



Brussels, 29.11.2018  
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**COMMISSION IMPLEMENTING DECISION**

**of 29.11.2018**

**on the annual action programme in favour of the Republic of Lebanon for 2018**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1046/2018 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union<sup>1</sup> ('the Financial Regulation'), and in particular Article 110 thereof,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action<sup>2</sup>, and in particular Article 2(1) thereof,

Whereas:

- (1) In order to ensure the implementation of the annual action programme in favour of the Republic of Lebanon for 2018, it is necessary to adopt a financing Decision, which constitutes the annual work programme, for 2018. Article 110 of Regulation (EU) 1046/2018 establishes detailed rules on financing Decisions.
- (2) The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU<sup>3</sup>.
- (3) The Commission has adopted the Single Support Framework in favour of the Republic of Lebanon for the period 2017-2020<sup>4</sup>, which sets out the following priorities: 1) Promoting growth and job creation, 2) Fostering local governance and socio-economic development and 3) Promoting the Rule of Law, enhancing security and countering terrorism.
- (4) The objectives pursued by the annual action programme to be financed under the European Neighbourhood Instrument<sup>5</sup> are to support Lebanon's economic recovery plan, to promote innovation and entrepreneurship for Lebanon's clean energy transition as well as to promote the rule of law, enhancing security and countering terrorism.

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<sup>1</sup> Regulation (EU) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193. OJ L 77, 15.3.2014, p. 95.

<sup>3</sup> [www.sanctionsmap.eu](http://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.

<sup>4</sup> C(2017)7179 final, Commission Implementing Decision of 30.10.2017 adopting a Single Support Framework for European Union support to Lebanon for the period 2017-2020.

<sup>5</sup> Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27).

- (5) The action entitled "Supporting Lebanon's Vision for Stabilisation, Growth and Employment" aims at fostering growth and the creation of jobs through support to the implementation of the "Vision for Stabilisation, Growth and Employment". The Lebanese government presented this document to the donor community in Paris, on 6 April 2018, during the "CEDRE" conference ("Conférence Economique pour le Développement par les Réformes et avec les Entreprises").
- (6) The action entitled "Promoting innovation and entrepreneurship in support to Lebanon's clean energy transition" aims at simultaneously addressing job creation and growth in support of Lebanon's stagnated economy as well as climate change mitigation. It proposes to do so by supporting Lebanon's gradual shift towards a clean energy transition and the circular economy principle.
- (7) The action entitled "Promoting the rule of law, enhancing security and countering terrorism in Lebanon" aims at assisting Lebanese authorities to secure the country's borders while ensuring trade exchanges, regular entries and assistance to people in need of international protection. It also aims at reinforcing the national capacity to better understand and react to the threats of terrorism, organised crime and radicalisation while promoting the rule of law and a rights-based approach.
- (8) Pursuant to Article 4(7) of Regulation (EU) No 236/2014, indirect management is to be used for the implementation of the programme.
- (9) Entities and persons entrusted with the implementation of Union funds by indirect management shall ensure a level of protection of the financial interests of the Union as referred to in Article 154(3) of Regulation (EU) 1046/2018.
- (10) To this end, such entities and persons have been subject to an assessment of their systems and procedures in accordance with Article 154(4) of the Financial Regulation [and appropriate supervisory measures are in place in accordance with Article 154(5) of the Financial Regulation].
- (11) To this end, Fundación Internacional y para Iberoamérica de Administración y Políticas Públicas (FIIAPP) is currently undergoing an assessment of its systems and procedures. Based on its compliance with the conditions in force at the time, previously other indirect management actions were awarded to the organisation and based on a long-lasting problem-free co-operation, the international organisation can also now implement this action under indirect management.
- (12) It is necessary to allow for the payment of interest due for late payment on the basis of Article 116(5) of Regulation (EU) 1046/2018.
- (13) The actions provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee established under Article 15 of the financing instrument referred to in recital 4.

HAS DECIDED AS FOLLOWS:

*Article 1*  
*The programme*

The annual action programme in favour of the Republic of Lebanon for 2018, as set out in the Annexes, is adopted.

The programme shall include the following actions:

- (a) Annex I: "Supporting Lebanon's Vision for Stabilisation, Growth and Employment"

- (b) Annex II: "Promoting innovation and entrepreneurship in support to Lebanon's clean energy transition"
- (c) Annex III: "Promoting the rule of law, enhancing security and countering terrorism in Lebanon"

## *Article 2*

### *Union contribution*

The maximum Union contribution for the implementation of the programme for 2018 is set at EUR 43 million and shall be financed from the appropriations entered in the following lines of the general budget of the Union.

- (a) budget line 22 04 01 01 : EUR 18,000,000
- (b) budget line 22 04 01 02 : EUR 25,000,000

The appropriations provided for in the first paragraph may also cover interest due for late payment.

## *Article 3*

### *Methods of implementation and entrusted entities or persons*

The implementation of the actions carried out by way of indirect management, as set out in the Annex[es], may be entrusted to the entities or persons referred to or selected in accordance with the criteria laid down in point 5.3.1 of the Annex 1; point 5.3.1.1 of the Annex 2; points 5.3.1.2, 5.3.1.3, 5.3.1.4 of the Annex 3.

## *Article 4*

### *Flexibility clause*

Increases<sup>6</sup> or decreases of up to EUR 10 million not exceeding 20% of the contribution set in the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution, as well as extensions of the implementation period shall not be considered substantial within the meaning of Article 110(5) of Regulation (EU) 1046/2018, where these changes do not significantly affect the nature and objectives of the actions.

The authorising officer responsible may apply the changes referred to in the first paragraph. Those changes shall be applied in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 29.11.2018

*For the Commission*  
*Johannes HAHN*  
*Member of the Commission*

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<sup>6</sup> These changes can come from external assigned revenue made available after the adoption of the financing Decision.



## ANNEX 1

### of the Commission Implementing Decision on the Annual Action Programme in favour of the Republic of Lebanon for 2018

#### Action Document

<b>1. Title/basic act/ CRIS number</b>	<b>Supporting Lebanon's Vision for Stabilisation, Growth and Employment</b>  CRIS number: 2018/041-228 financed under European Neighbourhood Instrument			
<b>2. Zone benefiting from the action/location</b>	Neighbourhood South The action shall be carried out at the following location: Lebanon			
<b>3. Programming document</b>	Single Support Framework for European Union support to Lebanon for the period 2017-2020			
<b>4. Sector of concentration/ thematic area</b>	Promoting growth, entrepreneurship and job creation	DEV. Aid: YES		
<b>5. Amounts concerned</b>	<b>Total estimated cost: EUR 15 million</b> amount of Union budget contribution: EUR 15 million			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality  Direct management – procurement Indirect management with Agence Française de Développement (AFD)			
<b>7 a) DAC code(s)</b>	14020 Water supply and sanitation - large systems 23210 Energy generation, renewable sources - multiple technologies 21010 Transport policy and administrative management 32130 Small and Medium-sized Enterprises (SMEs) development 33110 Trade policy and administrative management			
<b>b) Main Delivery Channel</b>	42001 European Commission - Development Share of Budget			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	X
	Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>

	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<input type="checkbox"/>	<b>Main objective</b>
	Biological diversity	<input type="checkbox"/>	<input type="checkbox"/>	X
	Combat desertification	<input type="checkbox"/>	<input type="checkbox"/>	X
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	X
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	X
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Human Development, including decent work, social justice and culture / Growth , Jobs and Private Sector Engagement			
<b>10. Sustainable Development Goals (SDG)</b>	<ul style="list-style-type: none"> <li>- SDG 6: Ensure access to water and sanitation for all.</li> <li>- SDG 9: Build resilient infrastructure, promote sustainable industrialisation and foster innovation.</li> </ul>			

## SUMMARY

The programme will support the implementation of the "Vision for Stabilisation, Growth and Employment" (the "Vision"), the programme document that was presented by the Lebanese government to the donors' community in Paris, on 6 April 2018, during the "CEDRE" conference ("Conférence Economique pour le Développement par les Réformes et avec les Entreprises"). More specifically, it will support the pillars 1, 3 and 4 of the "Vision".

Pillar 1 includes a Capital Investment Plan (CIP) for the construction, rehabilitation and up-grading of infrastructure, critical for the competitiveness of the economy and for the living conditions of the population. Funding under this programme will be used to: 1) assist the government in the drafting of sector policies, at national and local levels, 2) prioritise the projects, 3) build consensus around the policies, projects and priorities, including by proposing improvements and alternatives, 4) provide technical assistance (including on project design, studies, social and environmental assessments) for priority projects. The sectors targeted are in line with the EU-Lebanon Partnership Priorities and the Compact commitments<sup>1</sup>, including water and wastewater, energy/renewable energy, while other sectors, such as transport could be considered in line with evolving priorities set by the government.

The programme will support the sectoral reforms mentioned in pillar 3, which relate to the governance of the infrastructure sectors.

In pillar 4 of the Vision, the Government commits to promote the diversification of the productive sectors and realisation of Lebanon's export potential, which will also be supported

<sup>1</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eu\\_lebanon\\_partnership\\_priorities\\_2016-2020\\_and\\_their\\_annexed\\_eu-lebanon\\_compact.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eu_lebanon_partnership_priorities_2016-2020_and_their_annexed_eu-lebanon_compact.pdf)

by this programme via a specific programme for enhancing competitiveness of the private sector by promoting entrepreneurship, innovation and technology transfer targeting evolving needs of Lebanese private sector.

# 1 CONTEXT

## 1.1 Sector/Country/Regional context/Thematic area

Lebanon's spending on infrastructure has not exceeded 1.5% of Gross Domestic Product (GDP) during the last decade, between 2007 and 2016, which is very low, even by the standards of emerging countries. It did not exceed 5% of the government's total spending. The first main reason is the size of Lebanon's budget, which is very low in comparison with advanced countries (expenditure around 30% of GDP, revenues around 20-24% of GDP) and shows deficits averaging 8% over the 2010-2016 period. The second main reason is the fact that investment in public infrastructure has been the monopoly of the Lebanese government and of the public establishments until recently when, on 7 September 2017, Law no 48 on Public-Private Partnership (PPP) was promulgated after being voted one month earlier by the Parliament.

On the other side, real GDP has increased by 58% over the 2007-2016 period, concentrated in the Greater Beirut Area (GBA) and real consumption has increased accordingly (although very concentrated at the higher end of the wealth scale). This increased consumption has aggravated the pressure on infrastructure equipment that was already decaying. The saturation of public infrastructure was accelerated by the presence in country of around 1.5 million Syrian refugees. This has been weighing strongly against access to and quality of public services and on the competitiveness of the Lebanese enterprises, notably in the industrial and agricultural sectors.

Moreover, the Syrian crisis that started in 2011 has impacted negatively the economic growth of the country and increased the levels of unemployment and poverty. Therefore, the government that was established end of 2016, after the election of a new President of the Republic decided to launch a national economic recovery plan that was presented to the donors' community in Paris on 6 April 2018 under the title "Vision for Stabilisation, Growth and Employment" (the "Vision").

The plan has four pillars:

Pillar 1: this pillar introduces the "Capital Investment Plan" (CIP) of the government which provides a list of projects in nine different sectors including water and irrigation, waste water, electricity, transport (including municipal projects for urban rehabilitation), telecommunications, solid waste management, culture and tourism, and industry;

Pillar 2: strengthening of the economic and financial stability of the country through fiscal consolidation;

Pillar 3: structural and sectoral reforms. The structural reforms include fight against corruption, strengthening fiscal governance (including the reform of public procurement, of the land administration system and of the customs), digitalisation of the government, modernisation and restructuring of the public sector, judicial reforms and improving the business environment. Sectoral reforms include the introduction of independent producers, Public-Private Partnerships (PPPs), a regulatory authority and new tariffs in the electricity sector, the passing of an integrated management law for the solid waste sector and the "waste-to-energy" principle, the implementation of the 2012 Water Strategy of the government and of the recently voted Water Code, which organizes the management of the sector, and the reform of the telecommunication sector; and



Pillar 4: the "Development of a Strategy for the Diversification of Lebanon's Productive Sectors and Realisation of Lebanon's Export Potential". For the latter, the government has contracted the McKinsey consultancy company. The results are not yet available.

It is expected that the government that will be formed following the legislative elections of May 2018 will revise and further complement the plan, improve its internal coherence and set clearer priorities before adopting it.

On the private sector side, Lebanon continues to have a thriving ecosystem consisting of a complete set-up of actors including companies of all sizes, incubators for start-ups, financing institutions, special financing schemes for start-ups, microfinance institutions, with the capacity to ride the technology wave and benefit from various innovation opportunities for growth and scaling up to external markets. With regard to the "Vision", Pillar 3 foresees a series of reforms aiming at improving the business environment, notably the modernisation of the Code of Commerce, the implementation of an e-transactions law, the modernisation of the insolvency law, the implementation of a new reform of the Customs.

Past assistance of the EU has tried to address the bottlenecks of the private sector, through support to legislation and regulations, upgrade of the quality infrastructure and capacity building of the business development services. The need for a pragmatic approach has resulted into a value chain programme aiming at increasing enterprises' competitiveness in a few sectors (agriculture and wood processing sectors).

The Ministry of Economy and Trade (MoET) adopted in 2014 its "Lebanon SME Strategy: a Roadmap to 2020", with many activities linked to boosting entrepreneurship. The Strategy calls for an environment that 'fosters the creation of vibrant and globally competitive SMEs and that contributes to employment opportunities and high value-added economy'.

Indeed, improving entrepreneurs' skills, innovation and ensuring linkages between companies is essential for Lebanon's economic growth, social well-being and global competitiveness. Yet, like many countries, Lebanon is challenged by the lack of funding of applied research, weak links between university research and industrial needs. Professors and students undertake research that lacks commercialisation potential and industrialists (especially in traditional sectors) need innovation support to create added value products. Additionally, there is a need to identify major promising industries in need of technology transfer, enhance and protect intellectual property rights, empower recently established national technology transfer systems and support the commercialisation of innovations. Despite remarkable resilience and the willingness of businesses to grow in a context of permanent crisis and uncertain geo-political context, the private sector needs assistance in order to pursue and implement government's reforms and enhance its competitiveness, conditions needed to attain the objectives set in the Government's agenda for diversification of the Lebanese economy.

### ***1.1.1 Public Policy Assessment and EU Policy Framework***

During the decades that followed the period of wars (1975-1990), new infrastructure has been built, mainly road networks in the Greater Beirut Area (GBA) or leading to this area. Two new power plants were also built, the Beirut airport was expanded and water networks attracted some attention of the successive governments. However, the peripheral areas of the country remained underserved and Lebanon has lacked until now a consensual economic vision dealing with the country as a unified entity: public investments are driven by the

concept of "balanced development" in the sense of "communitarian-geographical" balance, even if this means a spatial duplication of small infrastructure. The only attempt to envisage infrastructure development according to a unified vision of the national territory was the "National Physical Master Plan of the Lebanese Territory" (NPMPLT)<sup>2</sup> presented by the Council for Development and Reconstruction (CDR)<sup>3</sup> in 2004 and adopted by the government in 2009, which is still relevant.

In June 2010, the Ministry of Energy and Water (MEW) unveiled an exhaustive "National Electricity Sector Strategy" and, six months later, a similarly exhaustive "National Water Sector Strategy". They were followed, in 2012, by an "Implementation Plan" for the water strategy and, in 2014, by a strategy for the "Corporatisation and the Restructuring of *Electricité du Liban*" (EDL). The two strategies foresee institutional reforms, public investment in plants and networks, but also the participation of the private sector in investment and operation through PPPs. Also, in 2012, the MEW unveiled a "National Energy Efficiency Action Plan for Lebanon (2011-2015)", which was followed by a second plan for the 2016-2020 period. The high cost of production of EDL, due, among other things, to the extensive use of light fuel, has led the MEW to envisage the use of natural gas for the new power plants as well as for the existing ones, after rehabilitation, and the building of the relevant infrastructure for natural gas import and distribution. It has also been launching the exploration of potential gas and oil reserves in Lebanon Maritime Exclusive Economic Zone.

In other sectors of the CIP there are no strategies. There were attempts to build them in the field of solid waste but they remained challenged. The re-organisation of the telecoms sector following the adoption of Law 431 in 2001 was never completed due to a hidden lack of consensus. The same applies to Law 481 of 2002 on the re-organisation of Civil Aviation. This confirms, once more, the strong need to build wide and deep consensus in Lebanon each time institutional reforms are envisaged. In 2015, the Ministry of Industry unveiled a strategy whose implementation has never started due to a lack of consensus, once more. There were no strategies either in the field of culture and tourism, and there was no strategy in the field of transport until the EU decided to fund a technical assistance to the Ministry of Transport and Public Works (MTPW)<sup>4</sup>. The result was a "Land Transport Sector Strategy" that was presented in December 2016. The EU experts confirmed that, in order to be operational, this strategy had still to be complemented with a "Master Plan for the Land Transport". On another side, during its session of 19 December 2018, the government commissioned from the MTPW a feasibility study about the rehabilitation of *all* the railway lines of the country.

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<sup>2</sup> The NPMPLT was established by the "Institut d'Aménagement Urbain de la Région Ile-de-France" (IAURIF) with the assistance of local experts. It provides detailed maps of the natural comparative advantages of each geographical area and aims to support economic development plans intended to diversify the economy of the country by taking full advantage of its natural assets in a sustainable and inclusive way. The EU funded its wide promotion by the IAURIF among the Lebanese decision makers, the universities and the civil society during the 2004-2006 period.

<sup>3</sup> The CDR reports directly to the Prime Minister. It is the institution in charge of the planning of economic and infrastructure development in the country. Its other tasks include the search for foreign funding of infrastructure projects. It also implements these foreign-funded projects.

<sup>4</sup> This was done through the "Support Programme for Infrastructure Sector Strategies and Alternative Financing" (SISSAF). The programme targeted the sectors of water, energy and transport. It is mainly in the transport sector that the programme was able to work on sector policies.

As for the CIP (pillar 1 of the "Vision" presented at the Paris CEDRE conference on 6 April 2018), which includes an extensive list of investment projects - among which some are critical for the improvement of basic public service delivery - donors consider it as a serious attempt of having an updated and comprehensive view on capital investment needs in the country. The CIP is expected to be revised and complemented once a new government will be in place. However, there is consensus on the need to further work on the CIP as projects are not phased and prioritised and not always linked to sector strategies nor to a broad vision of national land use. They are also not linked to the pace of implementation of institutional reforms. Their prioritisation and the underlying sector and national land use concepts could generate broad debate and the need to build up consensus. Consultations involving representatives of civil society, professional associations and local authorities still need to be organised. Moreover, the state of play of many projects is still unclear and, given the size of some projects, there is a strong need for the donors' community, in many cases, to oversee their social and environmental impact assessments before embarking on financing them.

The existence of such concerns suggests the need for donors to support the Lebanese government in streamlining sound principles of sustainability and inclusiveness in the CIP. This is in line with the priorities of the revised ENP for the period 2017-2020<sup>5</sup>, as reflected in the "Single Support Framework for EU support to Lebanon (2017-2020)" (SSF)<sup>6</sup>. As mentioned in the SSF: *"The impact of the Syrian crisis has exacerbated pre-existing socio-economic difficulties in Lebanon, such as lack of adequate delivery of basic services, low levels of public investment in infrastructure and a challenging business environment for the private sector"*. The SSF adds: *"It (the EU assistance) will focus on promoting rehabilitation of critical infrastructure, including adaptation to climate change, in areas such as water/waste water, solid waste management and electricity/renewable energy as well as the efficiency of the transport system"*.

In that regard, the NPMPLT could constitute a solid frame for the identification of infrastructure projects under the CPI as it is based on the full exploitation of Lebanon's natural assets in a sustainable and inclusive way and aims at minimising the environmental footprint of economic growth. It also offers a frame for action that could favour local economic development and convergence in living standards between the GBA and the peripheral areas of the country.

On pillar 2 (macroeconomic stability) and 3 (structural and sectoral reforms) of the "Vision", the passing of budget laws for 2017 and for 2018, though with months of delay, the appointment of a minister for anti-corruption and the preparation of an anti-corruption strategy by OMSAR<sup>7</sup> confirmed that good management of public funds, in the current difficult situation of public finances, has become a concern for many political decision makers<sup>8</sup>. Recent EU Technical Assistance to public finance management included a 28-month

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<sup>5</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/key-documents/151118\\_joint-communication\\_review-of-the-enp\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/key-documents/151118_joint-communication_review-of-the-enp_en.pdf)

<sup>6</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/single\\_support\\_framework\\_for\\_eu\\_support\\_to\\_lebanon\\_2017-2020\\_annex.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/single_support_framework_for_eu_support_to_lebanon_2017-2020_annex.pdf)

<sup>7</sup> Office of the Minister of State for Administrative Reform.

<sup>8</sup> Lebanon's public debt reached 145% end of 2017, up from 131% end of 2012, and debt service absorbed 48% of budget revenues in 2017.

twinning at the Ministry of Finance (MoF) which ended in September 2016. The twinning allowed improving the expenditure, revenues and growth forecast, which are critical for macroeconomic stability, though the work has still to be completed. Current assistance include, among other things, support to the Court of Accounts, to the Public Procurement Authority and to the Central Inspection Board through the Technical Assistance Facility (TAF). A new programme to support fight against corruption is also under formulation.

On the sectoral side of pillar 3, and complementing the actions that were started in 2010, the MEW has already started to introduce independent power producers in the fields of wind and solar energy. The law regulating PPP was passed in September 2017 and PPP are already foreseen for new power plants and have already been launched for three big projects included in the CIP. The telecoms sector has also witnessed important changes during the last month, with a greater role given to the private sector.

Concerning the private sector and pillar 4 of the "Vision" (strategy for the diversification of the economy), the Government announced that the McKinsey study is to result in specific recommendations that are complementary to the Government's actions already taken and the initiatives that are underway to improve the enabling environment for private sector investment". The study will be a reference for the implementation of this programme.

Pillar 4 aims at fostering the diversification of Lebanon's economy and realize Lebanon's potential and thus reflects the Single Support Framework 2017-2020's ambition to 'Strengthen the enabling environment for SMEs development' and 'Increase competitiveness and productivity in the targeted sectors with improvement in export dynamics; increased compliance with international requirements and standards'.

Such priority is fully in line with the 2014 European Commission Communication on "A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries"<sup>9</sup>, calling for an enhanced role of the Private Sector in fostering an inclusive and sustainable economy, introduction of different conditions and incentives to contribute to enterprise development, creation of opportunities through market-based solutions and on enhancement of the support to micro, small and medium-sized enterprises.

### ***1.1.2 Stakeholder analysis***

The main stakeholders of the Vision can be identified as follows:

- The Lebanese government, ministries, public companies and institutions in charge of public infrastructure, environment, culture, tourism and industry, of public funds, of justice and of private sector development. This includes mainly, but not only, the CDR, the ministries of Energy and Water, Environment, Public Works and Transport, Industry, Justice, Culture, Tourism and Finance, EDL, water establishments, the Railway and Public Transport Authority, the Court of Accounts, the Central Inspection and the Ministry of Economy and Trade.

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<sup>9</sup> [https://ec.europa.eu/europeaid/european-commission-communication-com2014263-stronger-role-private-sector-achieving-inclusive-and\\_en](https://ec.europa.eu/europeaid/european-commission-communication-com2014263-stronger-role-private-sector-achieving-inclusive-and_en)

- The EU, the EU Member States and the international financing institutions (IFI). Co-ordination between them on priority sectors of intervention, on criteria for the selection of the projects that they will support and on additional criteria that have to be fulfilled by the government in policy design (and related reforms) and on project design will be critical in order to maximise the positive impact of the "Vision" implementation on the living conditions of the Lebanese and on the competitiveness of the Lebanese economy,
- The parliamentary committees (on public works, transport, energy and water, on environment, on agriculture and tourism, on economy, trade, industry and planning, on budget and finance). The committees will have to agree on various pieces of legislation related to the sector policies and related reforms and on the loans that the government will contract from the IFIs since they are in foreign currencies.
- The newly appointed Economic and Social Council (ESC), whose role includes debating on social and economic policies and economic development plans, including sector policies. The ECS regroups representatives of professional sectors, of professional categories and of geographical areas according to the current communitarian-political balance. It could host inter-Lebanese debates organized with the assistance of the EU and its implementing partners on the priorities that must be given to the institutional and sector policy reforms and to the projects included in the Vision and on the criteria the latter should respect. Participants can include, as special speakers and guests, local experts, academics, representatives of Civil Society Organisations (CSO)<sup>10</sup> and of think-tanks.
- The CSOs and think-tanks whose activities include the follow-up of government and Parliament activities, of infrastructure development projects, of environmental issues and of public finance management and corruption issues in the country. They are and will continue to be the main watchdog of the relevance and of the good execution of the projects that will be implemented. The "Structured Dialogue" organized between them and the EU offers the framework for advanced consultations on the priorities of infrastructure work, on the selection criteria, on the additional criteria they should respect, on the more global or sector policy in which they should be included, on the quality of implementation and on their *ex-post* evaluation.
- The professional associations (associations of industrialists, agriculturalists, traders, bankers, software and hardware manufacturers, etc.), the professional orders (of Engineers and Architects, of Lawyers, etc.) and the chambers of commerce, industry and agriculture.
- The local authorities, notably at municipal level, in the areas of intervention of the programme.

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According to the Communication from the Commission COM(2012) 492 final, 12/09/2012, "the EU considers CSOs to include all non-State, not-for-profit structures, non-partisan and non –violent, through which people organise to pursue shared objectives and ideals, whether political, cultural, social or economic. Operating from the local to the national, regional and international levels, they comprise urban and rural, formal and informal organisations".

### 1.1.3 *Priority areas for support/problem analysis*

The support to the "Vision" implies a support to *all of its four pillars*.

Concerning pillar 2 and 3 (macroeconomic stability and good governance), the Technical Assistance Facility (TAF) provided to the Government of Lebanon, as well as the Twinning and Support for Improvement in Governance and Management (SIGMA) instruments will continue to be used to strengthen *inter alia* financial control institutions and governance of public institutions in charge of managing and operating the infrastructure foreseen in the "Vision". The Court of Accounts, the Central Inspection and the Office of the Minister of State for Combatting Corruption will continue to be supported through the TAF and also through a new programme that is undergoing formulation.

Therefore, in parallel to the aforementioned programmes, the current programme proposes to focus on pillars 1 (the CIP), 3 (the sectoral reforms part) and 4 (the strategy for the diversification of the economy) of the "Vision". The programme is understood, therefore, as a part of a broader multiform action using different instruments to support the "Vision".

To this end, the criteria for the selection of the sectors for support by the programme are proposed as follows:

- Compatibility with EU-Lebanon Partnership Priorities and Compact commitments;
- Potential impact on competitiveness of the economy, on the well-being of citizens, on climate change and desertification as to be confirmed in the "Structured Dialogue" with CSOs;
- Need for sector strategies and action plans as presented by the government;
- Experience of the EU, the EU Member States and the IFIs in the sectors of the CIP as well as their current involvement and interest in these sectors:
  - The EU, AFD, Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB) have broad experience in the water (and irrigation) sector as well as in the wastewater sector and are still heavily involved in it at project level;
  - The EU and AFD have also been active in the governance of the water sector;
  - The EU has a broad experience in the solid waste sector and continues to support the sector through various programmes at both policy and project levels; it has also been active in the transport sector at policy level;
  - The EU has already started the analysis of the projects of the CIP in the field of electricity and is supporting the development of renewable energies through other projects;
  - The EIB has a broad experience in the transport sector (infrastructure and public transport) at project level and has many on-going projects;
  - The AFD has extensive experience in urban rehabilitation (part of the "Transport" chapter of the CIP) and has on-going projects in this sector;
  - The World Bank has been active in all aspects (technical, financial and institutional) of the electricity sector since mid-2000, at both policy and project levels, and continues to be so (it is, in fact, the dominant actor since the 2010's); the Bank is also involved, since long, in the transport and water and irrigation sectors, but at project level only;

- The EBRD is already active in the renewable energy sector (funding of Independent Power Producers), in the transport sector (set-up and funding of a PPP) and industry sector, but at project level only.

On this basis, it is proposed that the programme focuses on water and wastewater, energy/renewable energy, while other sectors, such as transport could be considered in line with evolving priorities set by the government.

With regard to the private sector, its needs are diverse in nature and might evolve over time. Small and Medium-size Enterprises (SMEs) form the cornerstone of the Lebanese economy and are the main source of job creation in Lebanon. The private sector is undergoing changes and a new generation of entrepreneurs and innovative SMEs are coming up. Innovation, technology and quality issues are becoming a core element of enterprises' competitiveness, be it on the domestic market or abroad. Improving the innovation ecosystem, sharing good practices and linking companies is thus essential for economic growth. The EU has a lot to share with Lebanon in this regard.

The core assistance could be summarised as follows: 1) selective expertise to: upgrade of services offered by business intermediary organisations; support to start-ups and innovation; export promotion; support for technology and product development; advice on financing mechanisms for SMEs; encourage public-private dialogue; upgrade of Good Manufacturing Practices), 2) capacity-building to business intermediaries/private associations/federations, 3) specific awareness raising events about such topics as the digital economy, trade, export promotion, the engagement of the diaspora and 4) the promotion of exchanges with European agencies and entrepreneurs.

This intervention will complement existing tools and facilities, such as the Technical Assistance Facility (TAF) provided to the Government of Lebanon, Twinning and the Technical Assistance and Information Exchange (TAIEX). Although it is essential to continue advocating for legislative and 'macro' reforms, with the support of civil society and the private sector, the EU will adopt a pragmatic approach by focusing on improving the operational business environment. The intervention will build on the current assistance that is being provided by the EU, e.g. pharmaceuticals, sanitary and phyto-sanitary requirements; research and development and capacity-building for business intermediaries.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
The new government that will be formed following the May 2018 general elections does not agree on the approach of the EU and EU implementing partners to infrastructure development, which promotes inclusiveness, social cohesion, territorial convergence, gender mainstreaming, rights-based approach including decent work,	M	The programme foresees to launch broad debates among the stakeholders in order to build consensus around policies and projects, which implies streamlining the EU approach on these policies and projects. Co-ordination with EU Member States and the IFI will strengthen the EU position. If needed, the EU will mobilize additional resources in its dialogue with the various components of the Lebanese

the sustainable use of natural resources and the minimisation of environmental footprint		government
- No progress with regard to the SMEs legal and regulatory framework	M	In case of insufficient progress on legislation, the programme will be flexible and refocus its priorities
- Loss of momentum and ownership from the private sector	M	The programme will intensify its dialogue with stakeholders and refocus on dynamic sectors
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>- A new government is formed before the end of the contracting deadline.</li> <li>- The Vision is adopted by the new government.</li> <li>- The political, economic and financial situation of the country remains stable.</li> </ul>		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING

#### 3.1 Lessons learnt

The lessons learned include the following:

- The infrastructure and economic development strategies and projects of the past decades were not falling in the frame of *consensual* global or sectoral visions for the economic and sectoral development of the country. This explains why many policies and projects have stalled or failed to achieve their foreseen results. There is a constant need to check if a broad consensus exists on the new policies and projects presented by the government, notably the most costly ones, and, if needed, to build such a consensus while adjusting these policies and projects.
- The Lebanese administration has shown a limited capacity to implement projects, given its limited human and financial resources and the weak co-operation between its various departments. Moreover, the IFIs have often shown limited financial resources to follow up on the projects they promote, or the projects of the government that they fund, and to bring the necessary technical expertise.
- The projects of the Lebanese administration did not always match the criteria of the EU concerning the sustainable use of natural resources, inclusiveness, social cohesion, territorial convergence, gender mainstreaming and rights-based approach, including decent work.
- The projects were often selected according to the current balance of power between political, communitarian and geographical groups and did not always match the interests of the country as a whole. They often led to a duplication of small infrastructure, preventing economies of scale. The EU will consider the national territory as a unified entity with, still, different local comparative advantages on which both national and local development plans have to build with the aim of allowing convergence of living standards throughout the country.



- Concerning the private sector component of this action, the lessons learned also suggest the need to adopt a *bottom up* approach when aiming at improving the effectiveness of the private sector actors, i.e. to engage deeply with the main stakeholders and provide support according to specific and objectively demonstrated needs, with a specific focus on technical innovation (technological transfer) and export opportunities (markets data) and constraints (Sanitary and Phytosanitary requirements and other standards as well as technical requirements).

### 3.2 Complementarity, synergy and donor co-ordination

There has been considerable co-operation and synergies during the past years between the EU and the IFIs operating in Lebanon. This co-operation and the synergies can be illustrated by the following:

- Increased use of contribution agreements to implement EU funded projects with, in some cases, co-funding of projects. For example, Expertise France is implementing a project in support of the private sector in two clusters (fruits, furniture industry), while the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is implementing a co-funded EU-Germany project for urban development in North Lebanon.
- The EU is funding the technical support of a consortium regrouping the EIB, the AFD and the KfW in the implementation of waste water treatment plants in the *caza* (department) of Kesrwan through a Neighbourhood Investment Facility (NIF) agreement.
- The EU and IFIs (EIB, AFD, KfW and The European Bank for Reconstruction and Development (EBDR) principally) are increasing their co-ordination in order to share priorities, concerns and lessons learned, to maximise synergies and impacts and avoid duplication, especially since the start of the European Investment Plan (EIP) and the new lending opportunities offered by the Lebanese government through the CIP.
- Concerning the private sector, all of the EU, France, the Netherlands, the United Kingdom and the United States have been active in supporting the private sector, with many programmes complementing each other; they supported, notably, different incubators targeting different segments or sectors or geographical areas of SMEs under different modalities, which allowed SMEs to access a wide variety of technical and financial support schemes.

### 3.3 Cross-cutting issues

The streamlining of EU standards about cross-cutting issues is at the core of the current programme, notably the following ones:

- **Inclusiveness and social issues:** on one part, the action consists of assisting the government in elaborating some policies (and the related reforms) and master plans. The principles of inclusiveness, social cohesion, strengthening of inter-communitarian links and territorial convergence will be at the core of the proposals that will be made by the EU and around which the EU will work on bringing a wide consensus. As for the projects of the CIP in the selected sectors, the programme will analyse to what extent they respect those principles and will propose, when needed, alternatives to these projects and to the sector policies in which they are framed so that the level of inclusiveness, social cohesion

and territorial convergence is increased.

- **Environment issues:** the sustainable use of natural resources, the minimising of the environmental footprint, the mitigation of impact on climate change and desertification will dictate the proposals that this action will make in the field of sector policies and master plans. The action will analyse the environmental footprint of the projects of the CIP in the selected sectors and will propose, when needed, alternatives to these projects and to the sector policies in which they are framed so that the environmental concerns are addressed to the greatest extent.
- **Gender issues:** the promotion of gender equality will be pursued at each stage of this action: a) the impact on gender equality of the projects that will be supported will be carefully monitored in the frame of the social impact assessments that will be conducted; b) the discussion forums that will be organised by the implementing partners about the sector policies and projects will involve CSOs and think tanks that are active in the promotion of women's rights. The "EU-Lebanon Civil Society Structured Dialogue" will give the latter additional opportunities to debate with the EU about the relevance of the policies and projects it supports for the promotion of women's rights and economic empowerment of women. The current action is intended to benefit both economically and non-economically active women. The latter will benefit from the improved provision of water and of better connections to waste water networks at household level, and of a better urban environment, cleaner and greener. In fact, *they might be among the greatest beneficiaries of the programme*. As for the economically active women, they will benefit from the transport infrastructure, public transport and urban environment policies and project that the current programme intends to achieve.
- **Good governance:** this topic represents the pillar 3 of the Vision. This action will support the sectoral reforms mentioned in this pillar. However, as reminded in paragraph 1.1.3, it is necessary, when supporting the Vision, to deploy, in parallel to this programme, other specific instruments of the EU that allow for improved good governance. In fact, it is certain that, when proposing sector policies and master plans, and when conducting advanced technical and feasibility studies for top priority projects, this programme will also study the institutional set-up that maximises their efficiency and good governance at all stages of execution and operation.

## 4 DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

The **overall objective** is to foster growth and job creation through support to the pillars 1, 3 (partly) and 4 of the "Vision for Stabilisation, Growth and Employment" of the Lebanese government.

The **specific objectives (outcomes)** of this action are to:

- Support the implementation of policy reforms and projects of the "Vision for Stabilisation, Growth and Employment" related to infrastructure.

- Contribute to the expansion and diversification of Lebanon's economy through the modernisation of the private sector and the promotion of entrepreneurship, innovation and technology transfer.

They can be summarised in **two results**:

**Result no1: Sector policies and preparation of project implementation completed and consensual**

- Sector policies (and the related reforms) and master plans, at national or local level, in the selected sectors have been drafted and there is a consensus around them. They are relevant and ownership by stakeholders is high.
- The investment projects proposed within the CIP in the selected sectors have been debated with the stakeholders through public consultations. Improvements (technical, financial, institutional) were introduced, when needed, so that they respect the principles of sustainable use of natural resources, inclusiveness, social cohesion, territorial convergence, gender mainstreaming and rights-based approach, including decent work.
- There is a consensus on the priority ranking of the projects.
- Feasibility studies, including environmental and social impact assessments for some priority projects, were conducted and they are ready for tendering or PPP.

**Result no2: The diversification of the Lebanese economy has started.**

- Innovation, technology and quality issues become a core element of business development and of market shares expansion in domestic, regional or international markets.
- There is a higher quality of Lebanese products and services, thus contributing to increased competitiveness and diversification of the private sector.

This action is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of Sustainable Development Goal 9 "Build resilient infrastructure, promote sustainable industrialisation and foster innovation", Goal 6 "Ensure access to water and sanitation for all".

## **4.2 Main activities**

The activities to be financed under this programme will combine:

**Component 1 (Result 1): To support sector policies and the preparation of project implementation**

The programme will bring technical assistance in the form of significant support teams, upon demand of the different ministries, to elaborate sector policies and reforms, master plans and feasibility studies (technical, financial, institutional set-up) for both national and local development plans.

In parallel, and for each of these sectors, the programme will conduct an analysis of the projects listed in the CIP in view of preparing their implementation. For that purpose it will start by determining, *inter alia*, the following:

- Maturity: current advancement, existence of a consensus,

- Technical feasibility, financial sustainability and best institutional set-up according to lessons learned from the local context and international experience,
- Capacity of the relevant public authority to conduct design, execution and exploitation and need for TA in those fields, including in contracting PPP,
- Impact on economic development and job creation at national or local level,
- Impact on inclusiveness, social cohesion and territorial convergence,
- Impact on strengthening inter-communitarian links and local political stability,
- Impact on the environment, climate change and desertification,
- Compatibility with the existing sector strategy,
- Compatibility with the NPMPLT and its principles.

The programme will support the emergence of consensus around the sector policies and master plans and around the projects and their priority ranking. For that purpose, the implementing partners will organize discussion forums involving the stakeholders mentioned above. Based on the conclusions of these meetings, they will suggest modifications or alternatives to the existing sector strategies and action plans (national or local) and to the design of the projects and they will establish a priority ranking of the projects in each sector.

In doing so, the implementing partners will also adopt a cross-sectoral approach to local economic development. They will build consensus on the priority regions of the country and on cross-sectoral packages of projects for implementation in these regions in order to have a significant impact. While working with the ministries, they will also seek for ownership of local authorities including municipalities and unions of municipalities. The packages of projects that will be supported at local level should demonstrate the impact of this approach to make change happen.

In parallel, the activities will support the improvement of the capacity of CSOs on policies and projects related to the development of infrastructure in the three selected sectors in view of facilitating discussions between them and the other stakeholders and of tangibly promoting the role of civil society actors in policy dialogue in these sectors. Up to 10% of the budget under this component will be reserved to CSOs support.

Based on this, the programme will conduct, as appropriate, more detailed feasibility studies on some top priority projects for which there is a need for TA so that they become ready for tender or PPP.

The activities foreseen under this component will help lay the foundations for decisions with regard to blending operations, which will be defined under the future Annual Action Programme 2019.

## **Component 2 (Result 2): To support the diversification of the Lebanese economy**

Technical assistance to the Lebanese private sector, including:

- Advise on legal and regulatory issues (e.g. on trade-related standards in sectors such as food safety and pharmaceuticals, on services and on innovation);

- Advise on market penetration scenarios, in particular related to the markets of the EU and those of the Middle East – Northern African and Gulf regions, in order to identify sectors that have a genuine potential for a successful diversification;
- Support to sectoral business associations, specialised agencies supporting SMEs and business incubators;
- The provision of guidance to companies as regard innovative practices aiming at creating an improved environment for jobs and growth;
- Specialised services to companies in targeted service sectors;
- Technology transfer and exchange of know-how;
- Networking and matchmaking services, technology development;
- The provision of grants for innovation.

In parallel, the activities will support the improvement of the capacity of CSOs on policies and legislation on matters related to the development of the private sector in view of facilitating discussions between them and other stakeholders and of tangibly promoting the role of civil society actors in policy dialogue. Up to 10% of the budget under this component will be reserved to CSOs support.

### **4.3 Intervention logic**

#### **Component 1 (Result 1): To support sector policies and the preparation of project implementation**

The decaying Lebanese infrastructure is weighing heavily on the competitiveness of the economy and on the well-being of the Lebanese citizens. The Vision aims at creating the conditions for long-term growth and the improvement of living conditions while providing short-term employment opportunities. There is a need to check, *inter alia*, whether 1) the projects proposed are framed by sector policies and more global economic policies and national land use plans, 2) they will effectively contribute to long-term growth and job creation and 3) they aim towards inclusiveness, social cohesion, promotion of women's rights, territorial convergence, sustainable use of natural resources and mitigation of climate change and desertification impacts. In some cases, there is a need to assist the Lebanese authorities in elaborating sector policies and master plans at national or local level.

There is also a need to ensure broad ownership among local and international stakeholders in order to increase the chances of successful implementation. This implies the capacity to provide improvements and alternatives to the sector policies and projects.

Given the amount of projects proposed by the government, there is also a need to establish a priority ranking of projects according to well identified criteria. The current difficult situation of the public finances requires that policies and projects are well studied, relevant and prioritized so that they bring their full potential benefit and their funding does not aggravate the situation of the public finances.

#### **Component 2 (Result 2): To support the diversification of the Lebanese economy**

Besides its importance for the economic development of the country, the main reasons to continue supporting the private sector lie with: the actual willingness of businesses to develop and expand despite the permanent crisis; the availability of skilled manpower and young people; and the presence of numerous private sector institutions, some assisted directly or indirectly by the EU in past interventions.

EU assistance to the private sector will contribute to the objectives of the "Vision", to stabilisation through growth and job creation, and to improve the living conditions of the Lebanese population. Moreover, the assistance to the private sector and entrepreneurship also stems from the actual willingness of businesses to expand, modernise and diversify. It will also build on, and pursue, previous assistance provided by the EU to this sector.

The intervention strategy, for both components on infrastructure and private sector, will be based *on demand*, taking into account the priority sectors for both Lebanon, public and private sectors, and the EU, and taking into account the relevance of the projects for the EU and their maturity.

## **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 4.2 will be carried out and the corresponding contracts and agreements implemented, is **48 months** from the date of entry into force of the 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 EU restrictive measures<sup>11</sup>.

#### **5.3.1 Indirect management with Agence Française de Développement for Component 1 (Result 1): To support sector policies and the preparation of project implementation**

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<sup>11</sup> [www.sanctionsmap.eu](http://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.

This component may be implemented in indirect management with Agence Française de Développement (AFD). This implementation entails support to 1) completing sector policies and plans in selected sectors of the CIP, 2) prioritising the projects of the CIP in the selected sectors, 3) building consensus around the selected sectors' policies and projects and their priority ranking, 4) conducting feasibility studies for top priority projects, 5) providing technical and financial resources to the Technical Co-ordination Unit (see 5.6) and supervising its operations. For that purpose, AFD will establish and manage pools of "support teams" within the different ministries and other relevant public institutions; these "teams" should be made up of Lebanese officials to strengthen national institutional capacity.

This implementation is justified because of the expertise of the AFD in the sectors of intervention and its capacity to interact with most stakeholders and build consensus.

The entrusted entity would carry out the following budget-implementation tasks: launching procurement process for services and supplies, grants awards, contracting, payments and recovery orders. The entrusted entity might sub-delegate certain activities to other organisations specialised on certain aspects of the intervention. Appropriate provisions will be included in the contribution agreement.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.2.

### **5.3.2 Changes from indirect to direct management mode due to exceptional circumstances for Component 1 (Result 1): To support sector policies and the preparation of project implementation**

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
To support sector policies and the preparation of project implementation	Services	1 or 2	Q1 2019

### **5.3.3 Procurement (direct management) for Component 2 (Objective 2): To support the diversification of the Lebanese economy.**

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
To support the diversification of the Lebanese economy.	Services	1	Q1 2019

#### 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

Programme Components	EU contribution (amount in EUR)	Indicative third party contribution
Comp. 1 - To support sector policies and the preparation of project implementation Indirect management or direct management	12,700,000	n/a
Comp. 2 – To support the diversification of the Lebanese economy Direct management	2,200,000	n/a
Communication and visibility	100,000	n/a
<b>Total</b>	<b>15,000,000</b>	<b>n/a</b>

#### 5.6 Organisational set-up and responsibilities

##### **Component 1 (Result 1): To support sector policies and the preparation of project implementation**

This component of the programme will be managed through one or two contribution agreements with AFD as implementing partner. The implementing partner will be responsible for the implementation of the programme under the direct supervision of the Commission.

The implementing partner will set up and staff a Technical Co-ordination Unit (TCU) to manage the programme. In addition, the TCU will set up the Steering Committee (SC) and serve as its technical secretariat. It will ensure the widest possible dissemination of information about the programme and its various activities.

##### **Component 2 (Result 2): To support the diversification of the Lebanese economy.**

The volatile environment in Lebanon and the absence of a robust ownership by the Lebanese government require flexibility in our approach. Furthermore, there is the necessity to have a rapid response system able to follow the speed of the private sector. The EU Delegation will monitor the overall implementation of the component and will be the focal point for the requests. The EU Delegation will establish a consultative committee.



## **5.7 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing 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 list of result indicators (for budget support). 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 importance of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving, learning purposes, in particular with respect to decision making inside the Lebanese partner institutions and ownership of EU principles for infrastructure development by these institutions. The Commission shall inform the implementing partner at least 1 month 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.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in 2021.

## **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.

Indicatively, one contract for audit services shall be concluded under a framework contract in 2024.

## **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, to be elaborated at the start of the implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, 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 Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the action and the appropriate contractual obligations.

## APPENDIX - INDICATIVE LOGFRAME MATRIX

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
<b>Overall objective: Impact</b>	To foster growth and jobs creation through support to the "Vision for Stabilisation, Growth and Employment" of the Lebanese government.	Growth rate and jobs created.	<ul style="list-style-type: none"> <li>- 1.75% growth rate in 2018.</li> <li>- 0 investment of the CIP at starting date (2018).</li> <li>- 0 jobs at starting year (2018)</li> </ul>	<ul style="list-style-type: none"> <li>- 3% growth rate in 2022.</li> <li>- USD 2 billion in 2022.</li> <li>- 100.000 jobs in 2022</li> </ul>	Reports of EU, EUMS and IFI and of Lebanese ministries and financial institutions.	There is political, economic and financial stability in the country.
<b>Specific objective no1 (Outcome no1)</b>	Support the implementation of policy reforms and projects of the "Vision for Stabilisation, Growth and Employment" related to infrastructure.	<ul style="list-style-type: none"> <li>- Number of sector policies, at national or local level, elaborated in the frame of the programme, whose implementation has started.</li> <li>- Number of projects, whose implementation has started.</li> </ul>	<ul style="list-style-type: none"> <li>- 0 at starting year (2018).</li> <li>- 0 at starting year (2018).</li> </ul>	<ul style="list-style-type: none"> <li>- 10 sector policies, at national or local level in 2022.</li> <li>- 20 projects in 2022.</li> </ul>	Reports of EU and EU implementing partners.	The new government agrees on the Vision and on the list of projects of the CIP.
<b>Specific objective no2 (Outcome no2)</b>	Contribute to the expansion and diversification of Lebanon's economy.	<ul style="list-style-type: none"> <li>- Number of subsectors where quality has improved</li> <li>- Number of products for which quality has improved</li> </ul>	<ul style="list-style-type: none"> <li>- 0 at starting year (2018)</li> <li>- 0 at starting year (2018)</li> </ul>	<ul style="list-style-type: none"> <li>- Minimum 5 subsectors in 2022</li> </ul>	<ul style="list-style-type: none"> <li>- EU contacts with professional associations and private sector companies.</li> <li>- Reports and feedback from the business associations.</li> <li>- Trade statistics (imports and exports)</li> <li>- Reports from EUMS' embassies</li> </ul>	There is political, economic and financial stability in the country.
<b>Result no1 (output no1)</b>	Sector policies and preparation of project implementation completed and consensual.	<ul style="list-style-type: none"> <li>- Number of sector policies, at national or local level, that have been drafted and debated and around which a consensus has been built.</li> <li>- Number of projects that have been analysed, improved and debated and</li> </ul>	0 at starting year (2018)	<ul style="list-style-type: none"> <li>- 20 sector policies, at national or local level in 2022.</li> <li>- 200 projects in 2022.</li> <li>- 40 projects in 2022.</li> </ul>	Reports of EU and EU implementing partners.	The government accepts the criteria of the EU and EUMS concerning the development of infrastructure projects.

		<p>around the priority of which a consensus had been built.</p> <ul style="list-style-type: none"> <li>- Number of projects whose design has been completed.</li> </ul>				
<b>Result no2 (Output no2)</b>	The diversification of the Lebanese economy has started.	<ul style="list-style-type: none"> <li>- Number of training sessions for sectoral professional associations organised on technological transfer, linkages and matchmaking services and other specialized services through the various intervention modalities</li> <li>- Amount of personalised support given to individual companies on technological transfer and other specialized services through the various intervention modalities</li> <li>- Increased partnerships between Lebanese and EU associations and companies</li> <li>- Intensification of networking and exchanges of know-how between EU and Lebanese stakeholders</li> </ul>	0 at starting year (2018)	<ul style="list-style-type: none"> <li>- Demand driven.</li> <li>- Minimum 20 of training sessions:</li> <li>- Minimum 30 of personalized support.</li> <li>- Increased partnerships between Lebanese and EU associations and companies by 20%</li> </ul>	<ul style="list-style-type: none"> <li>- EU contacts with the professional associations and private sector companies.</li> <li>- The Official Gazette.</li> <li>- Reports and feedback from the business associations</li> <li>- Trade statistics (imports and exports)</li> <li>- Reports from EUMS' embassies</li> </ul>	There is political, economic and financial stability in the country.



## ANNEX 2

### of the Commission Implementing Decision on the **Annual Action Programme in favour of the Republic of Lebanon for 2018**

#### Action Document

<b>1. Title/basic act/ CRIS number</b>	<b>"Promoting innovation and entrepreneurship in support to Lebanon's clean energy transition"</b> CRIS number: <b>2018 / 041-140</b> financed under <b>European Neighbourhood Instrument</b>	
<b>2. Zone benefiting from the action/location</b>	Neighbourhood South, Lebanon The action shall be carried out at the following location: <b>Lebanon</b>	
<b>3. Programming document</b>	Single Support Framework for EU Support to Lebanon (2017-2020)	
<b>4. Sector of concentration/ thematic area</b>	<b>1 - Promoting growth and job creation</b> (Priority Sector N°1)	DEV. Aid: YES
<b>5. Amounts concerned</b>	Total estimated cost: EUR 10 million Total amount of Union budget contribution: <b>EUR 10 million</b>	
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Direct Management - procurement Indirect management with the entity (ies) to be selected in accordance with the criteria set out in Section 5.3.1.1	
<b>7 a) DAC code(s)</b>	14050 – Waste management / disposal 15110 – Public sector policy and administrative management 23210 – Energy generation, renewable sources – multiple technologies 32130 – Small and Medium-sized Enterprises (SMEs) development 41010 – Environment policy and administrative management 41082 – Environment Research	
<b>b) Main Delivery Channel</b>	13000 – Third Country Government (Delegated co-operation) 20000 – Non-Governmental Organisations (NGOs) and Civil Society 41000 – United Nations agency, fund or commission (UN) 51000 – University, college or other teaching institution, research institute	

	or think-tank			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality (including Women in Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Environment and climate change Sustainable energy			
<b>10. Sustainable Development Goals (SDG)</b>	<p><u>Main SDG:</u> N°8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all).</p> <p><u>Secondary SDGs:</u> N°5 (achieve gender equality and empower all women and girls); N°7 (ensure access to affordable, reliable, sustainable and modern energy for all); N°9 (build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation); N°12 (ensure sustainable consumption and production patterns); N°13 (take urgent action to combat climate change and its impacts); and N°15 (protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss).</p>			

## SUMMARY

This new action will simultaneously address job creation and growth in support of Lebanon's stagnated economy, in line with the recently developed "Vision for Stabilisation, Growth and Employment" (the "Vision") presented by the Government of Lebanon to the donors' community in April 2018 during the "Conférence Economique pour le Développement par les Réformes et avec les Entreprises" (CEDRE) – as well as climate change mitigation in Lebanon. It proposes to do so by supporting Lebanon's gradual shift towards a clean energy transition (gradual phasing out from fossil fuels by switching to renewable energy sources) and circular economy principle. It will address the following issues:

- The untapped potential for green jobs and growth (in particular in the energy sector)

- The inability of the electricity sector to supply reliable electricity, leaving homes, businesses, public offices and industries relying on more expensive, unregulated, highly polluting diesel-run private generators
- The difficulties for Small and Medium-sized Enterprises (SMEs) to get access to credits, despite the recent introduction of financial incentives to encourage green enterprise development
- The insufficient linkages amongst green entrepreneurship, SMEs, industries and research/technology centres
- The lack of a comprehensive energy plan to ensure consistency as regards renewable energy (*this issue will be addressed through the EU's Programme "Supporting Lebanon Vision for Stabilisation, Growth and Employment" assisting the implementation of the Capital Investment Programme, a recently launched comprehensive infrastructure plan aiming at boosting Lebanon's economic growth and which is the first pillar included in the "Vision"*)

Three main results are proposed:

- Result N°1: Synergies between entrepreneurs, innovation promoters and SMEs (E-I-SMEs), universities and research organisations are fostered and lead to new business opportunities in renewable energy (through the provision of grants to support demonstration projects, investment in human capital and ensuring technology transfer and mentoring/commercialisation of green innovations). Focus will be on various sources of renewable energy (solar, bioenergy, wind, etc.).
- Result N°2: Further financial incentives are introduced to encourage SMEs investing in alternative sources of energy, therefore gradually replacing diesel-run generators and decarbonising the Lebanese economy (through the provision of financial incentives). Focus will be on various sources of renewable energy (solar, bioenergy, wind, etc.).
- Result N°3: Public and non-operational renewable energy equipment is upgraded thanks to the set-up of new (financially viable) repair and recycling processes (through assisting with the retrofitting of existing non-functioning installations and equipment). Focus will mainly be on solar energy (photovoltaic (PV) solar panels and batteries). A demonstration project is envisaged.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

Lebanon is an upper-middle income country (USD 8,257 per capita) with a population of 6 million<sup>1</sup> in 2016. Affected by the regional conflicts, the number of Syrian refugees (about one million registered, with a labour force estimated at 450,000) and Iraqi refugees (about 10,000) seems to be receding, while the number of Palestine refugees and other foreign workers is constant. The number of non-resident Lebanese (2.2 million entries in 2016) and tourists (1.9 million in 2016) visiting Lebanon has varied over the years and is usually affected by the political situation. The country is increasingly urbanised, with the highest

<sup>1</sup> World Bank. 2018. World Development Indicators. Washington, D.C.

density in the Middle East and a large concentration of the population and economic activity along the coastal corridor. Its infrastructure is over-stretched (energy, water, wastewater and waste sectors), zoning laws are poorly enforced, and the natural environment is subject to growing pressures. The spill-overs due to the conflict in Syria have put additional strain on public services, infrastructure and have contributed to higher unemployment.<sup>2</sup> Youth unemployment rate is estimated today at around 25%, as Lebanon still produces more educated job seekers than the domestic labor market needs.

The Lebanese electricity sector has not been able to resume sustainable reliable and affordable electricity services since the end of the 1975-1990 civil war<sup>3</sup> – leading to daily power outages, as well as to informal and costly polluting energy generation alternatives. The country continues to rely mainly on imported fossil fuels, which account for a significant portion of Lebanon's GDP (i.e. 11.4%, equivalent to USD 5.1 billion in 2013).<sup>4</sup> The lack of major investment in production, transmission and distribution of electricity, complex and/or not enforced laws and regulations, inadequate tariff structure, as well as political interference have all contributed to weakening the sector. Tensions around the electricity crisis have also been exacerbated by the conflict in Syria, which has put additional strain on an already old and poorly maintained infrastructure (447 MW additional demands, increasing the Electricité du Liban (EDL) deficit by USD 313 million in 2017)<sup>5</sup>. This energy generation deficit is currently partially covered by neighbouring countries (e.g. controversial Turkish floating boat plants' lease; supply agreement with Syria), businesses, informal providers and household private diesel-run generators (up to 38% of electricity demand), which heavily contribute to Lebanon's pollution. In terms of world electricity supply quality, Lebanon ranks second to last in the Energy Architecture Performance Index.<sup>6</sup>

Throughout recent decades, Lebanon has built a good reputation for its entrepreneurial landscape. It has notably managed to develop a well-developed hi-tech ecosystem, from various innovation opportunities, such as subsidized loans provided by Banque du Liban (BDL), the setting-up of Kafalat, a financial company providing loan guarantees to SMEs, or recent initiatives allowing banks to invest in start-ups (e.g. BDL's financing mechanism "National Energy Efficiency and Renewable Energy Action" NEEREA initiated in 2010). However, when it comes to green entrepreneurs, innovation and SMEs (E-I-SMEs) and ensuring linkages between green ecosystem actors, additional efforts still need to be undertaken. Lebanon remains challenged by the lack of applied research funding for greening activities, weak linkages between innovation development and market needs/industrial demand, and scattered initiatives. Professors and students undertake research that lacks commercialisation potential, while industrialists/SMEs need green innovation support to create added value products. Hence, the value of identifying promising industries in need of green technology transfer, enhancing and protecting intellectual property rights and supporting the commercialisation of green innovations stand out.

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<sup>2</sup> Lebanon's traditional economic pillars – construction, real estate services and tourism – have suffered due to proximity to the Syrian crisis, and the drop in investor confidence linked to regional uncertainty.

<sup>3</sup> Lebanon's generation capacity is around 2,066 MW only compared with a demand of more than 2,900 MW in 2017, while the total electricity bill costs Lebanon USD 3.35 billion in 2017.

<sup>4</sup> According to the Lebanese Centre for Policy Studies (LCPS), imported fossil fuels constitute 96.7% of Lebanon's energy sources. *The Promise of Oil – Understanding Lebanon's Petroleum Sector*, 2015.

<sup>5</sup> UNDP's *The Lebanon Crisis Response Plan* in 2016: website: [www.undp.org/Lebanon](http://www.undp.org/Lebanon).

<sup>6</sup> World Economic Forum yearly report, 2016.



This Programme is fully in line with the recently developed "Vision for Stabilisation, Growth and Employment", a programme document for job creation presented by the Government of Lebanon to the donors' community in Paris in April 2018, during the "Conférence Economique pour le Développement par les Réformes et avec les Entreprises" (CEDRE). It will in particular contribute to its fourth pillar related to the diversification of the productive sectors and which looks at enhancing the competitiveness of the private sector by promoting entrepreneurship, innovation and technology transfer.

### 1.1.1 Public Policy Assessment and EU Policy Framework

The Council of Ministers adopted the energy (electricity) policy<sup>7</sup> in June 2010. Expected to be updated in 2018, this policy established an overall structure for the electric energy sector in Lebanon and committed to launching, supporting and reinforcing all initiatives to reaching the 12.1% renewable energy target in 2020. At the Paris Climate Conference in December 2015 (COP21), the Government of Lebanon (GoL) presented its Intended Nationally Determined Contribution (INDC), which confirmed its ambitious targets<sup>8</sup> included in its first National Renewable Energy Action Plan (NREAP) for 2016-2020<sup>9</sup> and second National Energy Efficiency Action Plan (NEEAP) for 2016-2020<sup>10</sup>. Regulatory reforms have however been slow and key laws (e.g. Law No. 462 of 2/9/2002 "Organisation of the Electricity Sector") have not yet been passed. With regards the 12.1% renewable energy target in 2020, the Ministry of Energy and Water (MoEW) plans to increase generation capacity progressively to about 5,000 MW by 2026, by renovating the existing power plants and adding 2,500 MW of new capacity where Public-Private-Partnership (PPP) and Independent Power Producers (IPP) are considered. So far, there has been a concerted effort by the MoEW to attract investment on Solar Photovoltaic (PV) and Wind technology through various recent Calls for Projects.<sup>11</sup>

### 1.1.2 Stakeholder analysis

Institutions	Responsibilities
Public authorities (Ministries)	<u>Ministry of Energy and Water (MoEW)</u> : Responsible for strategies, policy-making, regulation development and enforcement, co-ordination and monitoring of related institutions and affiliated public companies (EDL and National Utility of the Litany River responsible for the largest hydroelectric dam in Lebanon – 190 MW). Related

<sup>7</sup> Ministry of Energy and Water, 2010. Policy Paper for Electricity. Beirut.

<sup>8</sup> Including (i) 15%-30% reduction of greenhouse gas emissions in 2030; (ii) 15%-20% of power and heat demand in 2030 generated by RE sources; and (iii) 3%-10% reduction in power demand through EE measures in 2030.

<sup>9</sup> LCEC website:  
[http://lcec.org.lb/Content/uploads/LCECOther/161214021429307~NREAP\\_DEC14.pdf](http://lcec.org.lb/Content/uploads/LCECOther/161214021429307~NREAP_DEC14.pdf)

<sup>10</sup> The NEEAP was developed by the LCEC in accordance with the declaration of the Government of Lebanon of 2009 relating to EE and RE, namely the set strategic target of 12% by 2020.

<sup>11</sup> The Ministry of Energy and Water reached an Independent Power Producers (IPP) agreements with three companies to build 200 MW farms in Akkar in 2017, launched a new 200-400 MW Expression of Interest (EoI) for four wind projects in April 2018, while on the PV front, the 2013 120-180 MW (4 farms) EoIs were finally launched in 2017. Conversely, EoIs for 70-100 MW solar farms with battery storage (3), 360 MW solar farms (24) and 300 MW for hydropower stations (up to 32) were launched in March 2018. Whereas the NREAP calls for an installed renewable energy capacity of 832.4 MW by 2020, the total installed, ongoing tender and EoI capacity amounts to about 1,251-1,541 MW, but will most probably fall short of achieving the 12.1% renewable energy target in 2020.

	<p>to the MoEW is the <u>Lebanese Center for Energy Conservation (LCEC)</u> that develops Energy Efficiency (EE)/Renewable Energy (RE) policies and co-ordinate national activities, in liaison with donors.</p> <p><u>Ministry of Environment (MoE)</u>: Responsible for protecting the environment and monitoring carbon footprint.</p> <p><u>Ministry of Agriculture (MoA)</u>: Promotes the use of alternative sources of energy in the agriculture sector and looking at biomass from sustainable forest management.</p> <p><u>Ministry of Industry (MoI)</u>: Elaborates policies ensuring industrial sector development, collects, analyses and publishes industrial statistics.</p> <p><u>Ministry of Economy and Trade (MoET)</u>: Promotes the development of SMEs.</p>
<b>Electricité du Liban (EDL) and electricity providers</b>	Public electricity utility. Controls over 90% of the Lebanese electricity sector. Other participants include the National Utility of the Litany River and Safa Spring as well as production (Nahr Ibrahim / 32 MW, Kadisha / 21 MW and Al Bared / 17 MW) and distribution concessions (Zahle and Jbeil).
<b>Banque du Liban/ Central Bank of Lebanon (BDL)</b>	Provides RE and environment-related soft loans provided through commercial banks (e.g. "National Energy Efficiency and Renewable Energy Action" NEEREA). Provides seed funding through Circular 331/2013.
<b>Kafalat (in particular Kafalat Energy)</b>	Lebanese financial company that provides eligible SMEs with loan guarantees for investments in RE although this line of business was dramatically reduced.
<b>Non State Actors (NSA)</b>	<p>Associations (RE): the Lebanese Association for Energy Saving and for Environment, the Lebanese Solar Energy Society, the Centre de Recherche en Environnement Espace Méditerranée Orientale, the Order of Engineers, etc.</p> <p>Associations (industrial sector): Association of Lebanese Industrialists (ALI), in particular its programme "Lebanese Industrial Research Achievements" (LIRA) that has provided seed funding.</p> <p>CSOs (waste): Arcenciel, Nafroz, l'Ecoule Recyclage, etc.</p> <p>Incubator/Accelerator/ventures: Berytech, Alfanar, Fondation Diane, etc.</p> <p>Universities: Université du Liban (UL), Université Saint Joseph (USJ), American university of Beirut (AUB), Lebanese American University (LAU), Notre Dame University (NDU), Balamand University and Holy Spirit University of Kaslik (USEK)</p>
<b>SMEs / Renewable Energy Service Company Operators</b>	<p>SMEs (RE): Phoenix, Solarnet, e24 (currently the only RESCO in Lebanon), etc.</p> <p>SMEs (waste): Cedar Environmental, Compost Baladi, etc.</p>
<b>National Council for Scientific Research CNRS-L</b>	Research, and in particular the following programmes, including projects funded by the EU Research Framework programme, Horizon 2020: Partnership for Research and Innovation in the Mediterranean Area (PRIMA), the Quintuple Helix Approach to Targeted Open Innovation in Energy, Water, Agriculture in the South Mediterranean Neighbourhood (STOI 4EWAS), project, projects funded by ERANETMED (renewable energy, water energy nexus, agriculture). .
<b>Key international stakeholders</b>	EU, World Bank, France (Agence française de Développement AfD), Italy (Italian Co-operation ACIS), USAID (Mercy Corps), Kreditanstalt für Wiederaufbau (KfW), International Financial Institutions (e.g. European Investment Bank, European Bank for Reconstruction and Development, etc.).

### 1.1.3 Priority areas for support/problem analysis

Several challenges have been affecting the sector of energy/electricity for decades, in particular: (i) the electricity tariff (the tariff system has not been reviewed since 1996); (ii) delays in implementing key laws and lack of a single and comprehensive energy policy (there are currently various energy-related documents with in some cases, inconsistencies between them: the electricity master plan, the National Energy Efficiency Action Plan (NEEAP) and the National Renewable Energy Action Plan (NEREAP), the Capital Investment Plan, and the transmission master plan prepared by EDL in 2013 and updated in 2017); (iii) unclear or inadequate regulatory framework (e.g. no grid code); and (iv) the high levels of commercial losses in EDL distribution network. These challenges explain the energy supply gap and the development of private diesel-run generators (mostly small scale) operating off-grid and providing electricity to households and businesses that account today for a significant share of power supply. While they reduce the power outages, they heavily impact household/companies revenues (their tariff is about 4.5 much higher than the EDL tariff), are illegal<sup>12</sup>, polluting and noisy.<sup>13</sup>

Hence, there is a need to find/support alternative solutions promoting renewable energy applications and measures: (i) by encouraging Lebanon's green entrepreneurs, innovation promoters and SMEs (E-I-SMEs) opportunities by bringing together and supporting key actors (including incubators, foundations and/or ventures, which remain limited and mainly dedicated to digital businesses) looking at new innovations/technologies leading to reduced use of costly diesel fuel and new value chains (thus reducing the burden of environmental challenges and promoting new job opportunities). With regard to the value chains to promote, it is proposed to further look at synergies between renewable energy and green/organic sectors (e.g. forestry and oil residues that could lead to the generation of renewable energy including biomass/biofuel); (ii) by building on recent successful initiatives that include the promotion of financial incentives encouraging green enterprise development and practices<sup>14</sup>, as well as the introduction of the net metering<sup>15, 16</sup>, a process that was prohibited before and that paves the way for feed-in tariffs (a policy that has been most successful in promoting renewable energy sources, according to European experiences). Successful experiences in India and rural areas (e.g. Tanzania) will also be taken into account, in particular with regard to energy operators/SMEs (Renewable Energy Service Company Operators RESCOs<sup>17</sup>)

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<sup>12</sup> There is today no legal provision for a private diesel-run generator of energy (if not for its own self-consumption) to sell electricity to consumers.

<sup>13</sup> For additional information, see also the "Sustainable Energy Country Fiche" covering Lebanon (2018).

<sup>14</sup> The development of the "National Energy Efficiency and Renewable Energy Account" (NEEREA) ensuring 0% interest rate loans for investors in RE/EE, the setting up of the EU-funded "Kafalat Energy Programme" and more recently the "Lebanon Energy Efficiency and Renewable Energy Finance Facility" (LEEREFF), a €80 million concessional line of credit at 2% interest rate.

<sup>15</sup> Net metering is the dual (quantitative) exchange of power between a renewable energy source and the grid.

<sup>16</sup> This was achieved thanks to the ongoing EU-funded programme implemented by UNDP "Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon" CEDRO Phase IV, a grant aiming at promoting the use of EE/RE and supporting the gradual greening of its economy.

<sup>17</sup> An energy service company (ESCO) is a commercial or non-profit business providing a broad range of energy solutions including designs and implementation of energy savings projects, retrofitting, energy

making small-scale investments in renewable energies; (iii) by supporting the right incentives contributing to gradually replacing the private diesel-run generators and ensuring the retrofiting of public buildings with non-functioning renewable energy (photovoltaic solar) equipment.

Energy efficiency will be addressed through additional EU actions, at regional level, in particular the External Investment Plan Proposed Investment Programme from the European Bank for Reconstruction and Development on "Green Technology Transfer and Greening Buildings" in the Neighbourhood (presented during the 2<sup>nd</sup> joint meeting of the operational boards on 20/06/2018).

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Political instability.	H/M	Ownership of key actors active in the renewable energy sector (including relevant Ministries) is ensured.
No progress with regards to legal and regulatory frameworks of the energy sector (including lack of enforcement and implementation mechanisms) and limited involvement of national authorities to catalyze interest in energy-related issues.	H/M	Regular policy-dialogue is maintained with regards to the renewable energy sector.  EU helps address the energy gap/high share of electricity expenses (including in household's expenditures) by promoting alternatives to address/regulate private diesel-run generators.
Not enough grid capacity and reliability for new renewable energy projects.	M	EU (in particular through the European External Investment Plan) and other donors (World Bank, European Financial institutions – e.g. EBRD, EIB, etc.) help address the power sector (reforms) and ensure further coherency between the electricity master plan and the Capital Investment Plan (CIP) with the NEEAP and NREAP.
Financial sector risk averse to Renewable Energy investment.	M/L	Donors continue supporting green financial incentives. Over the last years, some important efforts have been made to introduce financial incentives that promote investments in the energy sector (e.g. NEEREA, Kafalat Energy, etc.). The new EIB/AFD concessional line of credit could be "built on" to support entrepreneurs willing to take some risks and provide clean RE to industries and commerce.
<b>Assumptions</b>		
The Government of Lebanon commits to its governance and structural reform efforts (e.g. CEDRE conference, etc.). The Government of Lebanon remains committed to ensuring that renewable energy plays an important role in the energy supply mix of Lebanon (policies to financially support the development of renewable energy projects are enforced).		

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conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management.

### 3.1 Lessons learnt

This programme will build on national dynamics and previous/ongoing EU-funded programmes, in particular the "Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon Phase IV" (CEDRO IV)<sup>18</sup> and the first phase of Switch-Med regional project<sup>19</sup>. Based on their lessons learnt, it is proposed to continue promoting the generation of electricity from renewable energy sources in Lebanon, as energy supply still represents a daily challenge for the Lebanese and their economy, and notably to:

(i) Adopt a bottom up approach aiming at improving the opportunities, effectiveness and coherence of the green E-I-SME. So far in Lebanon, research and development, especially innovation, is not well developed. Although many tentative and success stories confirm research activities in Lebanon, significant impact could not be achieved with insufficient and irregular funding. Ideas could pass the study stage but are barely picked up by industries and often do not materialise in industrial processes. At universities, researchers focus their works on the basis of their expertise and know-how and very little on market needs and structured industrial demand. Mentoring is also very limited. The action will aim at promoting synergies between various actors (incubators/ventures, financiers and industries) and build on existing programmes (in particular the "Agrytech Programme" developed by Berytech and the "Lebanese Industrial Research Achievements Programme" set up by the Association of Lebanese Industrialists). A recent "green start-up" pitching event on the occasion of the World Environment Day (5 June 2018), organised in the framework of the Switch-Med Programme together with Fondation Diane and the EU Delegation to Lebanon, also confirmed the interest from various key actors (young entrepreneurs/start-ups, incubators/ventures and industries) in innovative green solutions.<sup>20</sup> Special attention should also be devoted to ensuring that actors that will benefit from EU support will evaluate and measure their green impact.

(ii) Further support financial incentives to new energy operators/SMEs (Renewable Energy Service Company Operators RESCOs) which should make small-scale investments in renewable energies in Lebanon. Special attention should also be devoted to ensuring that these new SMEs are evaluating and measuring their green impact. The EU will also build on the key results from national financing mechanisms that have been operating relatively well, in particular the "National Energy Efficiency and Renewable Energy Action" (NEEREA), launched in 2010 and initiated by the Central Bank of Lebanon (BDL) in collaboration with the MoEW, the Ministry of Finance (MoF), the LCEC, the EU and the United Nations Development Programme (UNDP). Under this programme, Kafalat also introduced a guarantee product (Kafalat energy), which resulted from a partnership between the EU and Kafalat SAL; despite important steps put in place to address some of the energy constraints faced by SMEs, commercial banks in Lebanon still have limited exposure, experience and lack capacity to assess renewable energy investment projects and regard them as an uncertain and risky investment.

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<sup>18</sup> <http://www.cedro-undp.org/>. A Final Evaluation of CEDRO Phase IV – coming to an end on 31 August 2018 – is also going to take place during the Second Semester of 2018

<sup>19</sup> <https://www.switchmed.eu/en/country-hubs/lebanon/>

<sup>20</sup> [https://eeas.europa.eu/delegations/lebanon\\_en/45974/](https://eeas.europa.eu/delegations/lebanon_en/45974/)

(iii) Put an emphasis on concrete actions, whose achievements demonstrate and illustrate the impact of implementing energy and SME-related actions in a sustainable way. This programme should also look at the main achievements of the programme "CEDRO IV" that has been promoting renewable energy / energy efficiency in Lebanon and helped developing creative and innovative energy schemes. Focus will be various sources of renewable energy (solar, bioenergy, wind, etc.). However, as several solar photovoltaic (PV) and solar thermal demonstration activities and technologies have already been successfully developed and have contributed to considerably improve the enabling environment (e.g. introduction of net-metering, etc.), attention will be mainly put on other technologies and value chains that could greatly benefit Lebanon's economy, such as biogas, concentrated solar power, etc.

### 3.2 Complementarity, synergy and donor co-ordination

This new programme should complement other EU-funded programmes, in particular the new "EU for Climate Action in the ENI Southern Neighborhood" and activities that will target local authorities and the second phase of Switch-Med regional project.<sup>21</sup> This programme is also proposing to cover renewable energy sources, complementary to the ones included in the Capital Investment Plan (CIP). Once adopted by the Lebanese Government, the CIP is expected to offer a strategic framework for blending operations with European Financial Institutions, which could include technical assistance, studies, assessments and other support actions as well as infrastructure. The CIP will partly be supported by the EU through the European External Investment Plan<sup>22</sup> and, in particular, the first pillar that includes the European Fund for Sustainable Development<sup>23</sup> and the third pillar related to policy-dialogue and reforms.<sup>24</sup> This will help lay the foundations for decisions with regard to blending operations under the Annual Action Programme 2019 yet to be defined.<sup>25</sup>

There is also a limited number of donors in Lebanon covering:

(i) The promotion of green E-I-SMEs opportunities in Lebanon: activities helping entrepreneurs develop/mature a green idea from innovation to commercialisation are still at a very early stage. Very few donors have so far provided financial incentives (e.g. seed funding, grants, etc.) to boost the green innovation/knowledge/technologies. The EU will build on the few successful initiatives available in Lebanon, including the Switch-Med work on "Green Entrepreneurs" in Lebanon often conducted in partnership with Fondation Diane,

<sup>21</sup> The EU has helped with capacity building and demonstration projects through the following: (i) *Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon Phase IV* (2014/2018); (ii) *Support Programme for Infrastructure Sector Strategies and Alternative Financing* (2013/2016); and (iii) *Protection and Sustainable Use of Maritime Resources in Lebanon* (2016/2019). Several EU Regional Programmes also include support to the RE and Lebanese municipalities, such as *Cleaner Energy Saving Mediterranean Cities* (2013/2017) and *Sustainable Urban Demonstration Projects* (2015/2018).

<sup>22</sup> [https://ec.europa.eu/commission/eu-external-investment-plan\\_en](https://ec.europa.eu/commission/eu-external-investment-plan_en)

<sup>23</sup> [https://ec.europa.eu/europeaid/european-fund-sustainable-development-2017-operational-report\\_en](https://ec.europa.eu/europeaid/european-fund-sustainable-development-2017-operational-report_en)

<sup>24</sup> 8% of the total of the CIP (about USD 450 million) is earmarked for RE (hydropower and geothermal) projects. The CIP does not include any solar photovoltaic (PV), wind or bioenergy (in particular biogas and biomass) projects.

<sup>25</sup> It could be useful to further look into the modalities of the projects in renewable energy and transmission in Egypt (ENER/Wind farm/EG #32 and ENER/PowerTrans/EG #31) where blending has helped to start an evolution from grant financing of renewable energy infrastructure to loan financing, and finally to trigger prospects for considerable private sector financing of the sector.

as well as the Alfanar's support to a few social enterprises/NGOs (funding/training/mentoring).

(ii) The promotion of SMEs investing in alternative sources of energy into Renewable Energy Service Company Operators (RESCOs): in addition to worldwide positive experiences (e.g. India, rural areas, etc.), the EU will also look at existing mechanisms/facilities, including the recent one put in place by the EIB/AfD (EUR 80 million "Lebanon Energy Efficiency and Renewable Energy Finance Facility" LEEREFF, with a Neighbourhood Investment Facility grant) that will finance energy projects through local banks (complementarity through the provision of financial incentives).

### 3.3 Cross-cutting issues

The programme is mainly about the development of a green economy that will partly address the continuous degradation of the Lebanese natural environment. It proposes to do so by supporting alternative sources of renewable energy that could gradually complement/replace private diesel-run generators. Synergies between renewable energy and fuels derived from green/organic waste will also be encouraged. In that regard, the recent *Communication on the implementation of the circular economy package: options to address the interface between chemical, product and waste legislation*<sup>26</sup> could be a useful reference. In addition, the programme will help promote a new recycling chain (photovoltaic solar batteries).

Several activities are also targeting further investment in human capital and youth. The new programme proposes in particular to support young talents/students/entrepreneurs interested in developing initiatives and/or start-ups promoting alternative sources of renewable energy, including deriving from green waste.

This programme will seek also to ensure that women are encouraged and able to jump on the band wagon of innovation, even if women in sustainable energy (in Lebanon and elsewhere) are still under-represented<sup>27</sup> (as part of a bigger problem of the under-representation of women in the field of science, technology, engineering and mathematics). Attention will be devoted to ensuring equal access to the proposed incentives and opportunities (e.g. seed funding, innovation grants, etc.); collaboration with the Office of the State Ministry for Women Affairs could help to further guide the reduction of gender bias.

The programme will also support the empowerment of Civil Society, in particular Civil Society Organisations and universities/research centres. CSOs are included in all the various proposed participatory needs assessments. Their role will be crucial to ensure that cross-cutting issues are properly addressed through this programme. In addition, support to CSOs capacity to exercise this "monitoring" role will be provided. Around 10% of the budget under each result will be reserved to help CSOs improve their capacity of ensuring that "skills development" (focus on youth), "environmental policies" and "equal opportunities for all" are properly addressed (as per indicated in the Single Support Framework 2017-2020), as well as to facilitate discussions between them and other actors. In addition, some activities will specifically target universities/research centres and discussions/synergies between them and other key players (incubators/ventures, financiers and industries).

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<sup>26</sup> COM (2018) 32 final of 16 January 2018.

<sup>27</sup> According to the International Renewable Energy Agency (IRENA), the average share of women working at 90 renewable energy companies surveyed worldwide is increasing and currently mounting to 35%.

### 4.1 Objectives/results and options

This new programme will simultaneously address job creation and growth in support of Lebanon's stagnated economy as well as Climate Change Mitigation. It proposes to do so, by supporting Lebanon's gradual shift towards a clean energy transition (gradual phasing out from fossil fuels by switching to renewable energy sources) and circular economy principle.

The action is fully in line with both the Government of Lebanon's target of reaching 12.1% of electric and thermal supply to be produced from renewable energy by 2020, as it will pay particular attention to the provision of reliable, cheaper and cleaner energy supply for all Lebanese citizens. It is also in line with the Government's "Vision for Stabilisation, Growth and Employment", a programme document for job creation and growth presented by the Government of Lebanon to the donors' community in Paris in April 2018, during the "Conférence Economique pour le Développement par les Réformes et avec les Entreprises" (CEDRE). It will, in particular, contribute to its fourth pillar related to the diversification of the productive sectors.

This programme will pay particular attention to renewable energy. Energy efficiency will be addressed by additional EU actions.

Three main results are proposed:

- (1) Synergies between entrepreneurs, innovation promoters and SMEs (E-I-SMEs), universities and research organisations are fostered and lead to new business opportunities in renewable energy;
- (2) Further financial incentives are introduced to encourage SMEs investing in alternative sources of energy, therefore gradually replacing diesel-run generators and de-carbonising the Lebanese economy; and
- (3) Public and non-operational renewable energy equipment is upgraded thanks to the set-up of new (financially viable) repair and recycling processes (through assisting with the retrofitting of existing non-functioning installations and equipment).

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG N°8, N°7, N°9 and N°15<sup>28</sup>. This does not imply a commitment by the Republic of Lebanon benefiting from this programme.

### 4.2 Main activities

Indicative activities are described below.

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<sup>28</sup>SDG: N°8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). N°5 (achieve gender equality and empower all women and girls); N°7 (ensure access to affordable, reliable, sustainable and modern energy for all); N°9 (build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation); N°12 (ensure sustainable consumption and production patterns); N°13 (take urgent action to combat climate change and its impacts); and N°15 (protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss).



**RESULT N°1:** Synergies between entrepreneurs, innovation promoters and SMEs (E-I-SMEs), universities and research organisations are fostered and lead to new business opportunities in renewable energy (*through the provision of grants/seed funding, so as to support demonstration projects, investment in human capital, technology transfer and mentoring/commercialisation of green innovations.*). Focus will be on various sources of renewable energy (solar, bioenergy, wind, etc.). Indicative budget: 35%

Close synergies with the AAP 2018 Action Document "Supporting Lebanon Vision for Stabilisation, Growth and Employment" (in particular with regard to the contribution to the expansion and diversification of Lebanon's economy), will be ensured.

Activities will mainly target researchers/universities, incubators/ventures, financiers and industries.

(i) Identification of E-I-SME green stakeholders through a participatory needs assessment: This assessment will help map stakeholders, define their roles and responsibilities, determine means of funding the platform and define the shape and institutional set up of the sustainable green ecosystem platform. It will be followed by the organisation of workshops that will help present the results of the needs assessment and determine ways to better work across the four building blocks (researchers/universities, incubators/ventures, financiers and industries) and the European and regional ecosystems to improve green opportunities, effectiveness and coherence.

(ii) Provide funding for selected green demonstration and innovative projects that would both upscale (or promote) new renewable energy applications. It is notably proposed to further look at circular economy opportunities and, in particular, synergies with green/organic waste – where innovation is still limited (e.g. incubators to generate biogas and produce organic fertilisers). Additional studies might be conducted during the (early) implementation to assess potential costs, impact and benefits from various renewable energies derived from waste (e.g. to be conducted by key universities and research centres). Funding critical needs (through innovation grants, seed funding, etc.) will be defined during the participatory needs assessment, while focussing on areas where the EU has ongoing programmes.

**RESULT N°2:** Further financial incentives are introduced to encourage SMEs investing in alternative sources of energy, and therefore gradually contributing to reducing the environmental impact of industries and de-carbonising the Lebanese economy (*through the provision of financial incentives*). Focus will be on various sources of renewable energy (solar, bioenergy, wind, etc.). Indicative budget: 35%

Two proposed paths are:

(i) Since 2010, NEEREA has supported Lebanese SMEs in implementing energy-saving measures through low-interest loans and additional grants; the latter have gradually become depleted. This national initiative deserves continuous support considering the substantial success achieved so far. It is therefore proposed to provide grants to this end.

(ii) In parallel, this programme will assess the opportunity for developing new financial incentives, as investments in energy savings and renewable energy technologies often represent a huge cost with long payback periods for Lebanese SMEs. These financial incentives could therefore contribute to the mobilisation of additional funds and foster, for example, the transformation of existing SMEs selling renewable energy equipment retailers into 'formal' Renewable Energy Service Company Operators (RESCOs). RESCOs business development would thereby contribute to the gradual replacing and/or complementing private

diesel-run generators with renewable energy solutions (e.g. fermentation energy, biomass energy – *to be determined according to the outcomes of the needs assessment mentioned under Result N°1*), contributing to a cleaner energy production and job creation. This will help lay the foundations for decisions with regard to blending operations under the Annual Action Programme 2019 yet to be defined.

Activities will mainly target SME RE Service Company Operators (RESCOs), the MoEW/LCEC and build on existing financial incentives/guarantees (LEEREF, Kafalat, etc.)

**RESULT N°3:** Public and non-operational renewable energy equipment is upgraded thanks to the set-up of new (financially viable) repair and recycling processes (*through assisting with the retrofitting of existing non-functioning installations and equipment*). Focus will mainly be on solar energy, which is a renewable energy source that has been increasingly encouraged and developed these last years in Lebanon (photovoltaic (PV) solar panels and batteries). A demonstration project is envisaged for increased visibility – it should target activities with a high potential for job creation and growth as well as public entities in poor and remote areas with limited financial resources and having to cope with increasing demands on its services (e.g. public health centre). Indicative budget: 15%.

Activities will mainly target public institutions in rural areas, SME RE Service Company Operators (RESCOs), CSOs/NGOs (recycling) and entrepreneurs.

(i) Conduct additional needs assessment and studies. In particular, a participatory needs assessment on existing public buildings' RE will be carried out (e.g. how solar photovoltaic equipment is currently maintained in public institutions: parts replacement and recycling, routine inspections, etc.), which will help map and prioritise retrofitting interventions. These public buildings often lack income generation to maintain renewable energy (solar) equipment installed through donor funding over the years on their roofs (e.g. health centers and schools in remote and poor areas). This equipment is ill maintained which could affect the effectiveness of these renewable energy sources in terms of their energy bills and carbon footprint. The repair/replacement of solar photovoltaic equipment (e.g. batteries) will benefit from European experience on recycling. In addition, studies will be commissioned to: (i) map (large) buildings in Lebanon that are suitable for RESCO (as the CNRS-L has already conducted the study for Beirut); and (ii) determine the options associated with the recycling of PVs and batteries and ways to internalise recycling procedures among the 40+ PV retailers and future RESCOs. A small funding envelope could be set aside for a demonstration project that will focus on the repair/recycling of PVs and batteries in a poor and remote area.

(ii) Support technology development and exchange of know-how on recycling of solar (PV) panels, etc. When relevant, exchanges with European and regional agencies and entrepreneurs will be solicited.

The remaining 15% of the budget will cover communication, evaluations and audits.

#### **4.3 Intervention logic**

This programme intends to address simultaneously two major issues of concern in Lebanon: the stagnation of its economy – through new value chains/job opportunities in renewable energies – and the degradation of its environment – through additional incentives and alternative solutions and technologies. Given the available budget (€10 million), all the proposed activities can trigger a multiplying effect.

Well identified studies/needs assessments are proposed. The programme will bring together the green E-I-SME stakeholders after a "needs assessment" that will be discussed at a

launching workshop. Funding (e.g. innovation grants, seed funding, etc.) will be sought to support green demonstration and innovative projects that could be housed at an entity involved already in supporting innovation via incubation, prototyping, seed funding and commercialisation. It could also include specific criteria to target areas where ongoing EU programmes are implemented, seek leverage funding from donors, target poor areas where innovation will make a positive change, encourage a compendium of universities/research centres to work collaboratively at innovation from different angles to increase the likelihood of marketable results with large scaling up potential, seek SMEs creation/expansion, promote gender-equality jobs, etc. The "needs assessment" to retrofit RE on public buildings will help determine the scope of retrofitting work. The retrofitting will prioritise key public entities (notably health centres and schools) in the poorest areas (Akkar, Hermel, Dinniye, etc.) with severe budgetary constraints, whereas RESCOs will be suggested as alternatives to creditworthy public entities (municipalities, water establishments, etc.) interested in replacing and expanding their renewable energy systems.

Studies (and workshops) will be conducted when needed: potential electricity generated by buildings that could be used by RESCOs in Lebanon; PV/batteries needing retrofitting and recycling options; etc. The development of RESCOs and its enabling environment will be done during the first year as financing incentives are already in place (e.g. EIB / AFD LEEREFF).

The bulk of the budget will be targeting Results 1 and 2, in particular grants targeting innovation promoters (innovation grants, seed funding, etc.) and financial incentives targeting SMEs.

## **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 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of the adoption by the Commission of this Action Document.

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 EU restrictive measures<sup>29</sup>.

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<sup>29</sup> [www.sanctionsmap.eu](http://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.

### **5.3.1.1 Indirect management with Member State organisations**

*EU Member States organisations present in Lebanon are currently being consulted seeking expression of interest by an experienced Member State Agency to implement this programme (informal consultation and expression of interest).*

This action may be implemented in indirect management with a Member State Agency, which will be selected by the Commission services using the following criteria: technical expertise in the sector, excellent management capacities, and the ability to mobilise additional funding (grants and loans) in order to scale up the proposed programme. This implementation entails assessments/studies, funding (grants, seed funding, etc.), demonstration (and innovative) projects, technology development and exchange of know-how with a focus on renewable energy

This implementation is justified because of the following: as the sector of RE is concerned, as well as potential synergies between the energy and the (green) waste sectors and as the actions to be performed are diverse (e.g. studies, funding to start-ups, demonstration/pilot projects, etc.) and to be implemented by a multitude of actors (e.g. universities, research centers, banks, private sector companies, ministries) a Member States Agency could ensure coherence and linkages between the various proposed actions and stakeholders in the concerned sectors. Past/ongoing experience of the Member States Agency in Lebanon in the field of environmental protection and rehabilitation will be key. Attention will be given to promote bottom-up approaches and support actions that could have a lever with multiplying effects (e.g. incubators). Complementarity between EU's various financing instruments will also be ensured. Particular attention will notably be given to the recently launched European External Investment Plan (in particular with regard to Lebanon's CIP), investments under the Neighbourhood Investment Facility and the new Regional Programme on Climate Action and Sustainable Energy in the Neighbourhood South. Synergies with other EU-funded programmes on green entrepreneurship will also be encouraged (e.g. Switch-Med Programme).

The entrusted entity would carry out the following budget-implementation tasks: grants awarding and contracts awarding in the framework of the provision of Technical Assistance, financial incentives in renewable energy; delivery of advisory services and capacity-building opportunities; programme management (that will include monitoring, evaluation and reporting); follow-up on grant agreements (to be done in close co-ordination with relevant stakeholders); participation in donors' co-ordination activities; preparation of visibility actions; etc.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.1.2.

### **5.3.1.2 Changes from indirect to direct management mode due to exceptional circumstances (one alternative second option)**

#### **5.3.1.2.1 Grants: call for proposals "Promoting a Green inclusive economy in Lebanon with a focus on renewable energy" (direct management)**

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The objectives and the type of actions eligible for financing and the expected results are those described under expected results 4.1.

(b) Eligibility conditions

Potential applicants for funding should be established in a European and/or ENI country<sup>30</sup>, and be legal entities, local authorities, public bodies, international organisations, NGOs, as well as economic operators such as SMEs.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80% of the eligible costs of the action.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

First trimester of the year (2019).

f) Exception to the non-retroactivity of costs

Not applicable.

**5.3.1.3 Procurement (direct management)**

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
TA Support to the implementation/monitoring of the programme	Service	1	First Trimester of 1 <sup>st</sup> year
Evaluations: one (1) mid-term and one (1) final evaluation	Service	2	First Trimester of 2 <sup>nd</sup> year

**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 provisions.

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<sup>30</sup> [https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/overview\\_en](https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/overview_en)

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

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
Indirect management with a MS Agency	9,000,000	
TA Support	800,000	N.A.
Communication and visibility	200,000	N.A.
Contingencies	N.A.	N.A.
Total	10,000,000	

## 5.6 Organisational set-up and responsibilities

The action will be managed through a Contribution Agreement with a Member State Agency, which will be responsible for the implementation of the programme under the direct supervision of the Commission. The Member State Agency will set up and chair a Steering Committee (SC) that will include members of line Ministries and other stakeholders, including CSOs, which are relevant to the sector of renewable energy. It will also ensure donors' co-ordination and the widest possible dissemination of information about the programme and its various activities.

Evaluation, audit, monitoring and communication and visibility contracts will be contracted directly by the Commission.

With regard to the inception phase, special attention will be devoted to ensuring that all needed assessments and studies to assess potential costs, impact and benefits from various RE derived from waste are developed. The activities proposed in section 4 (description of the action) will also be identified more precisely on the basis of an inclusive and participatory approach and the work that has been carried out during the identification and formulation phases of his programme (and related assessments). Once identified, an inception report and an action plan for one year will be prepared and presented to the European Commission for approval. The inception report and the action plan will be discussed with the SC, knowing that the SC will remain a consultation and co-ordination body and that the EU will remain free to act according to its own understanding of the local situation and challenges.

## 5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing 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 the 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 list of result indicators (for budget support). 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 mid-term and final evaluation will be carried out for this action or its components via independent consultants.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to launching similar projects in other areas of the country in the future.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account, in particular, the fact that some activities of this programme are innovative and pilot actions.

The Commission shall inform the implementing partner at least two (2) months 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 the necessary information and documentation, as well as access to the project's 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, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, 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 Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the action and the appropriate contractual obligations.



### INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Address Lebanon's stagnated economy and continuous degradation of its environment (will help contributing towards the RE target: 12.1% by 2020 and 12.6% by 2030)	Volume of carbon emission reduction  Volume of waste transformed into energy and/or recovered  Number of jobs created in relation to renewable energy	MoE (2018)  MoE (2018)	MoE 12.6% Target (2030)  MoE 25% material recovery, 35% energy recovery (2019-2024)	MoE (yearly) could be included in the 4th National Communication to the United Nations Framework Convention on Climate Change	The GoL remains committed to its renewable energy targets.
Specific objective(s): Outcome(s)	Support Lebanon's gradual shift towards a more inclusive green economy  - Help create an enabling environment (incubator to commercialisation) for green E-I-SMEs - Promoting green jobs and Lebanese's competitiveness - Support alternative sources of renewable energy	Number of financial incentives provided to green SMEs  Reinforcement of green waste streams (e.g. bioenergy, etc.)	0 (2018)  0 (2018)	1 (2024)  4 (2024)	MoE, KAFALAT, MoE (yearly)	Lack of buy-in from various energy, and E-I-SME stakeholders due to the sluggish economic situation
Outputs	Needs assessment/Studies/Workshops Financial incentives Promoting RESCOs PV Retrofitting/Recycling Promoting green E-I-SMEs Seed and demonstration funding	Number of studies, assessments and workshops Financial incentives provided / €4M Number of RESCO created Number of PV/batteries installed Number of green E-I-SMEs by gender Grants provided / €3M	0 (2018) 0 (2018) 1 (2018) TBD (2018) 0 (2018) 0 (2018)	10 (2024) >€4M (2018) 10 (2024) TBD (2024) 20 (2024) €3M (2024)	EU Delegation  LCEC every year  Berytech every year	Lack of buy-in from various energy, and E-I-SME stakeholders due to the sluggish economic situation



### **ANNEX 3**

#### **of the Commission Implementing Decision on the Annual Action Programme in favour of the Republic of Lebanon for 2018**

#### **Action Document**

1. Title/basic act/ CRIS number	Promoting the rule of law, enhancing security and countering terrorism in Lebanon CRIS number: ENI/2018/041-154 financed under European Neighbourhood Instrument			
2. Zone benefiting from the action/location	Neighbourhood South, Lebanon			
3. Programming document	Single Support Framework for European Union (EU) Support to Lebanon (2017-2020)			
4. Sector of concentration/ thematic area	Promoting the Rule of Law, enhancing security and countering terrorism (priority sector 3)	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 18,000,000 Total amount of Union budget contribution EUR 18,000,000			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with The International Centre for Migration Policy Development (ICMPD), United Nations Development programme (UNDP) and The International and Ibero-American Foundation for Administration and Public Policies (FIIAPP)			
7 a) DAC code(s)	Main DAC code – 15210 - 100%			
b) Main Delivery Channel	13000, 41000			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X

	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	N/A			
<b>10. Sustainable Development Goals (SDG)</b>	<p>Main SDG <b>Goal 16</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels, but also promotes progress towards</p> <p>Secondary SDG Goal(s) <b>5</b> Gender and <b>7</b> Affordable and clean energy.</p>			

## SUMMARY

Supporting the Lebanese security system's effectiveness and legitimacy is a priority to be addressed in order to foster greater social cohesion and national stability. A sustained security environment in Lebanon will pave the road to increased economic investment and long-term development, and advance Lebanon towards the achievement of the Sustainable Development Goals by 2030.

The Overall Objective of the action is to contribute to the development of a long-term capability of the Lebanese security system to control risk and guarantee the respect of the Rule of Law, thus ensuring greater security for citizens and sustainable stabilisation processes for the country.

Throughout this action the EU aims to reinforce the Security Sector in Lebanon by promoting a culture of co-operation and sharing of information around two critical strategic areas, which are part of the EU-Lebanon partnership priorities and high on political agenda for both EU and Lebanon due to the persistent instability in the region and pervasive terrorist/criminality threat.

**Component 1) Border Security and Management (BS&M):** It aims at assisting national agencies to secure the country's borders (land, airport and sea) while facilitating trade, regular entries and assistance to people in need of international protection. Specifically, the programme shall increase the effectiveness of Lebanon's border management agencies in line

with international and democratic norms through capacity building programmes and provision of equipment.

**Component 2) Counter Terrorism/Prevention of Violent Extremism (CT&PVE):** The component will support implementation of the priorities under the EU-Lebanon Counter Terrorism Road Map by increasing national capacities to better understand and react to the threats of terrorism and organised crime as well as to ensure enhanced judicial procedures in line with the relevant international standards. EU assistance will concentrate on the promotion of intra/inter-agency co-operation and exposure to international practices and international co-operation on security matters.

## **1 CONTEXT**

### **1.1 Sector/Country/Regional context/Thematic area**

The instability in the whole region is having a destabilising effect on the security situation in Lebanon. Criminal networks increasingly use air and sea routes following tightening control of land borders. Security forces claim on a weekly basis operations to dismantle sleeping terrorist cells and foil their plots. The instability is conducive to recruitment of new militants among the hundred thousands of refugees, facing difficult living conditions in settlements. It is also a catalyser factor for European terrorist fighters searching for ways back to their country of origin and provisional haven in neighbouring places, among them Lebanon.

Undoubtedly, the crisis in Syria has caused a strong influx of people into Lebanon straining the limited resources of the country. Although Lebanon maintains its commitment to host refugees, this does not prevent the movements of Syrians outside Lebanon through smuggling networks. Additionally the existence of Palestinian migration networks is documented and proved by the decline in number in the last census of the Palestinian population in Lebanon.

In North and East regions around Ersal and Akkar borders' control and management is still poor as a result of long-awaited return of the State's sovereignty and geographical constraints (mountainous areas and harsh climate).

Despite all, Lebanon shows a high degree of resilience and remains relatively stable. The Government is committed to the policy of disassociation, to safeguard Lebanon from regional conflicts and to refrain from interfering in the internal affairs of other states.

Lebanon has a relatively well developed security sector with established chain of command, and framework for subordination to civilian government. Since 2014, donors' assistance has tangibly reinforced the capacity of security agencies. Increased co-ordination among security agencies and military courts has prevented terrorist attacks and disrupted the formation of terrorist cells inside of Lebanon. The Lebanese Armed Forces (LAF) successfully contained and ultimately defeated Daesh and Al Nusra consolidating state authority along Lebanon's Northern and Eastern border. The Army continues to clear mine and cluster bomb contaminated areas and it plans to develop technical capacities in the disposal of Improvised Explosive Devices (IED). In the past years the management of land borders has improved, and now Lebanon intends to build naval and air force capacities.

Although the Constitution in Article 95 states the intention to abolish political confessionalism, the composition and balance of powers within the security sector reflect Lebanon's multi-confessional character. The security services are perceived as subject to political and confessional influence, as well as agents of those influences on society. Any support to modernise the security sector in Lebanon has to deal with this deep-rooted reality.

The presence of non-state actor characterizes the security sector in Lebanon. Hezbollah still controls large swathes of Lebanese territory, which are largely beyond the writ of national security actors. To counter the situation, the United Nations Interim Force in Lebanon (UNIFIL) co-operates with the LAF in view of extending and consolidating the presence of the Lebanese state across the whole of its national territory and waters.

All the above, typifies the complexity of the security setting in Lebanon and highlights the challenge in the design and implementation of a national security sector reform ensuring a government monopoly on the use of force, respect of the rule of law and rights based approach.

### ***1.1.1 Public Policy Assessment and EU Policy Framework***

Lebanon does not have a National Defence Strategy; the dialogue on the strategy was halted at the end of the term of former President Michel Sleiman, in 2014. The latter had convened national dialogue sessions that gathered the country's leaders, who failed, over a period of eight years, to reach an agreement. In March 2018, President Michel Aoun announced the willingness to resume the dialogue on the country's defence strategy, following the 6 May parliamentary elections; the announcement created speculations on whether the issue would be discussed through national dialogue or by the new government that will emerge from the new Parliament. The long-awaited adoption of a national defence strategy would greatly contribute to the safeguard of the country's stability and advance its national interest.

Lebanon has ratified some relevant international conventions,<sup>1</sup> which could inform the revision of the statutory counter terrorism (CT) and procedural law and the drafting of a national CT strategy. The endorsement of the CT strategy might take a few years, however the EU is already working on the implementation of the EU-Lebanon roadmap by mainstreaming CT in several programmes such as the Integrated Border Management (IBM) and Justice Programmes.

The 2014-2019 National Action Plan for Human Rights (NAP) was drafted in consultation of all concerned stakeholders including Security Forces and it covers 21 priorities areas. Most of the areas are relevant under this programme such as: the principles of investigation and arrest; the prohibition of torture and other cruel, inhuman or degrading treatment or punishment; the prohibition of enforced disappearance; prison and detention facilities reform; freedom of expression, opinion and media; freedom of association; protection from interference with the

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<sup>1</sup> Lebanon signed the Geneva Conventions and Additional Protocol I and II; the Convention on the Rights of the Child (CRC); the Convention on the Rights of Persons with Disabilities and its Protocol. It ratified the International Covenant on Economic, Social and Cultural Rights; the Convention against Torture and its Protocol. Only one of the eight fundamental ILO conventions is not ratified by Lebanon, namely the Convention on Freedom of Association. Lebanon acceded to the International Covenant on Civil and Political Rights and the Convention on the Elimination of All Forms of Racial Discrimination.

right to privacy, and the prohibition of wiretapping; the rights of the most vulnerable groups. The NAP describes areas of weakness and provides recommendations for improvement, by defining compulsory standards to support and protect these rights. The implementation of these standards is entrusted to both the Parliament as the legislative authority, and administrative bodies as the executive authority. The judiciary is expected to support such implementation.

The National Strategy to Prevent Violent Extremism (PVE) was launched end 2017. It identifies 9 pillars focusing on a long-term approach to education, economic development and good governance. An action plan for its implementation is yet to be developed.

A draft IBM Strategy and action plan and a Chemical, Biological, Radiology and Nuclear (CBRN) Strategy were developed with EU support. Despite the lack of formal approval, all security agencies *de facto* use these strategies as a reference for activities in the related fields and for capacity building purposes.

Recently the LAF, the Internal Security Forces (ISF) and the General Security (GS) launched their multiannual organisations' strategic plans and the Government of Lebanon made budgetary contributions in view of their implementation. These are first attempts of a transformative reform agenda which has a potential in terms of improving organisations' cost-effectiveness, transparency and accountability, trust-building and community relations. The plans provide needs assessment and gap mapping; however the focus is very much on equipment while results to be achieved could have been better articulated. The plans do not analyse key elements of inter-agency co-ordination and co-operation aiming to improve the efficiency of the national security system.

Surely, these strategies need to be accompanied by clear multi-year implementation plans and co-ordination mechanisms, developing priorities based on affordable costing and guaranteeing accountability of international assistance.

### ***1.1.2 Stakeholder analysis***

Prime Minister Saad Hariri set out his vision to see LAF return to their proper defence role; all internal security responsibilities would be transferred to the ISF (including CT responsibilities); a major game-changing in the distribution of roles and responsibilities could only be achieved by a trust-building approach between competing security actors and enhanced inter-agency co-operation. Thanks to international support, LAF, ISF, General Security and, to a lesser extent, State Security, are increasingly exchanging information and even joining their resources and means to carry out "teamed" operations.

The largest security institution is the **Lebanese Armed Forces** (LAF - 59,000 personnel). The LAF operates as a conventional military force, though it also has a significant role in internal security, a role for which it is not appropriately configured. The LAF continue to enjoy broad national legitimacy thanks to their cross-confessional composition and generally perceived neutrality. **The Military courts** have a specialised criminal jurisdiction on crimes committed in a military facility or involving members of the military forces, but also on crimes against national security, including terrorism-related crimes involving civilians. In April 2018, the UN Human Rights Committee observed that, pending the removal of the jurisdiction of

military courts over civilians, Lebanon is to guarantee the right to a fair trial and equality before courts and tribunals

**The Internal Security Forces** (ISF - 26,000 personnel) fall under the Ministry of Interior and Municipalities (MoI/M). The internal Security Forces are the core of what should be the internal security system and a civilian police force. Since 2009 there have been considerable improvements in the performance of the ISF, including the return on the substantial investments of the EU (since 2007) and other donors in the professionalisation of the ISF; however, support is still needed particularly on criminal investigations techniques and cybersecurity.

Despite the significant confessional divides between LAF (commander is a Christian Maronite) and ISF (mainly Sunni leadership and headed by a Sunni Minister of Interior) there are opportunities for greater co-operation than in the past, particularly on sharing intelligence on terrorist threats which has resulted in the detection and interdiction of planned terrorist activities. This presents a real opportunity to foster incremental advances on how LAF and ISF collaborate also on Civil-Military Co-operation (CIMIC) community policing initiatives and on how to co-ordinate and delegate tasks between them in the response to public order and security incidents.

The **Municipal police** (MP) is a relatively small police formally under the authority of the local mayor. The MP is relatively weak and has no judicial role. Its intervention is limited to unarmed patrols within the municipality, mainly tasked with observation. When necessary, the patrols contact the ISF or LAF, who take charge of providing protection and making the arrest.

**The General Directorate of State Security** (GDSS – less than 5,000 staff) co-ordinates with other security services - such as the GS, ISF and Army Intelligence Directorate - on collecting information concerning internal state security, surveillance of Lebanese parties and foreign activists in relation to state security, counter-espionage, preliminary investigations of acts which put at risk internal and external state security. As a full-fledged judiciary police, the GDSS may pursue all types of criminal activities and has even received instruction to contribute to border security considering its presence in all 9 governorates. However, it is not clear whether GDSS will be involved in surveillance of land, air and maritime borders.

At a time of massive pressure due to the Syrian conflict, **General Directorate of the General Security** (GS - 5,000 staff) also plays a critical role in national security and stability, including in border/migration management, but also in the fight against terrorism and violent extremism. Its primary function is to collect and gather intelligence. General Security is also responsible for monitoring foreign residents by issuing visas and entry permits, residence permits and card stays. It monitors the media by ensuring it does not undermine public order, or an institution or a personality of the Lebanese society.

The **General Directorate of the Lebanese Civil Defence** (CD) is a public emergency medical service of Lebanon that carries out patient transportation, search and rescue activities and fire-fighting response. It is funded and administered by the Ministry of Interior and Municipalities. The directorate works in conjunction with the Lebanese Red Cross along with other pre-hospital service organisations in the country.

The **Lebanese Customs Administration** (LCA) is responsible for ensuring that all goods and persons entering and exiting Lebanon are in accordance with relevant laws and regulations. The Customs Administration collects and protects a major component of government revenue. The LCA is also in charge of the prevention of smuggling and the clearance of persons, their baggage, cargo, and mail, as well as the provision of accurate international trade statistics.

In the Lebanese security scene there are also other significant players, though informal and external to the security apparatus: Hezbollah avails itself of a military force (25,000 fighters and a significant arsenal of weapons) and the 12 Palestinian camps distributed over the Lebanese territory are a harbour for armed movements since these zones constitute security islets that escape the State's control.

In the absence of a peace agreement with Israel and the settling of the Shebaa farms issue, the Lebanese government did not deploy along the Blue Line. It is the United Nations Interim Force in Lebanon (UNIFIL) that continues to ensure control and stability in the area.

Involvement of **Civil Society** Organisations (CSOs) in the security sector is not developed or systematized in Lebanon although more and more non-governmental organisations (NGOs) are engaging in specific aspects of the Security Sector Reform (SSR), such as protection missions, prison reform, rights of marginalised groups, gender-based violence (GBV). The Lebanese CSOs environment is very much oriented to service delivery and awareness raising while their monitoring and oversight role remains marginal.

Lebanon still lacks a consistent national framework that could consolidate co-operative mechanisms for CSOs on SSR, and CSOs continue to be challenged by the security officials on expertise credibility, leading to a fragmented landscape.

### ***1.1.3 Priority areas for support/problem analysis***

The Lebanese security agencies are acting in a very complex and evolving context which require the building of new competences and capacities for a co-ordinated response in safeguarding the security of the State and the people.

Agencies' mandates and delimitation of responsibilities are not clear and thus tensions between security institutions are unavoidable, especially when analysing security threats and investigating the same crimes. The co-ordination pattern and the chain of responsibility are uncertain and ambiguous, which has a negative impact on the institutions' accountability and the sector's overall effectiveness, resulting in competition and duplication of tasks. This situation has adverse outcomes, particularly regarding sharing of information, collaboration during field interventions, crime scene management, collection, preservation and transportation of physical evidence. The increase of terrorism cases in Lebanon brought additional substantive and structural challenges to the military courts in charge of terrorism cases.

For an efficient security system, national co-ordination mechanisms need to be in place to promote internal and inter-agency co-ordination and a collaborative working environment. To be effective, security field operations require a high degree of co-ordination, agencies responsiveness and clarity in command chains. Additionally international co-ordination and co-operation is to be developed to prevent and counter the spread of the terrorist threat, beyond the Lebanese borders. Intelligence information sharing is to be reinforced to avoid a



negative impact on risks assessment processes and finally on the delivery capacity of security agencies in fighting criminal networks, cross borders crimes and trafficking in human beings.

Through previous EU support, the concept of Integrated Border Management has been implemented in Lebanon. An IBM Strategy, Action Plan and Contingency Plans for Emergency Situations at Borders have been drafted and the national capacity building developed. Inter-agency co-operation, previously inexistent, is steadily improving. EU assistance has certainly strengthened the capacity of Lebanon's border management agencies to fulfil their functions and enabled the creation of a small but very well-qualified pool of national trainers, who are currently providing basic document security training to other border staff. As a tangible result, the number of forged documents detected by Lebanese authorities has increased.

Despite these steps, much remains to be done as border agencies are not yet ready to facilitate regular exchange of information (they do not even share alerts) and the role of the Border Control Committee (BCC) remains purely advisory. Border management is to be reinforced in view of the presence of criminal networks which are increasingly using air and sea borders following tightening controls of land borders.

Following the most recent war at the North-Eastern borders with Syria, the LAF have started spreading and establishing facilities at those borders. There is a need to reinforce LAF ability to timely provide capable units for field operations by ameliorating the logistic component throughout the Lebanese territory in general and at the North – Eastern borders in particular.

In May 2017 the UN Committee against Torture raised concerns about reports on excessive use of force by law enforcement officers and member of the LAF; use of torture and ill-treatment against suspects in custody; allegations of harassment; and cases of arbitrary and incommunicado detention. Complaints of torture and ill-treatment are rarely investigated, prosecuted and sanctioned, which creates a climate of impunity.

The UN Human Rights Committee expressed concerns about the jurisdiction of the military courts over civilians, including children; lack of independence and impartiality of military courts judges; allegations of violation of fair trial and fundamental safeguards, including torture, forced confessions, arbitrary sentencing, limited right of appeal.

The programme will also support the empowerment of Civil Society, including whenever possible media, universities and think tanks, as well as simple citizens, to independently monitor the security sector and engage in a policy dialogue in a constructive and professional way.

## **2 RISKS AND ASSUMPTIONS**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Weak Intelligence information impacts on risks assessment processes and finally on the fight against criminal networks, cross borders crimes and trafficking in human beings.	H	EU assistance will promote inter-agency co-ordination and the development of a culture of working together, in addition to providing needed technical training and

		increased risk analysis capacity
Weak political engagement on sensitive issues such as trafficking in human beings and respect of human rights	M	Increased policy and political dialogue. Engagement of other international actors including the UN system
Overcrowding of assistance on security sector support and reluctance of donors to share often sensitive information can: generate competition among donors; impact on efficient donors' co-ordination and co-operation; affect beneficiaries' absorption capacity.	H	Both HQ and the EU Delegation will encourage a coherent EU approach as regards assistance in the security sector  Beneficiaries will be encouraged to play a more proactive role in external assistance co-ordination
EU assistance might be slow in reacting to beneficiaries' needs since new Security threats - including terrorism - are becoming increasingly heterogeneous and complex.	M	EU assistance will be designed in a flexible way and synergies among different instruments will be monitored and if necessary reinforced
Use of private company/external consultants implementing EU security sector support might raise beneficiaries' concerns in terms of trust and confidence in sharing sensitive information.	M	The EU will promote peer-to-peer opportunities for Capacity Building of Lebanese counterparts, by putting them in connection with relevant EU Member States agencies and/or International organisations.
Security actors benefiting from EU assistance may act in a biased, discriminatory or abusive way towards the population	M	The rights-based approach, the involvement of CSOs and targeted training sessions will promote rule of law and human rights. EU assistance will be continuously monitored and the EU Delegation will maintain a regular policy/sectoral dialogue with the Lebanese authorities and counterparts concerned. Should grave violations not be properly addressed, the EU might consider suspending or withdrawing support, even partially.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• There is no sudden deterioration of the situation in the country and of the regional political and security situation.</li> <li>• Lebanon's internal political situation does not affect the willingness of security system stakeholders to discuss and implement institutional changes required for an improved performance of state security providers.</li> <li>• The Government of Lebanon remains committed to developing and implementing a national IBM and CT policies' framework.</li> <li>• Security agencies continues to develop a co-operative attitude</li> <li>• The situation in the North-East remains sufficiently stable to allow for project activities</li> </ul>		

### **3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

#### **3.1 Lessons learnt**

The recently-concluded "Thematic evaluation of EU support for Security Sector reform in Enlargement and Neighbourhood countries (2010-2016)" has indicated that ongoing IBM interventions are aligned with EU policy objectives in Lebanon and are consistent with the long-term policy goal of the EU-Lebanese partnership to assist "Lebanon's development as a stable, democratic, politically open and economically strong neighbour of the EU".

It confirmed the relevance of EU crucial support in the thematic areas of IBM and CT/CVE, two sectors of assistance that are welcomed by Lebanese beneficiaries given the high degree of instability and multiple security threats that Lebanon has encountered. All beneficiaries indicated the need for more EU assistance in the future and complementarity with EU Member States support to ensure the needed tactical training and equipment that cannot be covered by the EU assistance.

The evaluation reported that the EU has the greatest visibility and value added where there is a convergence of EU, Member States and beneficiary security interests, such as, in the case of Lebanon, the thematic area of IBM, where Member States contribute with a large volume of bilateral assistance. The EU Delegation was instrumental in streamlining some of the bilateral States' support (i.e. from Denmark, Netherlands, Switzerland, Romania and Poland) so as to be complementary to what the EU was supporting, reduce duplication, improve efficiency and provide a higher added value to the beneficiaries.

Previous EU co-operation programmes highlighted that intra/inter-agency co-operation and exposure to international practises has been more effective under EU funded sectoral programmes such as the IBM and CBRN defence, rather than within programmes targeting the isolated capacity-building of a specific agency (i.e. LAF, GDSS or ISF). Undoubtedly, security agencies are more willing to enter into joint training agreements, collaborate and co-operate while tackling practical aspects on subjects that are of common interest and where they experience directly the benefit of open channels of communication and a clear distribution of roles and responsibilities. Considering the above, in this new phase it is proposed to work on thematic areas.

Despite substantial technical assistance provided for the development of policies and legislation, the country continues to suffer from poor implementation and enforcement of laws and policies. This is to a large extent due to weak or non-existing regulatory/fiscal impact assessments of proposed laws and policies, poor inter-ministerial co-ordination and external (public) stakeholder consultation. Prior to supporting the beneficiaries with drafting of strategic documents and legislation, this Action will support them with 'options analysis', regulatory impact assessment, concept papers, estimation of implementation costs, etc. in full respect of all national procedures for policy development.

Additionally, past co-operation signalled the need to ensure the timely procurement of equipment to valuably complement the technical expertise component, thus a flexible implementation framework will be privileged to respond timely to emerging needs.

Based on previous positive experiences, the programme will favour a twinning approach with relevant EU Member State agencies to allow for sharing of knowledge among peers, creating

synergies and supporting the establishment of sustainable international co-operation networks, particularly with the EU.

### **3.2 Complementarity, synergy and donor co-ordination**

In order to incrementally scale up the EU's commitment in Integrated Border Management and in the implementation of the EU-Lebanon CT Roadmap, opportunities for synergies and complementarity will be constantly explored during the preparation and implementation of the projects under this programme. The EU has been providing support to the security sector in Lebanon through a series of Regional Programmes focusing on strategic criminal intelligence, countering terrorism - including the Foreign Terrorist Fighters phenomenon - organised crime, trafficking and smuggling, disaster prevention and preparedness, Border Security and monitoring of drugs market. The Commission started in June 2018 a project to improve the security of Beirut International airport which is a critical infrastructure and border post from a CT perspective<sup>2</sup>. Furthermore, the Commission finances the regional "Counter-terrorism partnership" programme under which the European Law Enforcement Agency CEPOL provides trainings on cybersecurity to selected security agencies in Lebanon<sup>3</sup>. The Commission is also contributing to the greater deployment of the LAF Model Regiment in the South. The Twinning and the Technical Assistance and Information Exchange (TAIEX) instruments have been mobilised to complement the long-term EU assistance. Finally synergies, exchange of information and possibly of best practises will be sought with interventions under the Justice Programme, the European Instrument for Democracy and Human Rights (EIDHR) and the Migration budget lines and with relevant ongoing regional programmes, namely *CyberSouth – Co-operation on cybercrime in the Southern Neighbourhood Region*, *Interpol South*, *EU4Border Security*, *Countering radicalisation and Violent Extremism in the Sahel –Maghreb Region*, *Supporting Rule of law compliant investigation and prosecutions in the Maghreb region*, *EuroMed Police IV*; *Strengthening the legal regime against Foreign Terrorist Fighters in MENA and Western Balkans*; *Countering the finance of Terrorism-Anti Money Laundering in MENA region and Asia*.

The EU is part of the International Support Group for Lebanon set up in 2013 to co-ordinate international support to Lebanon on improving the country's security and stability, and, in particular supporting LAF's capacity to defend the country. Country-level co-ordination with the relevant stakeholders and donors is organised through the following fora: Informal Security and Rule of Law donors' co-ordination meeting; meeting among EU Member States' CT experts, EU Member States' Defence Attachés meetings, EU Member States' Immigration Liaison Officers. Additionally, exchanges take place on an *ad hoc* basis with concerned stakeholders.

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<sup>2</sup> ICSP/2018/041-319 "Support to the Lebanese Authorities in securing the Beirut-Rafic Hariri International Airport against illicit trafficking and the threat of terrorism"

<sup>3</sup> ICSP/2017/040-706 "Counter-Terrorism Training and Strengthening Community Resilience against Violent Extremism"

In the context of the Rome II Conference<sup>4</sup>, both the Army and the Police recently developed their multi-annual Development Plans for the period 2018-2022, which do not only set the frame for targeted international assistance but also represent a valuable opportunity for donor co-ordination, particularly in view of the important pledges made by France, United States of America, Turkey, Cyprus, Japan, United Kingdom, Sweden and Canada.

The actions under this programme will develop synergies and build on lessons learnt under two projects that started recently to target the role of CSOs in the security sector and, in particular, the ENI project "*Promoting stability in Lebanon through community engagement and dialogue*" aiming at:

- a) Strengthening dialogue mechanisms between security actors, communities and civil society in line with human rights, gender and rule of law principles;
- b) Using research and advocacy to improve understanding of security dynamics and conflict drivers; and
- c) Piloting initiatives aimed at building trust and addressing sources of instability.

The Instrument contributing to Stability and Peace (IcSP) project "*Civil Military Relations in Arab States (CIMIRAS)*" seeks to build civilian expertise and engagement in security affairs, in four Arab States (Egypt, Lebanon, Syria and Tunisia) by:

- a) Providing civilians (e.g. Defence Ministry staff or parliamentary staff, etc.) with a better understanding of defence issues in order to develop meaningful civilian oversight;
- b) Building civilian expertise and strengthening their line of work;
- c) Creating an Arab-speaking civilian expertise in defence/security sector issues able to approach the various stakeholders in new ways.

### **3.3 Cross-cutting issues**

The programme will be implemented following a rule of law and rights-based approach, encompassing all human rights. The five working principles below will be applied at all stages of implementation: Legality, universality and indivisibility of human rights; Participation and access to the decision-making process; Non-discrimination and equal access to justice; Accountability and respect of the rule of law; Transparency and access to information.

Rule of law and human rights are mainstreamed in the EU assistance to the security and justice systems and agencies benefitting from specific training. The international community encourages security agencies to continue to develop and implement codes of conduct as important steps towards increased accountability and respect for human rights. Security institutions strive to increase the participation of women in all levels of decision-making in accordance with the UN Security Council Resolution 1325 (2000) on Women, Peace and Security.

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<sup>4</sup> [https://www.esteri.it/mae/en/sala\\_stampa/archivionotizie/comunicati/2018/03/il-sostegno-alle-forze-di-sicurezza.html](https://www.esteri.it/mae/en/sala_stampa/archivionotizie/comunicati/2018/03/il-sostegno-alle-forze-di-sicurezza.html)

Additionally, the project will advocate for a stronger presence of well-trained female staff during security operations in order to guarantee the full respect of societal and religious norms, without compromising with security requirements. Attention will be paid to ensuring that the CT Strategy will be properly engendered and that Pillar 5 (Gender Equality and Empowering Women) of the National Preventing Violent Extremism (PVE) Strategy is duly taken into account and women are empowered in protecting themselves and their families against all forms of violence and exploitation.

#### **4 DESCRIPTION OF THE ACTION**

EU assistance will support two main axes:

##### **Component 1) Border Security and Management – BS&M**

The action will build on results achieved under the previous two phases and will continue assisting national agencies on the rights-based approach in securing the country's borders (land, airport and sea) while facilitating trade, regular entries and assistance to people in need of international protection. The action will increase the effectiveness of Lebanon's border management agencies in line with international and democratic norms through capacity building programmes and provision of equipment. The Lebanese Armed Forces (LAF)'s operational capacity will be reinforced to step-up control of the North-Eastern borders by improving shelters, communications and living conditions of regiments at the borders and key LAF bases. The programme will include Civilian-Military Co-operation (CIMIC) actions promoting engagement between border agencies and local communities, including implementing small-scale support aiming to improve security for vulnerable communities in border areas at high risk of instability.

In 2018, the LAF plans to upgrade the Border Control Committee (BCC) that co-ordinates border management activities. The Committee will be transformed into a fully-fledged Border Directorate, which will unify all Land Border Regiments, Coastal and Air Surveillance. The EU is well positioned to provide continued assistance in terms of strategy development and capacity building to the new directorate.

The action will continue reinforcing security agencies' border management co-ordination capabilities and promoting a rights-based approach, particularly in managing the influx of people in need of international protection. EU assistance will seek opportunities for development of operations at the Beirut Airport and in main seaports (Tripoli, Beirut and Sidon) which are the main entry points for commercial exchanges. The programme will also increase awareness and encourage dialogue on Trafficking in Human Beings to promote the implementation of Law 164 of 2011.

The security and well-being of the LAF personnel in the North-Eastern regions will be supported through the upgrade of LAF facilities using sustainable energy solutions, as per LAF Sustainable Energy Strategy prepared by the EU-funded CEDRO project and endorsed by the Minister of Defence and the LAF Commander in 2017.

The programme will be closely co-ordinated with upcoming projects under the IcSP on airport security as well as regional programmes – particularly the *EU4Border Security* - and activities of the European Border and Coast Guards Agency (EBCGA).

## **Component 2) Counter Terrorism/Prevention of Violent Extremism (CT&PVE)**

The action will support implementation of the priorities under the EU-Lebanon Counter Terrorism Road Map and develop national capacities to better understand and respond to the threats of terrorism and organised crime as well as to ensure enhanced judicial procedures and judicial and law enforcement cooperation in line with international standards.

Specifically, the action will:

a) accompany reforms by supporting the development and implementation of a national Counter terrorism strategy and action plans in compliance with the relevant international instruments, ensuring the alignment on data protection legislation and institutional framework; b) reinforce the operational capacities of security agencies and Military Courts to build evidence-based investigations; to counter any case of torture or ill-treatment; and support vulnerable individuals appearing before the Court; and c) promote effective co-operation between relevant actors, including at international level.

The action may also support Preventing Violent Extremism (PVE) activities where these complement activities under the Justice Programme and follow the priorities in the recently adopted national PVE strategy and its upcoming implementation plan. Support will include equipment and refurbishment works, based on a needs assessment and relevance under the programme priorities.

In order to enhance national capacity, the action proposes to assist on the establishment of a CT multi-agency co-ordination system, including operation rooms, shared risk analysis and early warning to improve national and international co-operation on terrorist risks.

### **4.1 Objectives/results**

The **Overall Objective** of the action is to contribute to the development of a long-term capability of the Lebanese security system to control risks and guarantee the respect of the Rule of Law and human rights, thus ensuring greater security for citizens and sustainable stabilisation processes for the country.

The Specific Objectives of the action are split by component as follows:

#### **Component 1) Border Security and Management – BS&M**

**Specific objective 1** – To assist the Lebanese authorities to secure the country's borders while ensuring trade exchange, regular entries and assistance to people in need of international protection.

Expected results:

**(R1) Advanced national and international co-operation and co-ordination on rights-based border management:** Improved co-operation and co-ordination functions among border agencies and other relevant stakeholders, through solid and long-term strategic planning, which leads to a more effective and efficient use of human, material and financial resources.

**(R2) Enhanced institutional capacities of border agencies in border controls:** Lebanon's

operational and strategic border management capabilities are further developed through a sustainable process of training and other forms of skills/knowledge transfer which promotes Human Rights in border governance measures and border activities. Lebanon's basic border management infrastructures, with particular attention to the North-Eastern borders, are developed and upgraded to promote security.

**(R3) Improved facilitation of legal crossing and cross-border trade:** Lebanon's operational and strategic capabilities in facilitating legal border crossing and cross border trade are developed through a sustainable process of training for the respective agencies, as well as through a process of knowledge exchange between these agencies and likeminded institutions in EU Member States. Lebanon's basic legal crossings' (land, air and seaports) infrastructures are developed and upgraded to facilitate effective mechanisms to ensure facilitation of people and goods across borders.

## **Component 2) Counter Terrorism/Prevention of Violent Extremism (CT&PVE)**

**Specific objective 2:** To reinforce national capacity to better understand, prevent and react to the threats of terrorism, organised crime and radicalisation while promoting rule of law and a rights-based approach.

### **Expected results:**

**(R1) Strengthened legal framework against terrorism in line with relevant international standards:** A national CT strategy which might encompass cyber security would boost the reform of the Lebanese CT legislative and regulatory framework, which remains dispersed and uncodified. Lebanon has ratified some relevant international conventions which could inform the revision of the statutory CT law and procedural law in view of ensuring a rights-based approach when defining exceptional investigation and prosecution measures, collection of evidentiary rules; and establish a proper investigation and assistance regimes for victims/witnesses of acts of terrorism.

**(R2) Enhanced protection of critical infrastructure against terrorist attacks including cyber and Chemical, Biological, Radiological and Nuclear (CBRN) attacks:** A first step to enhance the capacity of protecting critical infrastructure from terrorist attacks is to develop a cyber and CBRN protection strategy. While progress is made in the CBRN field, Lebanon is yet to develop and implement a cyber-security strategy to promote and enhance national and international co-operation and co-ordination in the sector and improve a cyber-security awareness culture. Lebanon also needs to ensure that the concept of cybercrime is interpreted in a consistent manner with freedom of expression and the respect of privacy and that the principle of legality, proportionality and necessity are applied for surveillance activities and collection of personal and metadata; adopt personal data protection rules for law enforcement and judicial authorities, in line with international and EU standards (Police Directive; Europol Regulation), that provide for the possibility for Lebanon to develop international operational cooperation on law enforcement and criminal justice..

**(R3) Rights-Based Approach is applied by criminal justice and law enforcement officials at the Military Court:** The increase of terrorism cases in Lebanon brought additional substantive and structural challenges to the military courts in charge of terrorism cases. Main practitioners express concerns about: the mandate of the courts to prosecute civilians; the



rehabilitation and specialisation of judges; the majority of confession-based sentences; neglected victims' rights; weak witness protection; appearance of juveniles before the court; as well as unreasoned judgements, which are also highlighted by criminal justice officials who themselves are serving at the court. Efforts will be deployed in order to develop the capacities of officials serving at the military courts to accomplish their duties in line with international human rights standards and the rule of law. EU support will enhance the co-operation and information sharing between the Military Courts prosecutors/investigation judges with their relevant interlocutors in investigation units of ISF, LAF, GS and SS. Furthermore, in view of complementing Result 2, training will be provided on investigating terrorist cyber-attacks on critical infrastructure through the use of special investigation techniques. The implementation of the criminal justice component of the PVE strategy is to be boosted, since it encompasses the criminal justice response to prevent and counter terrorism while respecting human rights and the rule of law.

Up to 10% of the total envelope of the programme will support, under both components, the capacity building of civil society organisations on security sector reform matters and facilitate discussions between them and security actors, in order to tangibly promote the role of civil society actors to function as watchdog and valuably engage in the policy dialogue.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 16 *Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*, but also promotes progress towards Goal 5 *Gender* and Goal 7 *Affordable and clean energy*. This does not imply a commitment by the country benefiting from this programme.

## **4.2 Main activities**

The list of activities by component is purely indicative, targeted activities will be implemented in view of achieving the programme results:

### **Component 1) Border Security and Management – BS&M**

Main activities:

- Assistance and support to inclusive and evidence-based strategic and action planning, capacity building activities on border management and international assistance for people in need, provision of rights-based approach training, including on data and information sharing mechanisms and on the principle of *non-refoulement* to any person at risk of being tortured in the State of destination;
- Promotion of migrants rights to reduce the risk that regular and/or irregular migrants could experience discrimination and unlawful profiling, disproportionate interference with the right to privacy, torture, sexual and gender-based violence, dangerous interception practices, and prolonged or arbitrary detention.
- Support in the establishment and operationalisation of central operations rooms and co-ordination entities (i.e. LAF Border Control Directorate); exchange of expertise and experiences on border management; exposure to comparative regional and international experiences on IBM and models of inter-agency co-operation.

- Provision of needed equipment and infrastructure, with attention to efficient energy systems.

## **Component 2) Counter Terrorism/Prevention of Violent Extremism (CT&PVE)**

Main activities:

- Identification of relevant national stakeholders;
- Awareness activities on a national counter terrorism strategy;
- Exposure to comparative regional and international experiences on CT Strategy and models of inter-agency co-operation;
- Assistance and support to inclusive and evidence-based revision of the legal framework and drafting of proposals for strengthening the legal framework on the fight against terrorism in compliance with the relevant international instruments;
- Assistance on the establishment of a national counter terrorism committee and drafting of an inclusive and evidence-based counter terrorism strategy;
- Assistance on drafting a cybersecurity strategy and defining training curricula on information security, freedom of expression, respect of privacy and international standards for surveillance activities and collection of personal and metadata;
- Assistance on drafting and implementing (including by supporting the relevant institutional framework as well as capacity building) legislation on personal data protection consistent with EU legislation (notably the Police Directive and the data protection requirements set out in the Europol Regulation) in order to facilitate inter-agency and international law enforcement cooperation (including with Europol and Eurojust);
- Promotion of the adoption of modern and rights-based regulations to ensure the cyber safety of systems provision of training to security agencies staff and criminal justice officials at the Military courts, including on data and information sharing mechanisms and requests for international legal assistance and extradition, training on evidence-based investigations, and on no-coercive investigatory techniques, training on identifying and documenting cases of torture and ill-treatment in accordance with the Istanbul Protocol;
- Raising awareness of military courts to refuse as evidence confessions obtained under torture; awareness on legal status for witnesses and victims of acts of terrorism in criminal proceedings, assistance on the adoption of alternative measures to detention; exchange of expertise and experiences on security of critical infrastructure; provision of necessary equipment and infrastructure support.

In order to promote sustainability, the action will ensure that training information is sent to the Civil Service Bureau (CSB) which is the institution centrally responsible for the training of civil servants and in charge, *inter alia*, of training needs assessment and training policies.

Under both components, the programme will strengthen the CSOs' role in performing independent monitoring functions and promoting policy dialogue through co-learning

activities on SSR, such as organisation of workshops, roundtables, training, and conferences for the relevant stakeholders (senior security personnel, civil servants, parliamentarians, media, civil society organisations, academics, policy-makers) on selected SSR issues such as: governance, management and reform of the security system; public security and the responsiveness of security providers to citizens' needs and expectations; benefits for the security system of implementing transparency, accountability and oversight mechanisms.

### **4.3 Intervention logic**

As per the Logical Framework in annex, the intervention aims to contribute to the development of a long-term capability of the Lebanese security system to control risks and guarantee the respect of the Rule of Law and respect of human rights, thus ensuring greater security for citizens and sustainable stabilisation processes for the country.

Against the risks that may stem from the deterioration of the security situation and from the political sensitivity of security issues, it is assumed that Lebanon's internal political situation does not prevent the proper implementation of the action while institutional stakeholders show ownership of, and commitment to, the process.

As Integrated Border Management and Counter-terrorism constitute thematic pillars of the Lebanese security sector, it is expected that the concrete output (provision of expertise and supply of equipment) will lead to a reinforcement of Lebanese security agencies' operational capacities while fostering inter-agency co-operation, rule of law and the respect of human rights according to international standards.

In the long-term, the action will promote Lebanon's stability and resilience while contributing to foster the legitimacy of the security agencies and thereby to reinforce the role of the State as the sole legitimate security provider.

Both components will integrate support to improve the capacity of civil society organisations on security sector reform matters and facilitate discussions between them and security actors, in order to tangibly promote the role of civil society actors to function as watchdog and valuably engage in the policy dialogue. About 10% of the budget under each component will be reserved to CSOs support as a combined element of implemented actions.

It will be ensured that EU support to the security sector is in compliance with/contributes to the promotion, protection and enforcement of international human rights and international humanitarian law, and is consistent with the EU's human rights policies. The programme foresees Government's commitment to adhere to the principles of transparency and dialogue on engaging the public participation in the security sector reform/development-related discussions, through a consultation process. The rights-based approach, the involvement of CSOs and targeted training sessions on respect of international standards, rule of law and Human rights will counter the risk that security actors benefiting from EU assistance may act in a biased, discriminatory or abusive way towards the population. Additionally, EU assistance will be continuously monitored and the EUD will maintain a regular policy/sectoral dialogue with the Lebanese authorities and counterparts concerned, beyond the activities addressed by the projects. Should grave violations not be properly addressed by the national authorities to bringing these to an end, the EU might consider suspending or withdrawing support, even partially.

## 5 IMPLEMENTATION

For both components the proposed implementation modality is indirect management with the pillar-assessed International organisations International Centre for Migration Policy Development (ICMPD) and United Nations Development Programme (UNDP) for component 1. Component 2 will be implemented by the Fundacion Internacional y para Iberoamerica de Administracion y Politicas Publicas (FIIAPP). Procurement in direct management is indicated as an alternative option to 5.3.1.4 for the implementation of Component 2 – CT&PVE

### 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 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this Action Document.

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 EU restrictive measures<sup>5</sup>.

#### **5.3.1.1 Procurement (direct management) ADD**

Procurement in direct management is indicated as an alternative option to 5.3.1.4 for the implementation of Component 2 – CT&PVE.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Reinforcement of national capacities to assess and react to threats of terrorism, organised crime and radicalisation.	Services, Supplies	2	3 <sup>rd</sup> 2019 (Services) and 1 <sup>st</sup> 2020

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<sup>5</sup> [www.sanctionsmap.eu](http://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.

			(Supplies)
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### **5.3.1.2 Indirect management with an international organisation**

A part of this action may be implemented in indirect management with the International Centre for Migration Policy Development (ICMPD). This implementation entails the implementation of Component 1) Border Security and Management – BS&M in promoting border management (land, airport and sea borders) by national agencies while facilitating trade, regular entries and assistance to people in need of international protection. This implementation is justified because:

- The action requires a specific technical competence and specialisation. ICMPD is the primary international agency by which the EU approach to Integrated Border Management, as described in the Guidelines for Integrated Border Management in EC External Co-operation (developed by ICMPD) are propagated in EU neighbourhood countries. ICMPD brings the full range of border management, customs, border policing and border security competencies necessary to fulfil the requirement of this action;
- The action is the continuation of the assistance already provided by the EU on IBM issues in Lebanon. The current support is provided by ICMPD to the full satisfaction of all stakeholders. This has allowed ICMPD to build a strong basis of trust and partnership with Lebanese partner authorities (notably GS, Customs, ISF and CD). In the current crisis context, a disruption to the current action which would result from the transfer of this action to another beneficiary would severely restrict effective implementation and damage the delivery of the required results.
- The ICMPD has been able to mobilise EU MS expertise and favour exchange visits in EU MS creating a sustainable environment for longstanding co-operation between peer agencies.
- The ICMPD is also ensuring a close co-ordination with other donors supporting the IBM Lebanon programme and, in particular, the Netherlands, Denmark, Germany, Switzerland; it also developed a working relationship with the United Kingdom and the United States to promote complementarity of interventions and coherence of approaches.

The entrusted entity would carry out the following budget-implementation tasks: launching the procurement process for services and supplies, grants awards, contracting, payments and recovery orders. The entrusted entity might sub-delegate certain activities to other organisations specialised on certain aspects of the intervention. Appropriate provisions will be included in the contribution agreement.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 31 December 2018 because it is necessary to ensure continuity of EU support and avoid gaps in the assistance and established collaboration with the national entities.

### **5.3.1.3 Indirect management with an international organisation**

A part of this action may be implemented in indirect management with UNDP. This implementation entails complementary assistance to the implementation of a part of

Component 1) Border Security and Management – BS&M aiming to improve the security and well-being of the Lebanese Armed Forces (LAF) personnel in the North-Eastern regions through the upgrade of LAF facilities using sustainable energy solutions.

This implementation is justified because:

- Under the European Union-funded CEDRO Project, UNDP has established effective working relations with LAF on the preparation of the “Sustainable Energy Strategy of the LAF” - which this intervention is based on - aiming to reduce LAF greenhouse gas emissions by boosting renewable energy and energy efficiency measures across various buildings and LAF facilities, including at the borders
- UNDP can count on LAF's trust and strong collaboration on the implementation of an action that requires access to military areas (border posts and military bases). UNDP has already been granted access to military sites for survey purposes.
- UNDP can mobilize high technical expertise for the training of LAF staff and ensure the installation of equipment. Additionally, UNDP has a longstanding collaboration with the LAF Engineer regiment whose staff will be trained to ensure the sustainability of the intervention.
- UNDP can mobilise Arab-speaking trainers to the benefit of cost-effective technical training modules (i.e. maintenance of equipment).

The entrusted entity would carry out the following budget-implementation tasks: launching procurement process for services and supplies, contracting and payments. The entrusted entity might sub-delegate certain activities to other organisations specialised on certain aspects of the intervention. Appropriate provisions will be included in the contribution agreement.

In case the aforementioned activities of this component cannot be implemented by UNDP as entrusted entity, due to circumstances outside of the Commission's control, it will be replaced by ICMPD according to the modalities set out in section in 5.3.1.2.

#### **5.3.1.4 Indirect management with a Member State agency**

A part of this action may be implemented in indirect management with *Fundación Internacional y para Iberoamérica de Administración y Políticas Públicas* (FIIAPP). This implementation entails Component 2) CT&PVE assistance in reinforcing the national capacities to better understand and react to the threats of terrorism, organised crime and radicalisation. This implementation is justified because FIIAPP guarantees the technical knowledge alongside with the understanding of the regional context, while having an established co-operation with the Lebanese counterparts, particularly in the area of prisons and training on counter terrorism.

The entrusted entity would carry out the following budget-implementation tasks: launching the procurement process for services and supplies, grants awards, contracting, payments and recovery orders. The entrusted entity might sub-delegate certain activities to other organisations specialised on certain aspects of the intervention. Appropriate provisions will be included in the contribution agreement.

The entrusted Member State Agency is currently undergoing the ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom)<sup>6</sup> and long-lasting problem-free co-operation, FIIAPP can be entrusted with budget-implementation tasks under indirect management.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.1.1.

#### **5.3.1.5 Changes from indirect to direct management mode due to exceptional circumstances**

In case Component 2 – CT&PVE – of this programme cannot be implemented by FIIAPP as entrusted entity, due to circumstances outside of the Commission's control, it will be replaced by the below alternative implementation modality in direct management.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Reinforcement of national capacities to assess and react to threats of terrorism, organised crime and radicalisation.	Services, Supplies	2	3 <sup>rd</sup> 2019 (Services) and 1 <sup>st</sup> 2020 (Supplies)

#### **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 be subject to the following provisions.

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**

Components	EU contribution (amount in EUR)

<sup>6</sup> Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities

<b>Component 1)</b> Border Security and Management – BS&M composed of	
Indirect management with ICMPD and UNDP	<b>11,000,000</b>
<b>Component 2)</b> Counter Terrorism/Prevention of Violent Extremism (CT&PVE) composed of	
Indirect management with FIIAPP	<b>7,000,000</b>
5.8 – Evaluation, 5.10 - Audit	will be covered by another Decision
Totals	<b>18,000,000*</b>
*About 10% of the budget will be reserved to CSOs support as a combined element of implemented actions	

## 5.6 Organisational set-up and responsibilities

A Steering Committee shall be set up for each project to oversee and validate the overall direction and policy of the project. It will also provide guidance for the programme's activities and review project achievements as well as discuss strategic issues to ensure its overall coherency. The project's steering committee shall meet twice a year. The Implementing partner/Consultant will assist it by fulfilling a technical secretariat function together with the technical and operational counterparts directly involved in the programme's implementation.

The project's steering committee shall be made up of:

- representatives from the relevant beneficiary agencies / organisations and from all the departments directly involved in the programme's activities
- representatives from the relevant line Ministries
- a representative of the Head of Delegation and other representatives of the EU (the Contracting Authority).

Representatives of supervisory or control bodies with a regular statutory involvement in the programme may also participate in such meetings as observers. Representatives of those EU Member States that maintain a close co-operation with the specific beneficiary authorities in domains related to this programme may also be invited on an *ad hoc* basis.

## 5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing 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 the 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 list of result indicators (for budget support). 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's 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 importance of the action, a mid-term and a final evaluation(s) will be carried out for this action or its components via independent consultants contracted by the Commission or via an implementing partner.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to efficiency and effectiveness to promote meaningful impact of EU assistance.

The final evaluation 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 EU engagement in the security sector support might continue.

The Commission shall inform the implementing partner at least 1 month 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 the 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, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, 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 Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the action and the appropriate contractual obligations.

## APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) <sup>7</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing Decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To contribute to the development of a long-term capability of the Lebanese security system to control risks and guarantee the respect of the rule of law and respect of human rights, thus ensuring greater security for citizens and sustainable stabilisation processes for the country.	<p>State security institutions more effective in enforcing the rule of law in full respect of citizens' rights</p> <p>Security institutions enjoy a higher legitimacy among the population in carrying out their law enforcement tasks</p> <p>Increased transparency and accountability of the Lebanese Security System.</p>			<p>Statistics on crime</p> <p>Analysis and media reports on public order events or crises</p> <p>Surveys conducted by the programme.</p> <p>Public perception surveys</p> <p>National Strategies on IBM and CT</p>	<p>Relative political stability in Lebanon and the region.</p> <p>Lebanon's internal political situation does not affect the willingness of security system stakeholders to discuss and implement institutional changes required for an improved performance of state security providers.</p>

<sup>7</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

Specific objective(s): Outcome(s)	<p>1. To assist Lebanese authorities to secure country's borders while ensuring trade exchange, regular entries and assistance to people in need of international protection.</p> <p>2. To reinforce the national capacities to better understand and react to the threats of terrorism, organised crime and radicalisation while promoting the rule of law and a rights based approach.</p>	<p>Adoption/implementation of the relevant inclusive and evidence-based Joint National Strategies and action plans</p> <p>Number of expulsion towards countries where the individuals concerned could face execution, torture or ill-treatment upon return</p> <p>Establishment of a CT multi-agency co-ordination system and operation rooms</p> <p>Increased professionalism of law enforcement agencies to prevent and investigate terrorist offences</p> <p>Exchange between non state actors and Security/Criminal Justice agencies on relevant topics</p> <p>Citizen's Perception on security/justice services delivery</p>				
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Outputs	1.1 Advanced national and international co-operation and co-ordination on rights-based border management	IBM Strategy, IBM Action and Contingency plans	IBM Strategy, IBM Action and Contingency plans are drafted	IBM Strategy, IBM Action and Contingency plans are approved and implemented.	Statistics on crime  Analysis and media reports on public order events or crises	GoL commitment to develop and implement a national IBM policies framework.  Security agencies continues to develop co-operative attitude
	1.2 Enhanced institutional capacities of border agencies in border controls	Joint assessments/co-ordinated response to security threats (including preventive and mitigating measures) by border agencies	No of joint risks analysis units available	Joint risk analysis units operational	Surveys conducted by the programme.  Public perception surveys  National Strategies on IBM and CT	Situation in the North-East remains sufficiently stable to allow for project activities
	1.3 Improved facilitation of legal crossing and cross-border trade.	No of LAF border facilities using sustainable energy options	LAF is not using renewable energy sources	At least 3 LAF facilities use sustainable energy	Project reports  Evaluation and monitoring reports  Reports from CSOs and International bodies (i.e UN, ICRC)  Media reports over security sector related topics  Lists of participants to workshops / conferences, training, etc.  Minutes of consultation forums.	
		Protective measure against interference of rights to privacy and family life during border management screening and control.	Reported cases of no respect of privacy and individual rights	Improved public perception of the quality of services provided at the borders		
		Reinforced CSOs role to follow-up on transparency, accountability and oversights Security Sector issues				
		N of co-learning opportunities on SS actions				
		Goods clearance time	Long waiting time for goods clearance	Improvement in goods clearance time		GoL commitment to develop and implement a national CT policy and legal framework.
		Secure border	Secure border	Secure border management system		Security agencies continue to develop co-operative attitude

