

National Indicative Programme 2011-2013 for Lebanon

Draft Concept Note

This concept note is designed as part of the **consultation process** which involves stakeholders such as partner countries administrations, EU Member States, local partners, International Financial Institutions, other donors and Civil Society Organisations. Its aim is to **stimulate a discussion** on the co-operation priorities which should be supported by the Lebanon ENPI bilateral envelope until 2013.

The **Country Strategy Paper** (CSP) drafted under the European Neighbourhood Partnership Instrument (ENPI) **sets up a strategic framework** for EU co-operation with Lebanon on the period 2007-2013. The CSP presents EU's co-operation objectives and its strategic response. On the basis of these objectives, a National Indicative Programme for the years 2007-2010 has been adopted with co-operation priorities and is now being implemented.

As stipulated by the ENPI Regulation the CSP should be reviewed at mid-term to assess its relevance and a **new National Indicative Programme** for Lebanon, covering the period 2011 - 2013, will be drafted.

1. EU objectives and strategy for 2011-2013

The **difficult political situation** which prevailed in the country since 2006 did not affect the overall strategy of the European Commission for the years 2007-2013.

Apart from the CSP, the **EU-Lebanon Action Plan** (signed in January 2007) **identifies a number of reforms** in the political, social and economic areas with the objective of modifying the regulatory, legislative and administrative frameworks. These reforms will be supported by the new National Indicative Programme and through the work of the sub-committees. In parallel consistency with EU policies and financial instruments as well as other donors' activities in Lebanon will be secured. In this context, the **main objectives of the EC strategy** with Lebanon for 2011 - 2013 will remain:

- *supporting Lebanon's political reform.*
- *support for social and economic reforms.*
- *support to recovery and reinvigoration of the country.*

2. Main Challenges and obstacles

The main challenge in Lebanon remains the strengthening of the **authority of the State** and of the **rule of law**. Developments which took place since the adoption of the National Indicative Programme for the years 2007-2010 showed the need to keep any strategic approach towards assisting Lebanon fairly open.

Another challenge remains the ability of the central administration to **develop and implement policies** at national level. There is a general lack of **programming approach** in terms of structures, procedures and human resources devoted to prepare and coordinate medium and long term reform strategies. The uncertain political situation made it also difficult to ensure a sustainable approach to already existing strategies or policies.

The **civil service** experience difficulties to attract young and skilled officials. The government is forced to find alternative ways of bringing expertise to ministries, often through international institutions.

This situation affected the way the European Commission is designing its assistance and the degree of ownership of the projects. Project based approach is the dominant modality used for delivering assistance. **Twinning remains underused** and more work is needed to launch budgetary or sector support operations.

The **overdue political, social and economic reforms** represent also a major challenge for the country. Social and regional disparities are widening. Cases of clientelisme and corruption are still reported. The reinforcement of an independent and efficient judiciary system is vital for the success of many reforms. A growth oriented approach coupled with a poverty reduction strategy will be also needed in the aftermath of the economic downturn. The country still faces major challenges related to the preservation of its natural resources and to the development of energy efficiency policies.

The document prepared for the Conference for Support to Lebanon held in Paris in January 2007 (so called **Paris III reform agenda**) remains the only, formally adopted, national strategy for development. Paris III had been endorsed as a strategic approach towards reforms by the National Unity Government and is still supported by international donors.

Weak coordination between constitutional institutions or between government agencies impacts the implementation of reforms (a good example of this can be the legislative blockage at the level of Parliament). In the absence of one implementing partner at the level of the central government, division of labour between donors, complementarity of actions and proper coordination (as stipulated by the Paris Declaration on Aid effectiveness) become more problematic.

The **regional developments** need also to be factored into the assistance strategy. Influence of foreign actors on the political scene, relations with Lebanon's closest neighbours and the lack of progress in the Middle East Peace Process are still conditioning the long term stability of the country and as such are interrelated with the national agenda.

3. How can the European Commission influence these?

The European Commission will continue building on the EU-Lebanon Association Agreement and EU-Lebanon Action Plan. The capacities for Lebanon to take full advantage of the potential offered by the **European Neighbourhood Policy** should be further developed; the opening of the European markets, the opening for Lebanon of the possibility to participate in community programmes, the strengthening of Lebanese private sector, the support to growth oriented reforms, should be addressed.

Subcommittee meetings should stimulate discussions on concrete reforms and allow for a better targeting of assistance. An exchange of experience and best practices should take place focusing on a **limited number of crucial priorities selected jointly with the government of Lebanon**. This dialogue will take also into account the results of the inter-Lebanese fora, organised by the European Commission.

The Commission could also help building at the central level the capacity of preparing and implementing **medium and long term sector/development strategies**. Equally important will be to improve public finance management standards. This will allow donors (including the European Commission) to increase budgetary support operations.

The Commission should remain committed to **supporting government's growth policies** and address the priorities of a **national reform agenda** in the areas covered by the Action Plan. Work on improving the business climate will be also crucial.

The **strengthening of social safety nets** should reinforce the solidarity among Lebanese and build the authority of the State. An important area might be the support to good governance and addressing the disparities among Lebanese. The reform of education, where the EU can offer its comparative advantage, can be an a way of bringing change to the most vulnerable populations.

The Commission can also secure the mainstreaming of issues related to **climate change** in the priorities it will pursue. It furthermore can offer assistance in the areas having a huge impact on the Lebanese environment and benefiting the majority of Lebanese (such as energy, water or rural development).

Stronger coordination among donors will be necessary to address all the challenges. The opportunities given by the Paris Declaration on Aid effectiveness should be fully explored to bring to Lebanon the proper mix of assistance instruments. The European Commission is already playing an active role in this process in Lebanon. International Donors and Member States have already a long standing presence in certain sectors and gained a comparative advantage. This will need to be taken into consideration when choosing priority sectors and implementation partners. The **European Commission should focus on areas where it acquired a strong presence** and where the continuation of assistance is needed. For instance, the support provided to private sector development could focus in the future on innovation and research.

4. Priorities

Not less than €50 million per year should be made available to support specific priorities under the second National Indicative Programme, covering the period 2011-2013. On the basis of the preliminary discussions held with the representatives of the Lebanese ministries, experts and diplomats from Member States, International Financial Institutions and civil society organisation, the European Commission suggests to focus community assistance on the following priorities:

4.1. Supporting Lebanon's political reform

In the period 2007-2010, 12 % of the bilateral envelope was dedicated to support this priority. In the next NIP, similar resources should be made available (between 10 and 15%) to provide assistance in the area of:

- democracy, good governance, human rights or protection of vulnerable populations through projects implemented through the civil society and together with the central administration,
- security and justice; assistance could be provided to activities aiming at the security sector reform, further enhancing the independence and quality of the judiciary or by supporting the Lebanese border management strategy,

4.2. Support for social and economic reforms in such areas as:

46 % were allocated to support this priority in the previous NIP. Between 50% to 60% of the 2011-2013 bilateral envelope could be devoted to support the implementation of the Action Plan. Addressing strategic (medium and long-term) planning capacities and better coordination, policy development, and public finance management will allow the European Commission to better target reform needs via sector and/or budget support in the years 2011-2013. The support could be proposed in the form of:

- support to policies stimulating growth, increasing the competitiveness of the Lebanese economy and promoting innovation,
- support to the reform of education and research policy (including vocational training).

4.3. Support to recovery and reinvigoration of the country

42,5 % of the 2007-2010 support has been devoted to support the recovery and reconstruction of the country. This priority will remain relevant, especially in the areas of local development and environment protection. Between 30 % and 40 % of the 2011-2013 envelope could be devoted to:

- support to regional development and addressing regional disparities through the development of regional and local development strategies (including the implementation of the Schéma Directeur d'Aménagement du territoire and targeting sustainable development of rural areas).
- addressing environment and climate change issues through activities targeting environment protection (i.a. by involving civil society) or through assistance to sector reform and infrastructure development (energy, water or transport).