



RÉPUBLIQUE  
FRANÇAISE

*Liberté  
Égalité  
Fraternité*



STRATEGY  
2021-2025

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# Lebanon

#WorldInCommon



**Lebanon**

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# LEBANON IN FIGURES

Indicators	1990	2000	2010	2015	2019*
Population (total inhabitants)	2 803 044	3 842 778	4 953 061	6 532 678	6 848 925
Population aged 0–14 years (% of total)	37.3	31.1	25.8	27.3	26.1
Human Development Index (0 to 1)			0.751	0.728	0.73
Life expectancy at birth (years)	70.3	74.5	78.4	78.8	78.9
GDP (millions, current USD)	2 838	17 260	38 419	49 973	56 639
GNI per capita, Atlas method (current USD)	1310	4600	7480	7290	7920
Gini Index	...	...	31.8	...	...
Gender Inequality Index (0 to 1)	...	...	0.412	0.402	0.362
Agriculture, added value (% of GDP)	..	6.2	3.8	3.4	2.9
Employment-to-population ratio, ages 15+, total (%) (modeled ILO estimate)	..	42.4	43.8	43.9	44.1
Urban population (% of total)	83.1	86.0	87.3	88.1	88.6
Net ODA received (% of GNI)	8.3	1.1	1.2	2.0	2.6
Doing Business ranking (out of 190 countries)	...	...	...	...	143
Corruption Perceptions Index ranking (out of 180 countries)	...	...	...	...	138
CO <sub>2</sub> emissions (metric tons per capita)	2.9	4.0	4.0	...	...

\* 2019 or last year available.

The University of Notre Dame data are from 2017. The global INFORM Risk Index ranks countries from 0 to 10 (10 denotes the highest risk). The ND-GAIN Vulnerability Index ranks countries by their exposure, vulnerability and capacity to adapt to climate change. The ND-GAIN Readiness Index ranks countries on their capacity to leverage investment in order to implement measures to adapt to climate change.

Sources: World Bank, 2019, database; United Nations Development Programme, 2019, database; Transparency International, 2019, Corruption Perceptions Index; University of Notre Dame, 2019, ND-GAIN Country Index.

# EXECUTIVE SUMMARY

As Lebanon is facing a level of crisis not seen since the end of the Civil War (1975–1990), France, as always, is standing together with the country and the Lebanese people.

Today, the situation is particularly worrisome. In addition to the socio-economic and financial crisis, whose first impacts were felt in 2019, came the consequences of the Covid-19 health crisis, then the Port of Beirut explosion on 4 August 2020 against a backdrop of political deadlocks and tensions. The build-up of these challenges places Lebanon in a situation of systemic crisis – one that can only be resolved by implementing structural reforms able to foster better governance and a new economic and development model adapted to Lebanon's specificities and the rights and aspirations of its people.

Drawing on its long-standing, fraternal and privileged relations with Lebanon, and the many friendly ties uniting the French and Lebanese societies, France has mobilised on a massive scale to aid Lebanon and its population, and support the country in defining and implementing the solutions now required by the situation's urgency. In this setting, France is particularly attentive to bolstering the capacities of Lebanon's state institutions so that they can fully assume their roles and responsibilities for the benefit of all citizens across the country.

This major effort is a long-term process based on the trust and mutual respect that link our societies. It reflects France's constant commitment to support a stable and united Lebanon, a country rich in diversity, fully sovereign, where its citizens' energy and talents are able to find full expression.

This is the context framing the 2021–2025 strategy that will be implemented by the Agence française de développement (AFD) in Lebanon. Thanks to the historic relationship that exists between France and Lebanon, AFD Group has become a key player in the Lebanese landscape. Over the years, AFD has established itself as a recognised partner for Lebanon's institutional actors and civil society, as well as for international donors. Lebanon is also the main country in which Expertise France (EF) intervenes. Likewise, Proparco had, until the crisis, a sustained activity that was buoyed by the dynamism of Lebanon's private sector.

The compounding crises that Lebanon is experiencing require adopting a new strategy that takes into account issues that need to be urgently tackled in the short term, while also preparing for the future. The end goal of AFD Group's 2021–2025 Strategy in Lebanon will thus be two-pronged: help the country to deal with the shocks and lay the foundations for a State working for the wellbeing of its populations. Contributing to this long-term goal will be core to the AFD Group Strategy and will give it direction, even in times of crisis. This action will especially target:

- Lebanon's most vulnerable populations, be they Lebanese nationals or refugees. Special attention will be paid to women, young people and migrant workers,
- Stakeholders capable of driving change and helping to build the Lebanon of the future.

AFD Group's operations will revolve around five strategic objectives that coincide with five sectors of activity (listed in no order of priority):

- Improve equitable access to quality **education** and **vocational training**, and to **employment**,
- Promote equitable access to quality **healthcare** and care for psycho-social disorders,
- Develop access to quality **water and sanitation** services and improve their governance mechanisms,
- Strengthen the population's resilience and support economic revival by prioritising **inclusive territorial development**,
- Support reforms for good **economic and financial governance**.

To achieve these strategic objectives, three priorities that cut across all of AFD's intervention sectors will serve as a guide: (i) preserve the development gains; (ii) strengthen social cohesion; (iii) support the emergence of public and non-state actors at the service of sustainable development (cf. Logical Framework, Appendix 1). These priorities will be implemented through operations that mobilise flexible operating methods which include rapid achievements on the ground.

In addition, and throughout its operations, AFD Group will ensure that its interventions align with the commitments of the AFD Group Strategy 2018–2022. Thus, consistent with its "100% Social Link" commitment, the Group will ensure that each of its interventions contributes to reducing gender inequality. Moreover, the Group will ensure that each financing operation is compatible with a low-carbon trajectory, in line with its "100% Paris Agreement" commitment. Lastly, all of the financed actions will comply with AFD's commitment to address vulnerabilities and build peace.

AFD will continue to be present throughout the entire territory. Its interventions will systematically include some rapid achievements on the ground. It will seek, as far as possible, to position itself on initiatives to which it can provide an added value, while complementing the action of other actors in the international community. AFD's intervention will implement France's strategic priorities and will be complementary to and coordinated with the actions of the other members of Team France. Given the volatility of the political, economic, financial, social and humanitarian situation prevailing in Lebanon and the scant visibility over the coming months, this strategic framework will be reviewed, should the context so require.



**1.**

**LEBANON  
UP AGAINST A  
SYSTEMIC CRISIS**

# 1.1. SUMMARY OF THE SUSTAINABLE DEVELOPMENT CHALLENGES

Since 2019, Lebanon has been facing a socio-economic and financial crisis without precedent since the Civil War (1975–1990). The particularly adverse conjuncture, combined with the Covid-19 health crisis, then the Port of Beirut explosion on 4 August 2020, has further amplified the effects of the considerable difficulties encountered by Lebanon's economic and political systems.

## 1.1.1 Long-term systemic fragilities and compounding crises

Lebanon is experiencing structural fragilities exacerbated by the absence of reforms and a form of exhaustion of its social, economic and environmental models.

### **i. An unequal society, with fragile balances and a social model weakened by crises**

Lebanon is one of the most unequal countries in the world. According to the *Global Wealth Report*, in 2014 it was ranked sixth worldwide for wealth inequality. These economic disparities are visible not only between urban centres and the peripheries, but also between regions. Beirut, Zahle and Mount-Lebanon have the highest standards of living and benefit from the most reliable basic services, while others like Bekaa or Tripoli are disadvantaged. Direct taxation is very low, barely progressive, and thus insufficient to narrow these gaps. Redistributive processes mostly occur outside of the public sphere.

Regional crises have also further weakened Lebanon's social fabric. Since the beginning of the Syrian conflict in 2011, nearly one million Syrians have registered with the United Nations High Commissioner for Refugees (UNHCR). With no guarantee of protection of their rights, the prospects for the refugees' voluntary, dignified and safe return to Syria are limited in the near future. As a result, Lebanon's population increased by 40% between 2010 and 2019, rising from 4.9 million to 6.9 million inhabitants.<sup>1</sup> Moreover, since the exodus of 1948, for want of a resolution of the Israeli-Palestinian conflict, Palestinian refugees have settled long-term in Lebanon (currently around 200,000). Lebanon

now has the world's highest concentration of refugees per inhabitant. Half of the Syrian refugee families survive on less than USD 2.9 a day and 88% of them are indebted.<sup>2</sup> According to the Lebanese Ministry of Education, some 42% of school-age Syrian refugees are not enrolled in school.<sup>3</sup>

### **Women, the main victims of inequality in Lebanon**

According to the 2020 *Global Gender Gap Report* (GGGR), Lebanon ranks 145th out of the 153 countries assessed on gender equality.<sup>4</sup> The World Bank estimates that inequality in matters of rights and employment for women appears to be deepening. In 2020, Lebanese women benefited from only 53% of the rights given to their male fellow citizens.<sup>5</sup> Despite some progress made in recent years – notably the 2014 law to protect women against domestic violence,<sup>6</sup> – Lebanese women still encounter obstacles in terms of employment opportunities, economic participation and representation in political life. The labour market participation rate for women stood at 26% in 2019.

### **ii. An economic and financial model prevailing since the early 2000s is now in crisis**

The Lebanese economic model is grounded on a gradual shift from the primary and secondary sectors to the tertiary sector. The lack of agricultural or industrial policies has undermined the productive sector and its export capacity. This has led to an import dependency and a structural deficit of the trade balance since the end of the Civil War.<sup>7</sup>

Being a financial hub in the Middle East until the turn of the century, Lebanon has increasingly relied on foreign currency deposits from the Lebanese diaspora. The socio-economic crisis that broke out in 2019 proved that this economic model failed to provide the expected guarantees for inclusive and sustainable development. The government's selective default on its debt payments in March 2020 concretely reflected the crisis of this model.

<sup>1</sup> *The Fallout of War*. World Bank (2020). <https://www.worldbank.org/en/region/mena/publication/fallout-of-war-in-syria>

<sup>2</sup> *Vulnerability Assessment of Syrian Refugees in Lebanon*. UNHCR (2017). <https://data2.unhcr.org/en/documents/download/61312>

<sup>3</sup> *Missing Out: Refugee Education in Crisis*. UNHCR (2016). <https://www.unhcr.org/57d9d01d0>

<sup>4</sup> *Gender Gap Report*. World Economic Forum. 2020, [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf)

<sup>5</sup> <https://openknowledge.worldbank.org/bitstream/handle/10986/32639/9781464815324.pdf?sequence=10&isAllowed=y>

<sup>6</sup> <https://www.hrw.org/news/2014/04/03/lebanon-domestic-violence-law-good-incomplete>

<sup>7</sup> Data on the Banque du Liban website has shown a balance-of-trade deficit since 1993 (no data before 1993).



These crises (balance of payments, foreign exchange, public finances, financial) have combined and reinforced each other, leading to an unprecedented recession (a 20.3% drop in GDP in 2020 and a 9.5% drop expected in 2021),<sup>8</sup> with major social consequences for the population. The impacts of the ongoing crisis on the most vulnerable, be they Lebanese nationals or refugees, are all the more brutal given the deficiencies of public services and existing social safety nets. The collapse of the domestic currency, high inflation and the rise in unemployment have coalesced, leading to the erosion of household purchasing power. As a result, the middle class has become more fragile and poverty is rising rapidly. ESCWA estimated that the country's poverty rate would quickly reach 55% in 2020, compared to 28% end 2019.<sup>9</sup> The food crisis now threatens populations who have no access to employment or solidarity mechanisms (family or international).

### **The Syrian and Lebanese crises, entangled conflicts**

In addition to the massive refugee influx, other factors are reinforcing the interconnection between the Syrian and Lebanese conflicts. Sharing some 400 km of borders (i.e. 83% of Lebanon's borders), pre-war Syria was a vital trade partner not only for Lebanese industries, which imported low-cost raw materials, but also for Lebanese farmers, who exported their produce to Syria. Due to the war, Lebanon has lost a natural trading partner. According to the World Bank, since 2011, the Syrian crisis has led to an annual decline of Lebanon's GDP of around 1.7%, and a 7.1% increase in the poverty rate between 2012 and 2017.<sup>10</sup>

### **iii. The lack of a model to preserve resources and the environment**

Lebanon has not developed an effective environmental governance model to preserve its natural resources and engage in a low-carbon transition in line with the Paris Agreement. The lack of environmental standards is visible in the country's poorly managed urbanisation, deforestation, the absence of solid waste management<sup>11</sup> and wastewater treatment, causing high levels of bacteriological pollution along the coasts and air pollution.

Until 2018, Lebanon had been emitting some 31.1 Mt CO<sub>2</sub>e per year, equivalent to 5–7 tCO<sub>2</sub>e per inhabitant per year, and emissions are rapidly increasing (+3.4% yearly average).<sup>12</sup> To reach the global warming target of 2°C by 2100, a global average of 2 tCO<sub>2</sub>e per capita will need to be achieved. The highest greenhouse gas emitter is the energy sector, and only 5% of local energy production is derived from renewable sources.<sup>13</sup>

In addition, although Lebanon is one of the best-endowed countries in the Levant for water resources, these are becoming depleted. According to the United Nations, the country has been under water stress for some ten years now. This is set to intensify over time with a decrease in rainfall and snow cover due to climate change. The growing annual demand for water will have adverse consequences if no public measures are taken to improve the efficiency of the water distribution networks.

### **iv. Frequent periods of institutional vacuum**

A parliamentary republic since 1926, Lebanon has built itself upon a confessional system of government, reinforced at the end of the Civil War by the 1989 Taif Agreement. This system is marked by several periods of institutional vacuum.

<sup>8</sup> World Bank, *Lebanon Economic Monitor 2021*.

<sup>9</sup> *Poverty in Lebanon*. ESCWA (2020). Poverty in Lebanon. ESCWA (2020). [https://www.unescwa.org/sites/www.unescwa.org/files/20-00268\\_pb15\\_beirut-explosion-rising-poverty-en.pdf](https://www.unescwa.org/sites/www.unescwa.org/files/20-00268_pb15_beirut-explosion-rising-poverty-en.pdf)

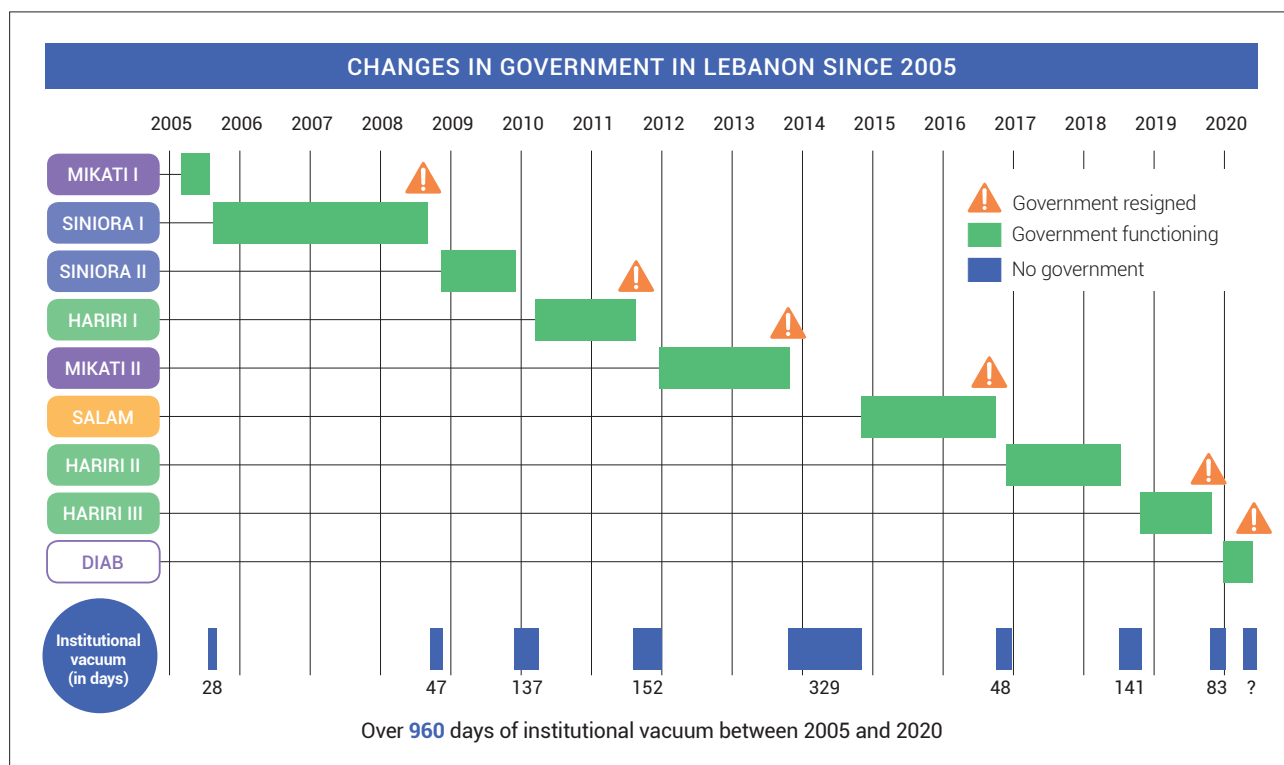
<sup>10</sup> *The Fallout of War*. World Bank (2020). <https://www.worldbank.org/en/region/mena/publication/fallout-of-war-in-syria>

<sup>11</sup> Cf. Human Rights Watch (HRW) report and the Waste Management Coalition (WMC).

<sup>12</sup> *Lebanon's Second Biennial Update Report to the UNFCCC*. Ministry of Environment, UNDP & GEF, (2017).

<sup>13</sup> *Ibid.*

**Figure 1. Changes in Government in Lebanon**



### The double explosion of 4 August 2020

On 4 August 2020, a double explosion at the Port of Beirut caused over 200 deaths and 6,500 injured. It was sparked by the explosion of a warehouse where over 2,500 tonnes of ammonium nitrate had been stored since 2014. According to the World Bank, European Union (EU) and United Nation's (UN) rapid damage and needs assessment (RDNA), as many as 350,000 people were left temporarily or permanently homeless following the destruction of their homes. The material damage was estimated at between USD 3.8 and 4.6 billion (within a 5 km radius around the epicentre of the explosion).

The fragility of the Lebanese model is also exacerbated by a regional context that is disrupting national governance. Lebanon has found itself at the heart of geopolitical dynamics that have a destabilising effect on the country.

### 1.1.2 A deteriorating outlook

It is uncertain how the Lebanese context will evolve given the multiple crises the country is experiencing. The risk of cross-contagion between the financial, economic, social, health and security crises has now been demonstrated. While this phenomenon has so far affected the Syrian and Palestinian refugees, the Lebanese are starting to choose the path of clandestine migration by sea. Psychological disorders and illnesses triggered by despair are also rising sharply.

#### The dual task of reconciliation and treating trauma: the mental health emergency

Some 70% of the Lebanese population has been exposed to one or more episodes of war, while 60% of children aged 0–10 years and up to 38% of Lebanese have been war refugees or displaced.<sup>14</sup> These events have left a lasting mark on Lebanese society. Studies by various actors involved in caring for trauma suffered by vulnerable populations reveal that mental health disorders are increasingly common but their treatment has not yet been addressed by the Ministry of Public Health and is rarely covered by psycho-social programmes.

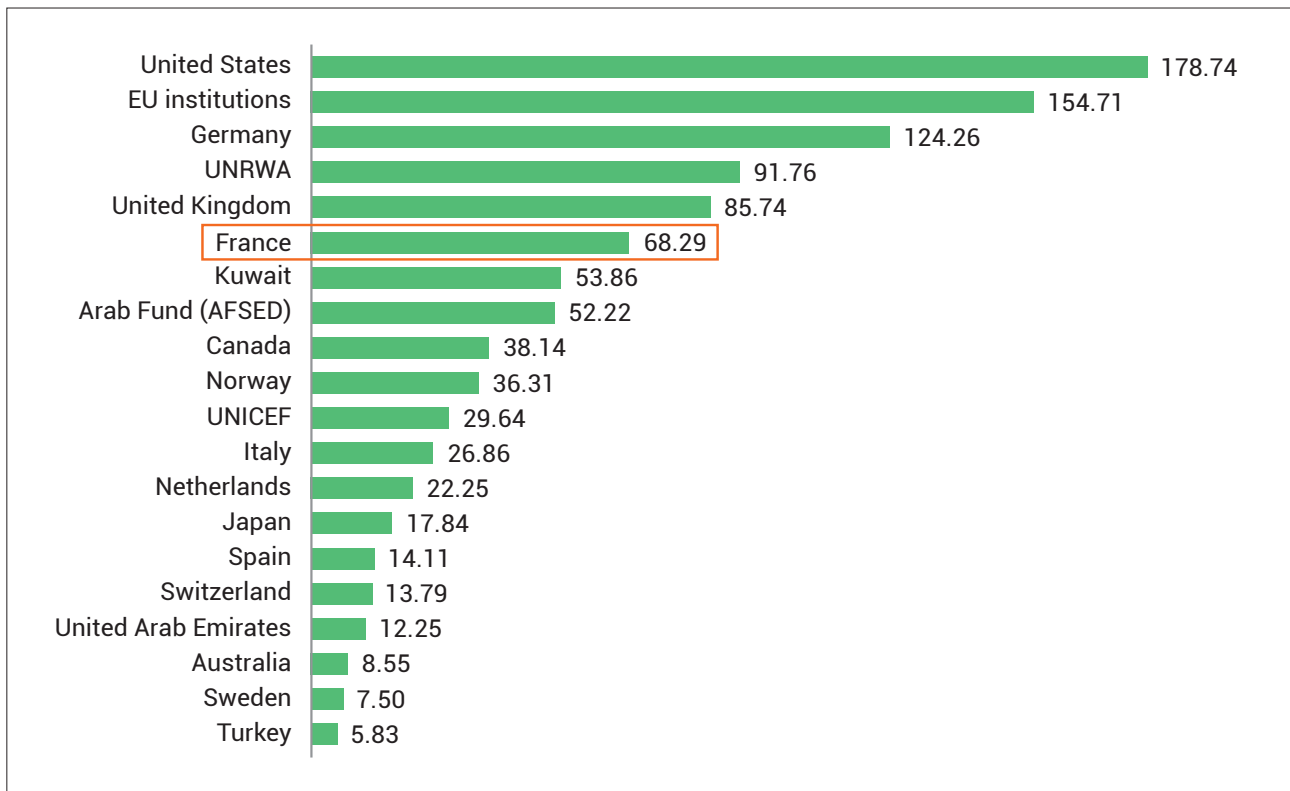
<sup>14</sup> Farhood L, Dimassi H, Strauss N.L. "Understanding Post-Conflict Mental Health: Assessment of PTSD, Depression, General Health and Life Events in Civilian Population One Year after the 2006 War in South Lebanon", *Journal of Traumatic Stress Disorders & Treatment*, (2013), Vol. 2, Issue 2.

## 1.2. DEVELOPMENT FINANCE

The Economic Conference for Development through Reforms with the Private Sector (CEDRE) held in Paris in April 2018<sup>15</sup> pledged USD 11 billion in support to Lebanon. The funding was not unlocked as it was conditional on the launch of reforms that the Lebanese authorities failed to

implement. Since 2013, the amount of official development assistance to Lebanon has been increasing and in 2019 reached USD 1.53 billion, equivalent to over 10% of central government expense according to the World Bank.<sup>16</sup> In 2019, France became the 5th largest bilateral donor in Lebanon.

**Figure 2. Official development assistance to Lebanon (ODA, USD billions, 2010–2019)**



Source: OECD

Many donors are operating in Lebanon. Although progress is being made, inter-donor coordination mechanisms could be strengthened further.

The aid architecture is being streamlined. UN-OCHA is in charge of the different humanitarian aid coordination mechanisms (for the Syrian crisis, Covid-19 and the August 4th explosion). The Reform, Recovery and Reconstruction

Framework (3RF) launched in late 2020 by the World Bank, the European Union and the United Nations in response to post-explosion challenges set up a governance mechanism associating the government, international community, development partners and civil society. This configuration could well foreshadow how development financing will be organised in the future.

<sup>15</sup> On 6 April 2018, France hosted the Economic Conference for Development through Reforms with the Private Sector (CEDRE). For the international community, the goal was to strengthen and support the development of the Lebanese economy under a global reform and infrastructure investment plan prepared by the Lebanese authorities and presented at the Conference. These reforms notably involved re-balancing public finances, launching crucial sectoral and cross-cutting reforms (fight against corruption, modernisation of the public sector and public finance management), and strengthening and diversifying Lebanon's productive sectors. Certain sectoral reforms were also expected: energy, water and waste management, as well as an increase in investment and spending in the social sectors, including health and education.

<sup>16</sup> <https://data.worldbank.org/indicator/DI.ODA.ODAT.MP.ZS?display=graph&locations=LB>

# 1.3. KEY ELEMENTS FOR THE FRENCH STRATEGY AND AFD GROUP'S MANDATE

## 1.3.1 Diplomatic and commercial relations

### Political relations

Relations between France and Lebanon are marked by strong historical and cultural ties. These are particularly visible as French is still very widely spoken in the country, which also hosts the largest network of French-speaking schools outside of France. France is home to a very large Lebanese diaspora and one of Lebanon's main political partners.

Accordingly, France has mobilised to support the Lebanese people through the different ongoing crises that have hit the country. This led to two visits by the French President (in August and September 2020) and the organisation of two international conferences (9 August and 2 December 2020), jointly with the United Nations, in the wake of the 4 August explosion.

By hosting the 2018 CEDRE conference and, since then, calling on the Lebanese authorities to implement the necessary measures, France is committed to support the Lebanese people's aspirations for structural and governance reforms. France also pays close attention to the strengthening of the Lebanese State's institutions in view of consolidating its authority over the country as a whole.

### Economic relations

In 2018, with 3.4% market share over the first eleven months, France stood as Lebanon's 7th largest supplier. French direct investment stock in Lebanon totalled €612 million in 2017, while Lebanon invested €3 billion in France the same year. Nearly one hundred French companies are present in Lebanon in various sectors: notably agri-food, telecommunications, retail, the oil industry and financial services.

## 1.3.2 Development cooperation

Operating in Lebanon since 1999, AFD has granted upward of €1.2 billion in loans and grants. Over the last five years, AFD Group has mainly invested in 3 strategic priority areas: i) promoting job-creating growth; ii) strengthening social cohesion; and iii) managing a constrained natural capital.

Between 2016 and 2020, the Group's annual commitment volume rose sharply from €14 M in 2016 to €86 M in 2020, reaching a peak of €132 M in 2018. Proparco provided banking credit lines or support to private-sector projects, with overall commitments amounting to €67 M. Lebanon is also Expertise France's main intervention country, with a €52 M project portfolio over the same period in the governance, social cohesion, agriculture and security sectors through financing support from the EU and AFD.

Due to the financial crisis and the non-implementation of the economic and governance reforms expected by the international community, particularly those defined at the CEDRE conference, AFD has ceased to provide loans since 2019. The Minka Peace and Resilience Fund launched in 2017 and designed to mitigate the impacts of the Syrian crisis, enabled AFD to redirect part of its action towards grant financing for non-state institutions (NGOs, ICRC, UN agencies). By doing so, AFD can continue to support Lebanon in delivering basic services to vulnerable populations, both Lebanese and Syrian, while also helping to preserve social cohesion.

### *The Minka Fund: supporting Lebanon through crises*

The Peace and Resilience Fund, dubbed Minka, is AFD's financial tool dedicated to conflict-prevention and crisis-response. Designed to target conflict basins, Minka-funded initiatives provide a structured response to regional crises. In the Middle East, Minka supports territories and populations hosting Syrian refugees through an approach aimed at preserving social cohesion. Minka funds amounting to €124 M were allocated in Lebanon between 2017 and 2020, through 15 projects aimed at providing the most vulnerable populations with access to basic services (drinking water, health, education, protection), greater social-economic opportunities (livelihoods, vocational training) and better governance of hosting policies (reinforcing civil society, independent media, etc.). These projects are implemented by a broad spectrum of public-sector partners (sectoral ministries, water establishments), international partners (UN, international NGOs) but also local partners (Lebanese SCOs), with the objective of localising aid. For effective and flexible action, the projects financed by Minka can benefit from simplified procedures in order to achieve faster results on the ground.

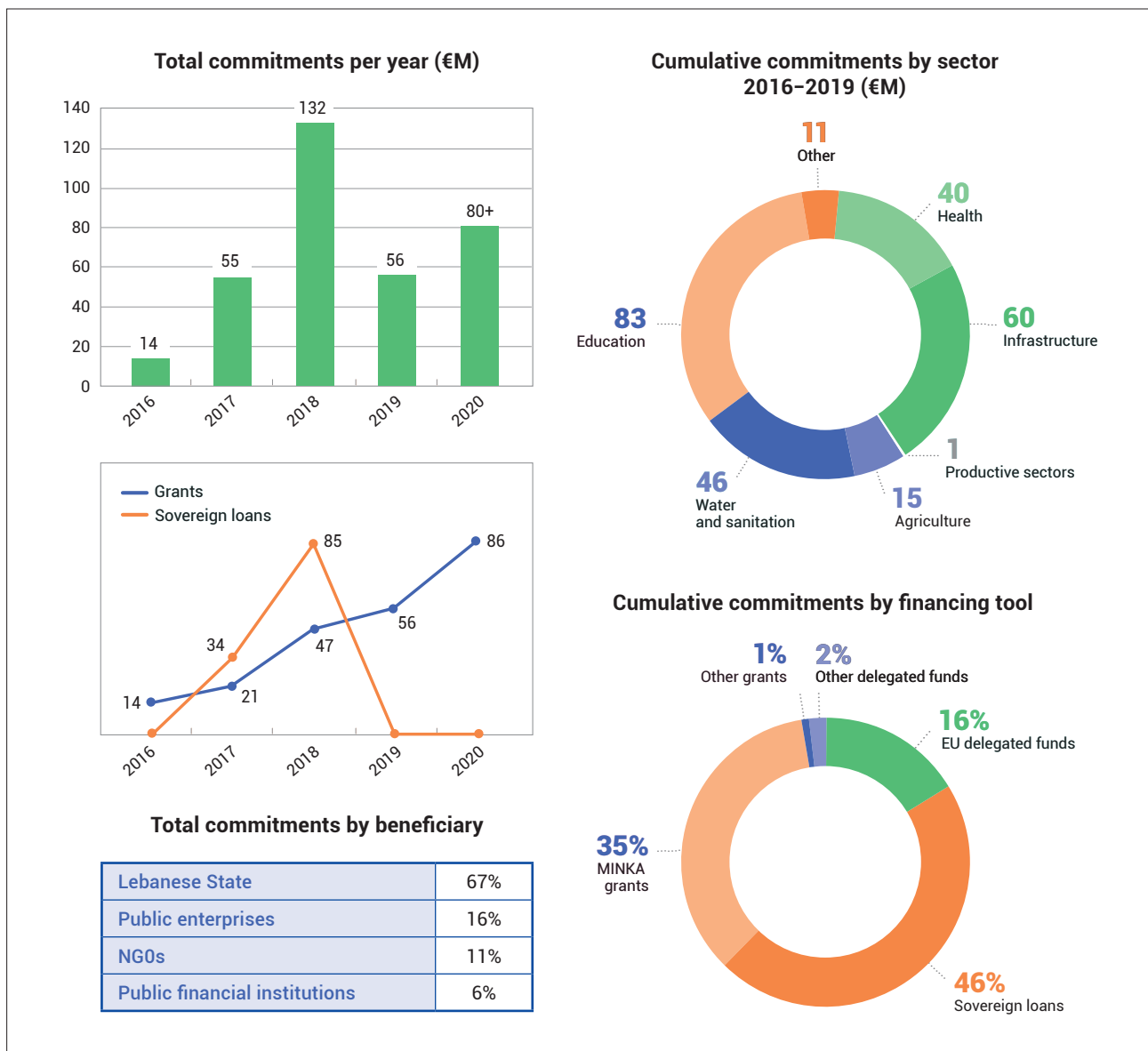
AFD has mobilised substantial aid volumes with over €70 M of funds delegated by other donors (European Union and Danish cooperation). It has been able to diversify its counterparties and develop a relationship of trust with civil society organisations. In order to support local stakeholders' capacity to deliver basic services to the most vulnerable, the **localisation of aid** has become a priority, especially when government service provision is lacking.<sup>17</sup>

This close link with local NGOs has enabled the Group to implement projects throughout Lebanon, particularly in the most marginalised regions (cf. Map 1. Location of ongoing projects).

### Strengthening local stakeholders on the frontline of tackling crises: zoom on the Shabake project

Expertise France and AFD are jointly contributing to implementing France's commitments to aid localisation: co-financed by Danish cooperation, the Shabake project is strengthening Lebanese civil society organisations' institutional capacities to enable them to intervene locally and effectively in preventing and responding to crises. The project capitalises on the successful collaboration between Lebanese SCOs (AMEL, Arcenciel, Semeurs d'avenir, Alpha...) and international SCOs (International Alert, Samusocial International, Médecins du Monde...).

**Figure 3. Overview of AFD's activity in Lebanon for fiscal year 2020**



<sup>17</sup> Backed by a strong commitment from donor countries, particularly France, at the 2016 World Humanitarian Summit, the "localisation of humanitarian aid" involves scaling up the share of international aid directly implemented by local stakeholders, be it civil society organisations or local authorities of partner countries.

### Qualitative results of AFD's action in Lebanon

Over the years, the Agency has become a recognised partner not only for institutional actors and donors, but also civil society organisations. The strong historical relationship between France and Lebanon has enabled AFD's institutional anchorage in the Lebanese landscape. Yet, the Agency remains little known to the general public.

AFD has been striving to promote a structural reform agenda and work closely with institutional stakeholders and technical ministries. Examples include the water/sanitation sector or government procurement, where AFD is coordinating support for the reform agenda.

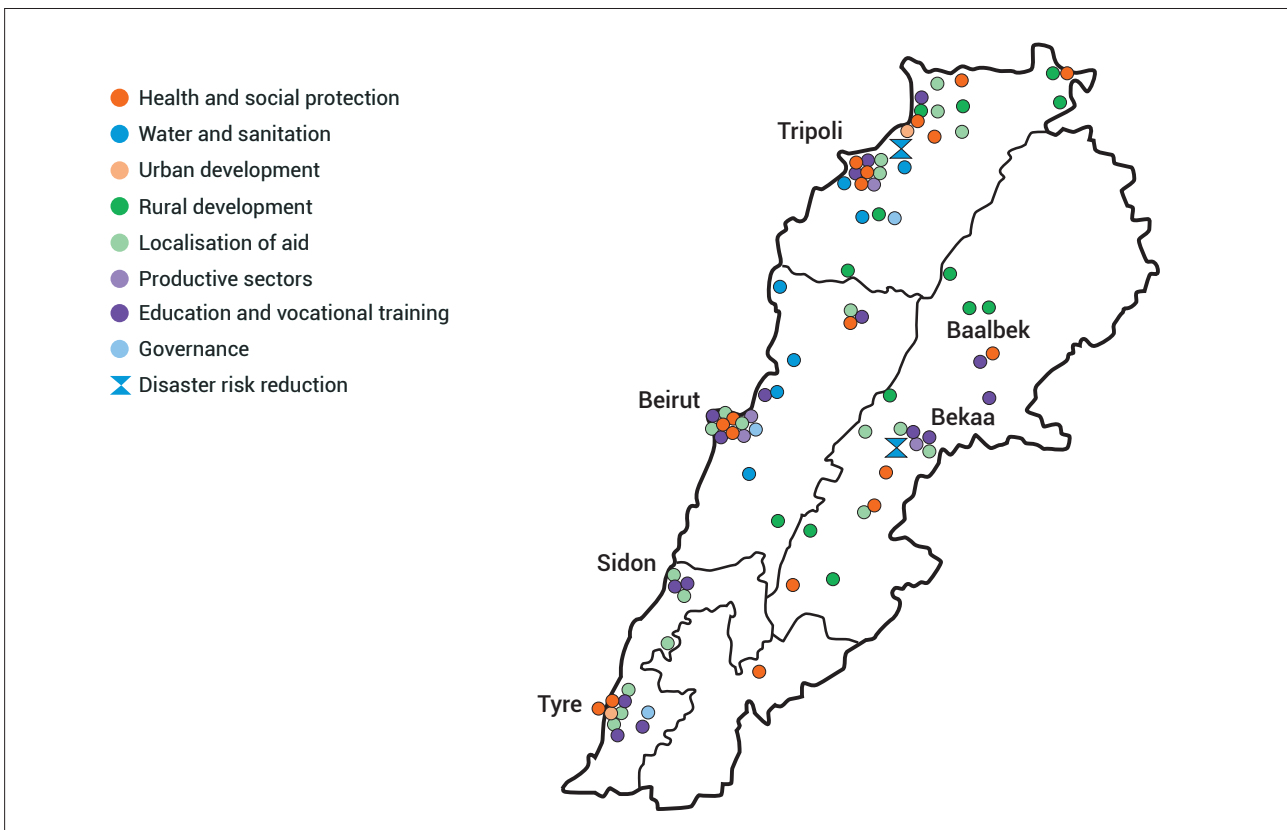
Along with its on-the-ground partners, AFD has been able to draw on its technical expertise, its synergies with EF and Proparco, and its good understanding of Lebanon's challenges and realities to forge sound and high-quality partnership relations.

In view of the Lebanese system's fragilities, AFD has worked to develop an "agile" operating mode, able to adapt to changes in both context and interlocutors. The increased use of grants and partnerships with non-state stakeholders since 2017 has helped the Agency to diversify its implementing partners and compensate for the failings of public services. In the area of healthcare, the Rafic Hariri Hospital project with ICRC is a prime example of this approach.

### 1.3.3 AFD's mandate

The Group relies on its three entities to intervene in Lebanon: AFD, Proparco for financing companies and private financial institutions, and Expertise France for technical cooperation and the mobilisation of French public-sector expertise. The Group intervenes in Lebanon to advance the sustainable development goals (SDGs) and the Paris Climate Agreement objectives, in line with the priorities defined by the Inter-ministerial Committee for International Cooperation and Development (CICID) and the AFD Group 2018–2022 Strategy, particularly its two of its key commitments: 100% Social Link and 100% Paris Agreement. The Group's strategy in Lebanon also follows AFD's three strategic priorities defined by AFD's Middle East Regional strategy: 1) strengthen social cohesion, 2) promote sustainable and inclusive management of shared spaces and resources, and 3) support a more equitable and sustainable economic growth trajectory.

Map 1. Location of ongoing projects



The background features several overlapping, thin blue circular lines of varying radii, creating a dynamic, abstract pattern. The lines are centered around the text, with some passing behind and others in front of it.

# 2.

**AFD GROUP'S  
PRIORITIES  
FOR 2021–2025**



Given the recurrent crises and systemic shock risk that characterise Lebanon, adopting a strategy requires taking into account urgent short-term issues while also preparing for the future. AFD Group's overarching goal in Lebanon over the period 2021–2025 will thus be two-pronged: help the country to deal with shocks and lay the foundations for a State working for the wellbeing of its populations.

AFD Group will specifically target:

- Lebanon's most vulnerable populations, be they Lebanese or refugees. Special attention will be paid to women, young people and migrant workers (cf. the box below),
- Stakeholders capable of driving change and striving to build the future Lebanon.

AFD Group's operations will revolve around five strategic objectives that coincide with five sectors of activity:

- Improve equitable access to quality **education** and **vocational training**, and to **employment**,
- Promote equitable access to quality **healthcare** and care for psycho-social disorders

- Develop access to quality **water and sanitation** services and improve their governance mechanisms,
- Strengthen the population's resilience and support economic revival by prioritising **inclusive territorial development**,
- Support reforms for good **economic and financial governance**.

To achieve these strategic objectives, three priorities that cut across all AFD's intervention sectors will serve as a guide: (i) preserve development gains; (ii) strengthen social cohesion; (iii) support the emergence of public and non-state actors at the service of sustainable development (cf. Logical Framework, Appendix 1). These priorities will be implemented via operations mobilising flexible operating methods that include rapid achievements on the ground.

Finally, AFD's action will contribute to France's strategic priorities. More specifically, it will complement the actions of the Crisis and Support Centre, the Cooperation and Cultural Action Services, and the Regional Economic Service of the French Embassy.

## 2.1. STRATEGIC PRIORITIES

### AFD's priority set on Lebanon's vulnerable populations

In all of its operations, AFD will target in priority the most vulnerable populations in Lebanon, be they Lebanese or refugees. Particular attention will be paid to women and gender questions, which will be systematically mainstreamed into the design of funded projects. As far as possible, young people will also be a priority, as well as migrant workers, who are excluded from common law mechanisms. Lastly, AFD will target populations living in peripheral areas.

Support provided to Lebanon for hosting Syrian refugees will continue to be a priority as long as the conditions are not met for their voluntary, dignified and safe return to their home country, with protection of their rights.

### 2.1.1 Strategic objectives

AFD Group's 2021-2025 strategy for Lebanon sets five strategic objectives. These objectives coincide with five sectors of activity and have been selected by matching Lebanon's needs, on the one hand, with AFD's added value (knowledge of the sectors and actors, lessons learnt from our past projects) and the positioning of other donors, on the other hand. These objectives are outlined below in no specific order of priority.

#### Improve equitable access to quality education and vocational training, and to employment

Targeted SDGs:



The Group will pursue its longstanding action in this sector to support education and vocational training for vulnerable populations, so as to help empower young people and offer them prospects within Lebanon, paying particular attention to the promotion of the French language. In the short term, the Group's activities will aim to maintain access to education (state and private) and training, with a priority set on



integration into the labour market, which has been severely hit by the multiple crises. The Group will support entrepreneurs and small and medium-sized enterprises to maintain employment.

In the medium to long term, conditions permitting, AFD will support the Lebanese State in improving the quality of teaching and training, in structuring vocational streams and adopting more efficient governance to train talents able to develop Lebanon's post-crisis economy. AFD's action will be closely coordinated with that of the Embassy and be part of the future "Plan Liban Éducation".

### Promote equitable access to quality healthcare and care for psycho-social disorders

Targeted SDGs:



AFD Group will take decisive action to help consolidate Lebanon's public health systems by ensuring support for its institutions and public policies and by strengthening equitable access to quality care, with a special focus on mental health. AFD will support primary healthcare centres and hospitals. In the short term, the objective will be to ensure financial provision for the most vulnerable patients and to subsidise health services so that solutions can be found for the population's urgent needs. Activities with a structural impact on public health policies will be systematically integrated into projects in order to reinforce the system's sustainability. For example, AFD will support the development of a standard healthcare offering designed for country-wide deployment by the Ministry of Public Health (MPH), as well as the institutionalisation of the National Mental Health Programme.

Although the MPH does not receive any direct financing, it will be closely involved in elaborating and monitoring the projects. AFD will participate actively in the sectoral dialogue. Lastly, AFD will support the mobilisation of experts from French health agencies to reinforce the Lebanese health system under the Cooperation Protocol signed between both countries' ministries of health.

### Develop access to quality water and sanitation services and improve their governance mechanisms

Targeted SDGs:



The Group will support access to the related services and the good governance of the water and sanitation sector in order to:

- In the short term, maintain service quality in underserved areas by enhancing the performance of the Water Establishments and extend access in the rest of the country. AFD will play a key role in improving the sector's coordination.

- In the medium to long term, improve the sector's governance (legal, financial and administrative), enhance the performance of services and their operators (particularly capacity-building for the Water Establishments), and improve equitable access to services in the rest of the country (the least-served areas where vulnerable populations reside). Special attention will be paid to protecting the resource and its resilience.

The interventions in this area will be aligned with the 100% Paris Agreement commitment to support a low-carbon and climate-resilient development trajectory.

### Strengthen the resilience of populations and support economic revival (including food security) by prioritising inclusive territorial development

Targeted SDGs:



In rural areas, the Group's action will aim to develop Lebanese territories and support sustainable agriculture with a view to creating jobs and ensuring the country's food security – a priority identified by the President of France. AFD will finance short-term actions to maintain employment and local production, as well as projects to strengthen the social resilience of the most vulnerable (e.g. social safety nets). These actions will be linked with medium- and long-term goals in favour of land-use planning (including access to basic services) and natural resources management (including disaster risk management).

In urban areas, the Group will encourage economic regeneration and social cohesion, particularly through "double-dividend" approaches to neighbourhood projects, which combine infrastructure construction (housing, access to services, public/shared spaces) and the strengthening of social ties. It will reinforce residents' role in governance and investment choices.

AFD will strengthen the local level whilst also avoiding the risk of negative decentralisation (resource capture by local elites, etc.) through actions to train local authority officials, support to decentralised cooperation and initiatives to strengthen the ties between the government and those it governs, in conjunction with other actions led by France.

## Support reforms to achieve good economic and financial governance



Targeted SDGs:

AFD Group will assist Lebanon in changing its modes of governance, in the first stage, by targeting economic and financial reforms, in close coordination with Team France. The Group will support a variety of crucial reforms such as public procurement reform, budgetary transparency and public administration reform. In the second stage, if the context and human resources so permit, it will study the possibility of extending its intervention scope to other related sectors such as justice. The actions financed will aim to:

- Consolidate the foundations conducive to sustainable and appropriate management of public resources, and improve the institutional context so that the public sector is able to provide the services expected by Lebanese people,
- Support the public sector's modernisation efforts, strengthen its role as regulator in the different economic sectors, and enhance market efficiency.

To maximise the impact of its interventions, the Group will strive to (i) remain focussed on a limited number of well-targeted reforms, from their design through to their effective implementation; (ii) adopt a stance mindful of the capacities of its Lebanese counterparties and with a view to strengthening them; (iii) mobilise French expertise as early as possible; and (iv) build stakeholder coalitions with the other donors and actors involved.

AFD will also work to support independent civil society stakeholders, such as the media, as they are vectors of improved accountability and transparency of public authorities.

In addition, AFD Group will support discussions on the reform and reconstruction of Beirut Port.

### The Port of Beirut explosion, a synergised response from AFD and Expertise France

In the wake of the Port of Beirut explosion, AFD Group has mobilised expertise in the fields of digitalisation, governance and port security, customs and public procurement. The proposed recommendations aim to help dovetail short-term actions with longer-term thinking. AFD Group will continue to support the Port of Beirut in its reconstruction efforts, within the coordination framework set by the World Bank.

### Expertise France's specific positioning on security-development projects

Expertise France will intervene in the area of capacity-building for defence and security forces, to back skills-building activities in the fields of port governance and security, knowledge-sharing in maritime matters and the fight against illicit trafficking. This will also be bolstered by the promotion of a national inter-department strategic approach to maritime affairs based on the French model of the State's action at sea.

## 2.1.2 Three cross-cutting priorities

To achieve these strategic objectives, the Group will strive to respect and implement three priorities that cut across all of its intervention sectors: 1) preserve the development gains, 2) strengthen social cohesion, and 3) support the emergence of public and non-state actors at the service of sustainable development.

Moreover, in line with the commitments laid out in the AFD Group 2018-2022 Strategy, the Group will ensure that each financing operation is compatible with a low-carbon and resilient development trajectory, as part of its commitment to 100% compliance with the Paris Climate Agreement. Finally, all of the stakeholders funded via Minka will integrate AFD's commitment to fight against vulnerabilities and promote peace-building.

### Preserve the development gains

AFD's first cross-cutting priority is to preserve the country's development gains so as to reduce the risk of contagion between the multiple crises. This short-term priority will give rise to financing operations designed to prevent the degradation of Lebanon's physical and natural capital (urban infrastructure, water/sanitation, schools and health centres), at a time when the resources required for their maintenance and renovation are lacking. The second aspect of this priority will be to preserve human capital through projects aimed at maintaining the quality of and equitable access to education, vocational training and integration into the labour market, as well as access to healthcare services. These resilience-oriented projects will be part of the humanitarian-development-peace nexus and will prioritise non-state channels. Although targeting short-term responses, AFD will work to ensure the sustainability (particularly environmental) of the actions financed.

Targeted transitions: **economic and financial, ecological and territorial, demographic and social**

## Strengthen social cohesion

The already high tensions between Lebanese communities and between hosts and refugees are exacerbated by the worsening socio-economic conditions. As a result, strengthening social cohesion appears to be an absolute priority if these tensions are to be eased. This priority will be applied across each of the five strategic objectives, especially those involving access to basic services (education and employment, health, water and sanitation). AFD will thus support initiatives that aim to mitigate the main factors fuelling tensions (well-balanced access to basic services and employment, with no discrimination).

In this optic, and remaining fully aligned with the Group's 100% Social Link commitment, AFD will support measures to reduce inequalities. Gender inequality, in particular, will receive heightened attention and be systematically mainstreamed into projects, and will also benefit from dedicated financing. The Agency will support initiatives for integrated territorial development by targeting the most marginalised territories and by working to prevent a negative decentralisation of services driven by communitarian or political rationales. Finally, AFD will seek to strengthen inclusive approaches, create spaces for a harmonious co-existence (public spaces, etc.) where these are lacking, in urban areas and institutions, public services or partner organisations.

*Targeted transitions: demographic and social, political and civic*

### Project dedicated to gender equality

The EU4WE project, implemented by Expertise France, is financed by the EU for a total amount of €2.4 M. It aims to promote the economic empowerment of women entrepreneurs, support members of the legal profession in better organising legal aid for victims of domestic violence, and provide technical assistance for national schemes in favour of gender equality.

## Support the emergence of public and non-state actors working to further development

Lebanon needs to reinvent its development model. Contributing to this long-term goal will be core to the AFD Group's strategy, even in times of crisis.

Support for structural reform in the area of economic and financial governance, as well as in sectors where AFD plays a leading role in the international community (e.g. water and sanitation), will be geared to supporting the definition

and implementation of inclusive public policies. When possible, this support will also aim to strengthen public administrations and institutions so as to enable the State and public bodies to continue functioning and fully assume their role of public service providers for citizens. In cases of support to non-state actors, the Agency will ensure that its actions do not encourage the replacement of the State by non-state actors, or contribute to further weakening public authorities.

Lastly, this cross-cutting priority will involve financing to support a better-balanced and more productive model for the Lebanese economy, which is currently unsustainable in every respect (including environmental) and highly unequal (particularly as it excludes women). As a result, the Group will finance and strengthen public and private actors working to develop an inclusive and sustainable productive sector. With this in mind, AFD will support strategic and civic dialogues that encourage decision-makers and civil society to contemplate the future and the large-scale transitions which are crucial for the country. The Group will pursue this commitment within Team France and by contributing to the development of fora for dialogue with the Lebanese authorities and the other technical and financial partners.

### Improving transparency and strengthening good governance for the ACT project

Expertise France intervenes in Lebanon via several projects dealing with economic and financial governance. The EU-funded Anti-Corruption & Transparency (ACT) project aims to strengthen accountability and improve the transparency of Lebanese public administrations. The project falls within the framework of the reforms demanded by the Lebanese people and the international community.

ACT supports the national legal framework to fight against corruption, particularly by supporting the enforcement of the right to access information and by reviewing the legal framework for managing conflicts of interest.

The project also provides substantial technical assistance for the Lebanese inspection bodies (central inspection and the Court of Auditors) with a view to modernising their work methods and tools and enabling more effective control of the proper use of public funds. Finally, ACT is conducting a national campaign to raise awareness of corruption by mobilising a broad diversity of actors (civil society organisations, universities, the media) and promoting an innovative solution-oriented approach.

### Technical assistance and support for water and sanitation sector reform

An initiative implemented by AFD via EU delegated funds, the Programme of Support for Reforms in the Water and Sanitation Sector aims to (i) strengthen Lebanese stakeholders in their role of service operators (via the Regional Water Establishments) or supervisory authorities (via the Ministry of Energy and Water) and (ii) improve the institutional dialogue and sectoral communication. AFD's intervention will thus help to (a) support the operational capacities of the sector's players, (b) develop tools to manage the sector and services,

(c) support the implementation of infrastructure projects under CEDRE and the national water and sanitation strategy, and (d) restore users' trust notably by setting up autonomous and transparent authorities such as the Water and Sanitation Observatory. This project aims to promote the development of a sustainable services offering for the Lebanese population, in a context where the country is facing a deterioration of its basic services and is endowed with water resources that are nonetheless vastly underexploited.

Targeted transitions: **economic and financial, ecological and territorial, demographic and social, political and civic**

## 2.2. DIVERSIFY STRATEGIC PARTNERSHIPS

For several years, AFD has been developing its resilience capacities by **densifying the Group's partnership with non-state actors and other donors**.

To position the Group as a platform, the purpose of AFD's partnership strategy in Lebanon will be to find leverage effects to drive the achievement of the above-mentioned objectives, operationalise the humanitarian–development–peace nexus and mobilise delegated funds.

Operationalising this nexus – which is a crucial objective of AFD's partnership strategy in crisis and post-crisis contexts – is at the core of its ambition to partner with diverse humanitarian actors operating in Lebanon (ICRC, UN actors, NGOs), notably through Minka funding.

AFD Group will play an active role in the European aid system and integrate its action into the EU's Joint Programming framework,<sup>18</sup> through cofinancing and delegated funds from the European Commission. This will help to combine European know-how with French expertise, as well as create synergies with the Member States' development

agencies. The Group will aim to develop partnerships within Team Europe by continuing to forge closer relations with European bilateral donors.

Should there be a rebound in loan activity, AFD will maintain and densify its partnership with three key players so as to leverage cofinancing operations. These three players are the World Bank, due to its pivotal positioning in relations with public authorities, the EIB, which is a major investor in the area of infrastructure, and the German development bank, KfW.

AFD will draw on the many French stakeholders (NGOs, regional and local authorities, research centres, public institutions, etc.) operating in Lebanon and which have forged strong relations with their Lebanese counterparts. For this, the Agency will mobilise all of its grant financing tools, particularly those specifically dedicated to French NGOs and local authorities. Lastly, AFD will study the possibility of designing cofinancing schemes for co-development projects involving the Lebanese diaspora.

<sup>18</sup> At the time this document was being drafted, this exercise had not started on the EU side.

## 2.3. KNOWLEDGE PRODUCTION

AFD Group will dedicate part of its resources to knowledge production in order to achieve its objectives. This will not only contribute to operational design, but also to a reflection on topics of public interest. Three principles will guide the research activities supported by AFD:

- Contextual analyses in order to design projects that meet the population's needs. This is the purpose of the AFD-IFPO partnership for urban studies.
- Financing for research that supports Lebanese stakeholders (including the diaspora) in elaborating pro-development

public policies. For example, this is the purpose of the work carried out with the Issam Fares Institute on the environmental transition.

- An analytical surveillance of changes in the country's internal situation, allowing for dynamic risk-monitoring and early decision-making, which is crucial given the volatility of the intervention context.

To round off, the Group will seek to capitalise on its experiences to improve its practices and the impact of its actions.



# 3.

## **FINANCIAL PERSPECTIVES AND INTERVENTION MODALITIES**

In the short term, the three main intervention tools for the Group's action in Lebanon are:

- Grant-based activities (Minka Fund, delegated funds mainly),
- Support to the private sector (via Proparco),
- Mobilisation of technical expertise (via Expertise France)

The Group's action relies mainly on grant-based financing, particularly from the Minka Fund. The strategy relies on maintaining the Fund's annual budget at its current level (some €40 M per year). So as to achieve the targeted impacts and leverage effects, the funded projects must have a critical size (€8 M on average). In parallel, AFD will continue to mobilise all of its grant instruments (study and expertise funding, support to NGOs, decentralised cooperation, etc.).

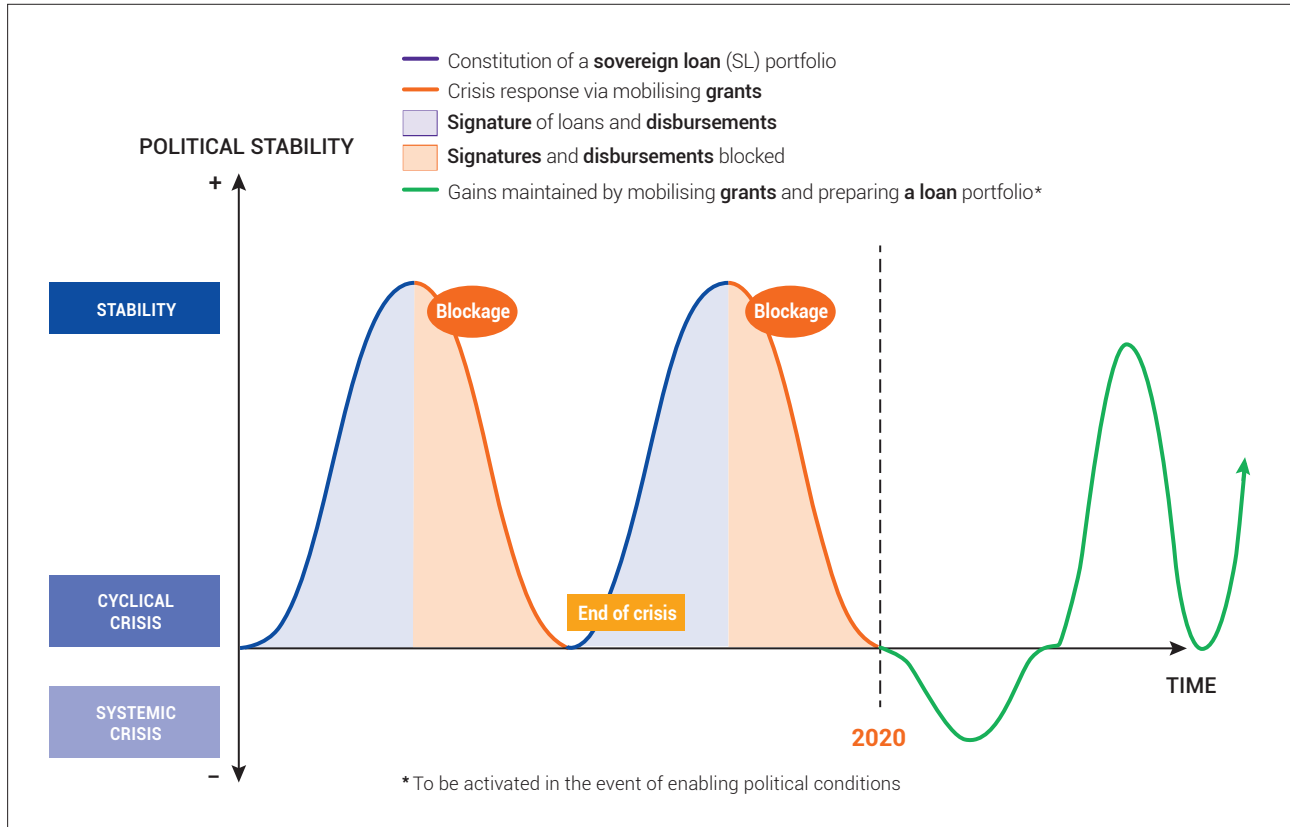
The resumption of AFD's loan activity depends on the return to a sustainable level of Lebanon's public debt through the implementation of the reforms called for by the international community. The introduction of an IMF programme would also help Lebanon to restore its solvency. AFD will prepare for a return to its sovereign activity by maintaining various project preparation studies to support the country's infrastructure and investment needs.

Pending an improved economic situation required for upscaling its activity, Proparco will mobilise the grant resources it has available as well as those from other donors.

### Learning to manage "stop and go": a diverse range of financial tools and a context-adapted strategy

The results of the Group's activity in Lebanon and an analysis of the above-described context (cf. Part I: Context) lead to the following conclusion: a development actor in Lebanon needs to be able to **alternate between two cyclical phases**: periods where the political and/or security situation leads to a halt of sovereign operations and other periods where an improved context allows for opportunities to support reforms (cf. **Figure 4** below).

**Figure 4. Modelling the challenges of a "stop and go" approach for a country in chronic crisis**



Given the ongoing volatility of the Lebanese situation, this strategic framework will be reviewed should any changes in context so require, particularly in the case of an agreement between the Lebanese authorities and the IMF. The strategy will be reviewed at the latest in 2023 (i.e., mid-term) to analyse what progress has been made in implementing the strategic objectives and whether the context has changed. This exercise will help to identify whether any modifications are necessary and, if need be, produce proposals for adjustments. Finally, this review should provide an update on the prospects for sovereign and private-sector financing, which

are currently blocked by the lack of reforms. A note detailing the above-mentioned points will thus help to rebalance, if need be, the short- and long-term objectives underpinning the strategy's intervention timeline.

The strategy's monitoring indicators are listed in Appendix 2.

The Group will deploy a proactive communication policy which is closely in step with that of the French Embassy in Lebanon. Promoting AFD Group's action will help to carry the voice of a dynamic and solidarity-oriented France.

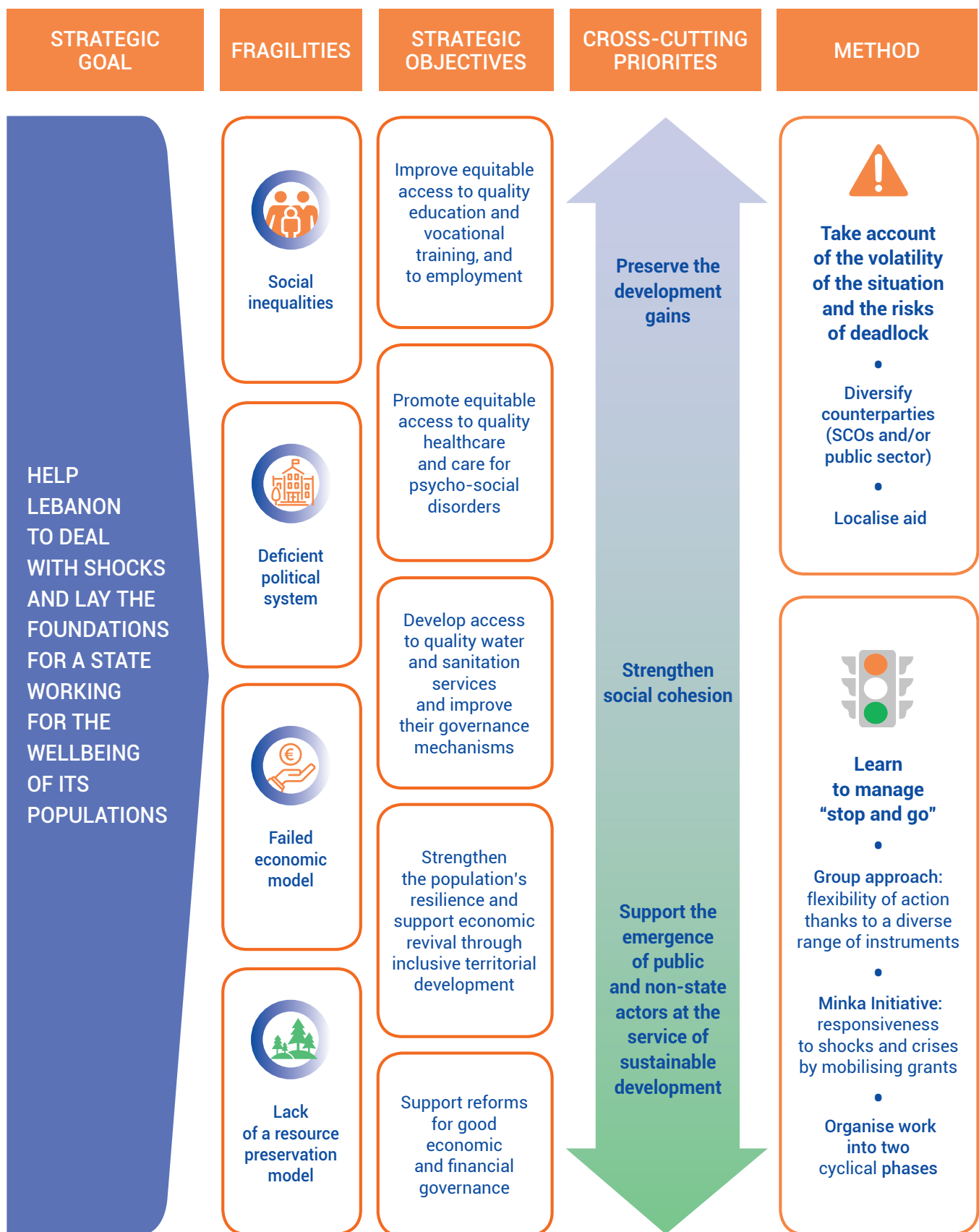


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# **4.**

## **APPENDICES**

# APPENDIX 1. LOGICAL FRAMEWORK



Short-term Long-term

# APPENDIX 2. MONITORING INDICATORS FOR THE LEBANON STRATEGY

## 1. Cross-cutting indicators:

- Number of institutions benefiting from a capacity-building action (ministerial /sub-ministerial level)
- Number of civil society organisations benefiting from a capacity-building action
- Number of partners from formal/informal civil society, involved in the project

## 2. Equitable access to quality healthcare and care for psycho-social disorders:

- Number of people whose healthcare access has been improved

## 3. Equitable access to quality education and vocational training:

- Number of girls enrolled in primary and lower-secondary school
- Number of boys enrolled in primary and lower-secondary school
- Number of beneficiaries of vocational and technical training

## 4. Access to water and sanitation services and good governance:

- Production capacity of drinking water financed
- Number of people benefiting from a basic drinking water supply service
- Number of people benefiting from a basic sanitation service

## 5. Territorial development:

- Number of local territorial management institutions having received support
- Number of structures operating in the urban sector having benefited from capacity-building

# ACRONYMS AND ABBREVIATIONS

**3RF:** Reform, Recovery and Reconstruction Framework

**AFSED:** Arab Fund for Social and Economic Development

**CEDRE:** Economic Conference for Development through Reforms with the Private Sector

**EF:** Expertise France

**EIB:** European Investment Bank

**ESCWA:** United Nations Economic and Social Commission for Western Asia

**EU:** European Union

**EUR:** Euros

**ICRC:** International Committee of the Red Cross

**NGO:** Non-governmental organisation

**SDG:** Sustainable development goal

**SCO:** Civil society organisation

**UN:** United Nations

**UNHCR:** United Nations High Commissioner for Refugees

**UN-OCHA:** Office for the Coordination of Humanitarian Affairs

**UNRWA:** United Nations Relief and Works Agency for Palestine Refugees in the Near East

**USD:** US dollar

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## Towards a world in common

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AFD Group implements France's policy in the areas of development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and soon, Expertise France, a technical cooperation agency. The Group finances, supports and accelerates transitions towards a fairer, more resilient world.

With our partners, we are building shared solutions with and for the people of the Global South. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.



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Twitter: @AFD\_France - Facebook: AFDOfficiel - Instagram: afd\_france

5, rue Roland-Barthes -75598 Paris cedex 12 -France

Tel.: +33 1 53 44 31 31