, is expected to increase resilience of Libyan citizens towards conflict and radicalisation. All specific actions to be implemented under this action will be designed following a rights-based approach, ensuring a gender, age and diversity-sensitive programming through participatory approaches.

Particular attention will be given to ensure gender mainstreaming in the design of projects to strengthen female participation in professional, social and political sectors at all levels. A conflict-sensitive approach will be required in the selection of specific locations for action interventions.

The proposed action will contribute to the EU Gender Action Plan (GAP II), which provides a framework for the EU's engagement on gender equality through external action for the period 2016-2020. The GAP II is based on three thematic pillars, namely: 1) ensuring the physical and psychological protection of women and girls; 2) promoting social and economic rights and the empowerment of women and girls; and 3) strengthening the voice of women and girls. In addition, the GAP II is also based on a fourth, horizontal objective that seeks to incorporate a gender perspective in the EU's institutional culture.

4.4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 1 Zero Hunger and SDG 8 Decent Work and Economic Growth, while also contributing to SDG 12 Responsible consumption and production.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this financing Decision.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with the EU restrictive measures[18].

5.3.1 *Procurement (direct management)*

Due to the specialised nature of the specific objective 2, a service contract will be awarded by the Commission's services to an entity that has the necessary expertise and country knowledge to implement the related activities.

5.3.2 *Indirect management with an international organisation*

A part of this action may be implemented in indirect management with an international organisation that will be selected by the Commission's services using the following criteria: a) adequate operational capacity and subject matter expertise in developing PPD platforms, b) experience of working with Libyan public and private organisations, c) regional experience in developing national policy frameworks and multi-stakeholder consultation platforms.

The implementation by this entity entails the necessary actions to achieve the expected outputs under specific objective 1, as described in detail in section 4.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provision.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Specific objective 1 composed of:	**2 500 000**	
- Indirect management with an international organisation - cf. section 5.3.2	2 500 000	0

(18) 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.

Specific objective 2 composed of:	**1 500 000**	
- Procurement (direct management) – cf. section 5.3.1	1 500 000	N.A.
Evaluation (cf. section 5.8) **Audit/Expenditure verification** (cf. section 5.9)	will be covered by another Decision	N.A.
Communication and visibility (cf. section 5.10)	N.A.	N.A.
Total	**4 000 000**	**0**

5.6 Organisational set-up and responsibilities

Implementing partners, contracted in line with the foreseen contracts in section 5.3 above, are fully responsible for the implementation of the action. Each partner contracted will be responsible for regular reporting to the EU Delegation – ideally through an establishment of a Steering Committee involving national counterparts for the specific action. Where feasible, such steering structures would also involve other implementing partners and/or key stakeholders (including international cooperation partners) involved in the sector to foster coordination and development of synergies between parallel programmes. Steering Committees for individual actions will meet regularly (not less than semi-annually) and be mandated to (1) review implementation against prior established work plans and planned achievements; (2) review work plans where necessary; (3) facilitate the involvement of different stakeholders, if pertinent and (4) discuss other issues relevant to the action and its environment. Specific terms of reference for a steering structure per action will be elaborated in the specific implementation contract or agreement prior to a signature of such contracts and agreements.

5.7 Performance and Results monitoring and reporting

Performance measurement will be based on the intervention logic as per the attached logical framework, including its indicators. For the final evaluation, the intervention logic will be the basis for the evaluation questions; the evaluation will focus mainly on the spheres of direct (outcomes) and indirect (impact) influence. As such, indicators defined for these levels of the intervention logic will be used in the evaluation. Depending on the scope and specific purpose of the evaluation, additional indicators may be defined.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality) or the partner's strategy, policy or reform action plan list (for budget support).

SDGs indicators and, if applicable, any jointly agreed indicators, as for instance per Joint Programming document, should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

5.8 Evaluation

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

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that certain aspects of the action are innovative and/or pilot actions. The Commission, during implementation, may decide to undertake additional evaluations for duly justified reasons either on its own or at the initiative of the partner.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and, inter alia, provide them with all necessary information and documentation as well as access to the project premises and activities.

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

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

5.9 Audit

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

The financing of the audit shall be covered by another measure constituting a financing Decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries and/or entrusted entities.

Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and contribution agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

6 PRE-CONDITIONS

Not applicable.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) [19]

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	Contribute to the development of the private sector in Libya through a public-private dialogue (PPD) and support to private enterprises.	Ranking in the Ease OF Doing Business Index*	*World Bank Ease of Doing Business Rankings; http://www.doingbusiness.org/en/rankings*	*Not applicable*
		Private sector as percentage of the GDP*	*IMF, World Bank, National Statistics*	
		Unemployment rate*	*IMF, World Bank and National Statistics*	
Outcome(s) (Specific Objective(s))	1. Develop a platform for PPD to promote structured interaction between the public and private sectors.	Number of policies adopted contributing to economic recovery, diversification and sustainable growth*	Action implementation reports	1. Libyan public institutions are able to engage in a participatory and open process of design and implementation of policy reforms. 2. Security situation in Libya allows the mobilisation of technical expertise in the country. 3. Libyan public institutions are receptive to recommendations made as a result of action interventions. 4. Libyan SMEs are receptive to recommendations made as a result of action interventions.
	2. Improve competitiveness of targeted Small and Medium Enterprises (SMEs).	Number of changed management practices and operational upgrades adopted and implemented by the targeted SMEs**	Action implementation reports	

([19]) Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Outputs	1.1 PPD platforms are designed and established at national, subnational and sectoral levels.	Competent authorities agree on an action plan.*	*Action implementation reports*	1. Libyan public institutions are able to adopt and implement relevant action recommendations. 2. There is no critical armed conflict impeding implementation.. 3. Libyan public institutions are receptive to policy reform recommendations and i priorities identified by the PPD platforms. 4. Libyan SMEs implement effectively the operational recommendations of the action.
		PPD platform is adopted and launched.*	*Decree signed*	
	1.2 PPD platforms identify and propose key priority reforms for economic recovery, diversification and sustainable growth.	Number of reforms identified and proposed by the PPD*	*Action implementation reports; Reports of the PPD Secretariat*	
		Number of coordination meetings held per sector/reform identified by the PPD*	*Action implementation reports; Reports of the PPD Secretariat*	
	1.3 A mechanism/framework for monitoring the implementation of key priority reforms is established at the PPD level.	Number of coordination and monitoring meetings to assess and fine-tune the progress of implementation*	Action implementation reports; Reports of the PPD Secretariat	
	2.1 Targeted SMEs increase their annual productivity rate.	Percentage of productivity improvement per targeted SME**	*Action implementation reports; Ex-post evaluations*	
	2.2 Targeted SMEs increase their sales and turnover.	Percentage of sales increase per targeted SME**	*Action implementation reports; Ex-post evaluations*	
		Percentage of turnover increase per targeted SME**	*Action implementation reports; Ex-post evaluations*	
	2.3 Targeted SMEs create new permanent jobs.	Number of new positions created cumulatively by the targeted SMEs**	*Action implementation reports; Ex-post evaluations*	
		Number of new positions filled cumulatively by the targeted SMEs**	*Action implementation reports; Ex-post evaluations*	