

## Lebanon

**The Development Challenge:** Lebanon is still recovering from its sixteen-year civil war and making slow progress toward rebuilding its civil institutions, reestablishing the rule of law, and implementing economic reform. The United States has a strong interest in promoting a stable, independent, democratic, and economically strong Lebanon at peace with Israel and its neighboring states.

**The USAID Program:** Following a near termination of U.S. development assistance to Lebanon, the USG decided to revive its bilateral assistance program in 1997. Much of it was a reaction to the Israeli occupation and continued conflict in South Lebanon, as well as the widening and very apparent social and economic disparities. There was also growing recognition of Lebanon's role in building regional economic cooperation and achieving Middle East peace. USAID put in place a five-year \$60 million strategy aimed at: revitalizing and expanding economic opportunities in rural areas, through small-scale infrastructure and income-generating activities; promoting democracy and good governance, building capacity of local municipalities to plan and manage resources efficiently and transparently; and improving environmental practices, particularly community-based approaches that promote sustainable agriculture and environmental health. Over time four other activities were added: a WTO accession program to encourage trade and investment, globalization, and broad-based policy and legislative reform; an "industry cluster" program, to identify and promote productive sectors for investment; a water resource management program, to make agriculture more productive and ensure that water pricing is efficient and equitable; and a landmine action program, to make all Lebanese aware of hazardous areas and assist survivors in productive enterprises. USAID also benefited from an extra \$30 million in proceeds of USDA surplus commodity sales.

Today, it is clear that the strategy was sound and tailor-made to USAID's strengths. Indeed, USAID has built a reputation as one of the top donor programs in Lebanon, viewed by many as one of the most responsive, expansive, resilient, targeted, high-performing, and quick-disbursing - though far from the largest. This is attributable to USAID's purpose -- promoting equitable, sustainable development in Lebanon over the long-term; products -- demand-driven, people-focused, affordable, effective, appropriate, visible and accomplishable in the short-term; its partners -- PVOs, NGOs, foundations, universities, business associations, and corporations -- who together, often in partnership with the public sector, form a multi-faceted, highly talented, experienced group capable of navigating effectively at the highest governmental, corporate, and diplomatic levels, as well as at the community level; and its procedures -- user-friendly, promoting extensive collaboration with all relevant public and private entities.

Most important are the significant achievements produced by these "4 Ps," which include improving living standards among the rural poor; stimulating economic policy reform and growth-oriented industry clusters; supporting Lebanon's accession to the WTO to improve its ability to compete in world markets; strengthening municipal governance; promoting advocacy among NGOs and civil society organizations; improving environmental practices and technologies for environmental health; raising awareness of landmines and helping mine survivors and their families rebuild productive lives; and strengthening Lebanon's American educational institutions. The program has also created important spread effects with other donors and USAID programs. With a budget averaging \$15 million a year for the first three years, USAID leveraged \$60 million of World Bank and European Union funding for rural development activities modeled on its Rural Community Development Cluster (RCDC) program, bringing economic opportunities and services to disadvantaged communities often in conflict or post-conflict settings. The RCDC has been adopted and adapted by USAID in the former Republic of Yugoslavia, the West Bank/Gaza, and Jordan.

USAID's intention over the next three years (2003-2005) is to build on its current success, melding elements of the existing strategy into one that conforms to the goals and objectives of the Administration's Middle East Partnership Initiative (MEPI). This strategy will fuse expansion with integration by targeting value-added and growth-oriented sectors, geographic areas, and reforms; and promote economic and political governance, environmental health, and safety and security in ways that enhance Lebanon's overall well-being, as well as its competitiveness as a regional and global economic force.

To meet this challenge, USAID/Lebanon, in close collaboration with the USAID/Washington, Embassy and State Department colleagues, and with extensive input from a host of local experts and partners, selected six strategic areas for this next phase. Namely:

- Expanding economic opportunities -- in productive sectors and "growth poles"
- Accelerating economic reform -- through World Trade Organization membership
- Strengthening foundations for governance -- with municipalities and civil society
- Improving environment policies and practices -- for water management and sanitation
- Promoting mine awareness and victims' assistance -- for residents in South Lebanon
- Strengthening American Educational Institutions -- as key development partners

These are grounded in six anchors:

- A transition -- from alleviating poverty to creating economic opportunity
- A focus - on strengthening growth areas, both geographic and productive
- A link - between the rural and urban, inland and coastal
- An emphasis - on governance, reform, and sustainability
- An added value - from synergies within the program
- A reliance -- on new partnerships and models for economic growth

The Department of State and USAID plan to conduct a joint review of the overall strategic direction of the USAID/Lebanon portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative. Those regional priorities include: economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in economic and political life. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review, USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

**Other Program Elements:** Lebanon benefits from the Leahy War Victims Fund for a number of mine action activities, chief of which is a "Resource Cooperative" aimed at creating economic opportunities for mine-injured survivors and their families in the district of Jezzine, Lebanon's most heavily-mined and casualty-afflicted area.

**Other Donors:** The most recent UNDP reports list Arab countries as the main source of Lebanon's external funding, led by the Kuwait Fund for Arab Economic Development (transport infrastructure); the Arab Fund for Economic and Social Development (human resource development, energy); the United Arab Emirates (demining); Saudi Arabia (infrastructure, social services); and the Islamic Development Bank (infrastructure). Also active are the World Bank (broad-based development), the European Union (training, development administration, rural development, trade), France (technical cooperation, training), U.N. organizations (broad-based development), Italy (agriculture, infrastructure, water), Canada (development administration, economic management), Japan (water) and Norway (technical cooperation, social services). Bilateral assistance accounts for 55 percent of disbursements, multilateral 38 percent, and NGOs 7 percent. USAID assistance, ranked approximately tenth in resources, is among the top three donors in aggregate spending. USAID's main donor partners are the World Bank, EU and UNDP for rural development and environmental activities; the EU, and UNDP for administrative reform and municipal development; the EU for trade (Euro-Med and WTO agreements); and France for water resource management.

## Lebanon PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Development Assistance	600	600	500	500
Economic Support Fund	34,923	35,000	32,000	32,000
<b>Total Program Funds</b>	<b>35,523</b>	<b>35,600</b>	<b>32,500</b>	<b>32,500</b>

### STRATEGIC OBJECTIVE SUMMARY

268-001 Economic Development				
DA	0	0	500	500
ESF	22,964	23,000	20,000	20,000
268-002 Promoting Democracy and Good Governance				
ESF	5,481	7,000	7,000	7,000
268-005 Improving the Environment and Preventing Landmines				
DA	600	600	0	0
ESF	6,478	5,000	5,000	5,000

## Data Sheet

<b>USAID Mission:</b>	Lebanon
<b>Program Title:</b>	Economic Development
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	268-001
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$500,000 DA; \$20,000,000 ESF
<b>Prior Year Unobligated:</b>	\$600,000 DA; \$23,000,000 ESF
<b>Proposed FY 2004 Obligation:</b>	\$500,000 DA; \$20,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 2002
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** This Strategic Objective aims to revitalize Lebanon's economy and community life. It is in transition from a primarily focusing on helping rural communities implement key infrastructure, environment, and income-generating activities. A focus on building the capacities of communities to become productive elements in the economy through the development of three strategic sectors: agro-industry, tourism, and information and communication technology. This objective also aims to help needy entrepreneurs, primarily women, obtain micro-enterprise loans and business services; small-scale dairy farmers improve their herds, milk production, and marketing; Lebanon join the World Trade Organization (WTO); the private sector identify and promote productive sectors for investment; landmine survivors have access to job opportunities; and American Educational Institutions (AEI) finance scholarships and core programs.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Melding of the Rural Community Development and Industry Clusters (\$15,000,000 ESF). Under the new strategy for 2003-2005, USAID will begin an innovative, growth-oriented program. It builds on the achievements of the old strategy by merging the two cluster components -- rural development clusters and industry clusters. This can happen by integrating and promoting productive sectors and regions with the greatest potential for growth. These sectors, which together comprise 35 percent of Lebanon's GDP, are: agri-business and light agro-industry, tourism, and information and communication technology. Five U.S. Non-Governmental Organizations (NGO) were awarded grants to implement projects in these sectors. Microfinance will continue under the new industry cluster program to expand the access of farmers, cooperatives, and artisans to microfinance loans. Prime contractors and grantees: CHF, Mercy Corps, SRI, World Vision and YMCA.

Mine Action Program (\$1,000,000 ESF). In FY2003, the mine action program will continue landmine awareness campaigns conducted all over Lebanon, with emphasis on the South and West Bekaa - the most heavily affected areas; information gathering and exchange through a comprehensive landmines victims survey; and survivors assistance program. Prime contractor: World Rehabilitation Fund

Funded by the USAID Leahy War Victims Fund (\$500,000 DA), the landmine survivors program will continue in FY 2003 with the full operation of income generating activities. This program will expose around 2,000 landmine survivors and their families to job opportunities. The development cooperative of Jezzine, located in the district with the largest number of landmine deaths and injuries, will continue activities in poultry raising and egg production, bee keeping, herb cultivation, and essential oils.

In FY 2003, USAID will revive the Small Grants Program (\$1,000,000 ESF). This program aims at building the capabilities of local organizations by providing financial support not exceeding \$50,000 to their social and economic programs. USAID will manage the implementation of this program within its current staffing level.

USAID will also continue supporting the American Educational Institutions (\$3,000,000 ESF) by providing funds for scholarship and community outreach programs. Prime contractors: American University of Beirut, Lebanese American University, International College and American Community School.

With FY2002 carryover funds, USAID's WTO efforts will concentrate on working with Parliament and advocacy groups to enact legislation for WTO membership that is expected by 2004.

**FY 2004 Program:**

In FY 2004, activities started in FY 2003 will continue and begin to show results. The communities' economic development program that encompasses agricultural production and processing, ecotourism, information and communication technology and access to credit is to continue with stable funding. The job-and -income oriented mine victim's assistance program is to intensify its activities by creating more linkages for marketing and production with the private sector and other NGO entities.

**Performance and Results:** The Rural Community Development Cluster (RCDC) program started when most of the rural communities were deprived of basic infrastructure and human presence. Largely as a result of the USAID community development program, the social and economic situation of more than 430 communities has improved. Around 200,000 beneficiary families, more than 70 percent of the rural population, of whom 110,000 live in South Lebanon, have access to improved agricultural, social, and environmental infrastructure. In FY 2002, 66,000 families were reached and an additional 2,900 hectares of land -- out of a total of 27,000 hectares-- were improved to yield high-value crops and forage for cows, which resulted in about \$100 per month savings for farmers. Municipalities and community based organizations assumed an estimated 30 percent share of project costs, ensuring efficient management. Because of the program's success, other donors (e.g. the World Bank and the EU) have adopted this approach as a major component of their assistance programs.

In FY 2002, 9,000 micro entrepreneurs benefited from \$7.5 million in small loans bringing the total volume of loans disbursed to \$36.8 million serving 47,000 clients. The program has expanded to more villages especially in South Lebanon and the Bekaa, and has strengthened its relationship with private commercial banks so an additional 26,000 loans can be disbursed.

In FY 2002, the Mine Action program was marked by two achievements: First, the landmine victims socio-economic analysis conducted by the Landmine Resource Center (LMRC) is helping the GOL and other donors identify priority areas for future assistance. As a result, a major partnership agreement was signed between the LMRC and the United Arab Emirates (\$50 million) to clear mines in South Lebanon. Second, under the landmine resource cooperative in Jezzine, a marketing deal to sell eggs produced by landmine survivors was established between the cooperative and a private industrialist. Beneficiaries will be able to earn \$300 to \$400 per month.

The enabling environment for these community-based activities is supported by USAID's technical assistance to Lebanon's accession to the WTO. Activities concentrated on building awareness of the WTO and creating a catalyst among decision makers to amend laws, policies and regulations so that they are WTO consistent. The Government of Lebanon (GOL) would like to accede to the WTO in 2004.

## US Financing in Thousands of Dollars

Lebanon

	DA	ESF
268-001 Economic Development		
<b>Through September 30, 2001</b>		
Obligations	0	71,416
Expenditures	0	48,599
Unliquidated	0	22,817
<b>Fiscal Year 2002</b>		
Obligations	0	1,000
Expenditures	0	18,879
<b>Through September 30, 2002</b>		
Obligations	0	72,416
Expenditures	0	67,478
Unliquidated	0	4,938
<b>Prior Year Unobligated Funds</b>		
Obligations	600	23,000
<b>Planned Fiscal Year 2003 NOA</b>		
Obligations	500	20,000
<b>Total Planned Fiscal Year 2003</b>		
Obligations	1,100	43,000
<b>Proposed Fiscal Year 2004 NOA</b>		
Obligations	500	20,000
Future Obligations	500	23,000
Est. Total Cost	2,100	158,416

## Data Sheet

<b>USAID Mission:</b>	Lebanon
<b>Program Title:</b>	Promoting Democracy and Good Governance
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	268-002
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$7,000,000 ESF
<b>Prior Year Unobligated:</b>	\$7,000,000 ESF
<b>Proposed FY 2004 Obligation:</b>	\$7,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 1998
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** The strategic objective is to thoroughly rebuild municipal capabilities and forge the course for the proper flow of national finances through effective coordination between the central and local government bodies. The program also supports local NGOs and civic initiatives to conduct impact-oriented activities that increase transparency and accountability in Lebanon's public and private sectors.

### Inputs, Outputs, Activities:

#### FY 2003 Program:

Strengthening Foundations for Governance (\$7,000,000 ESF) program will focus on enhancing administrative and financial capabilities, expanding social services, encouraging public participation, and increasing accountability, transparency, and effectiveness. In FY 2003 USAID will continue playing a role in reducing the rampant corruption that arose to its peak during the postwar construction phase. The technical assistance provided to municipalities will simplify municipal administrative procedures, standardize municipal budget revenue and expenditures, and utilize information technology to allow municipalities to provide services to their citizens in a transparent, efficient, and accountable manner. Assistance to the Parliament and oversight agencies will continue to update decentralization laws and to enhance cooperation between the various governmental institutions, thereby encouraging democratic policies and practices. (Small grants will be awarded for activities leading to transparency and accountability.) Prime contractors: State University of New York and AMIDEAST.

#### FY 2004 Program:

Strengthening Foundations for Governance (\$7,000,000 ESF). This program is expected to thoroughly rebuild municipal capabilities and forge the course for the proper flow of national finances through effective coordination between central and local government bodies. Support to the Parliament and oversight agencies is to continue.

**Performance and Results:** USAID assistance highlights good governance, progressive administrative reform, responsive e-government, and genuine citizen participation. To enhance the financial and administrative capabilities of the municipalities, USAID installed 17 Local Area Network (LAN) servers, 290 computers and 290 printers, benefiting 230 municipalities in North, South, and Nabatieh Governorates and provided the necessary software. Based on the administrative and financial procedures newly developed, and the USAID-provided hardware, municipalities were able to prepare their own budgets. In Northern Lebanon, 97 municipalities out of 160 were able to utilize the Municipal Revenue System to generate taxpayer lists and collect funds locally. The revenues collected in FY 2002 increased by 34 percent amounting to almost \$8.5 million, as compared to \$6.4 million in FY 2001. This increase can be directly attributed to USAID assistance. As a cost sharing contribution, the Government of Lebanon and the municipalities bought more than 50 computers, 50 printers and 200 copiers for municipal use. To complement USAID's assistance, the Ministry of Municipalities and Rural Affairs is utilizing a \$100 million World Bank loan to assist Lebanese municipalities in rebuilding their infrastructure, such as retaining walls and agriculture roads. By the end of the strategy, all municipalities, governorates, and districts in Lebanon will have been provided with the administrative and financial assistance allowing

each to function properly, empowering its local civic leaders and citizens in shaping public policy, preventing continued corrupt practices and recovering additional public funds that can be used to implement more projects of public interest. Such a focus enhances the democratic nature of Lebanon's political system and improves municipalities' ability to play a greater role in the advancement and sustainability of development projects with the private sector.

The Transparency and Accountability Grants target short-term, high-impact activities. A total of 28 local projects were completed by September 2002, in such diverse sectors as health, government transactions, the environment, the private sector, professional ethics, and youth awareness. Grant funds supported activities and organizations in all regions of Lebanon; approximately 400,000 Lebanese citizens were direct beneficiaries with 14 grants benefiting citizens nationwide. Cost-sharing achieved by grantees was \$243,943, or 49 percent of grant funds. Public-private partnerships were accomplished with the Ministries of Finance, Environment, and Interior, and with several municipalities throughout Lebanon, with most of the other civic projects involving public officials as appropriate.

The Professional Training Program (PTP) sponsored 16 key leaders from the private and public sector to attend training programs related to our strategic objectives in the U.S. and other regional countries. Participants were provided with professional development opportunities to upgrade their knowledge in specific professional fields, as well as facilitating linkages with professional colleagues and institutions in the United States and throughout Lebanon. With these advancements, social and political institutions are acquiring the means to fulfill democratic objectives and boost local development initiatives, and to further the restructuring and rebuilding of public and community resources. USAID will continue its work with State University of New York and AMIDEAST.

## US Financing in Thousands of Dollars

Lebanon

268-002 Promoting Democracy and Good Governance	<b>ESF</b>
<b>Through September 30, 2001</b>	
Obligations	3,580
Expenditures	867
Unliquidated	2,713
<b>Fiscal Year 2002</b>	
Obligations	3,085
Expenditures	4,972
<b>Through September 30, 2002</b>	
Obligations	6,665
Expenditures	5,839
Unliquidated	826
<b>Prior Year Unobligated Funds</b>	
Obligations	7,000
<b>Planned Fiscal Year 2003 NOA</b>	
Obligations	7,000
<b>Total Planned Fiscal Year 2003</b>	
Obligations	14,000
<b>Proposed Fiscal Year 2004 NOA</b>	
Obligations	7,000
Future Obligations	7,000
Est. Total Cost	34,665

## Data Sheet

<b>USAID Mission:</b>	Lebanon
<b>Program Title:</b>	Improving the Environment and Preventing Landmine
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	268-005
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$5,000,000 ESF
<b>Prior Year Unobligated:</b>	\$5,000,000 ESF
<b>Proposed FY 2004 Obligation:</b>	\$5,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 2003
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** The new USAID/Lebanon strategy for 2003 - 2005 will capitalize on the initial success of and heightened demand for environmental conservation and environmental health activities, and will further engage in the nascent water policy program through activities in collaborative water management and water pricing policies. Focusing on these three areas, USAID is filling critical gaps that neither the GOL nor other donors are addressing. Specifically, this program is helping rural communities create healthier, more environmentally-friendly living conditions, and it is helping the private sector and the GOL assess and manage water resources more efficiently.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Environmental Management Program (\$4,000,000 ESF). In FY 2003, USAID will continue to expand the appropriate waste disposal technologies program to rural areas. Over 100,000 families currently benefit from the program. This program has demonstrated to both rural municipalities and the Environment Ministry viable alternatives to large-scale infrastructure and costly service-delivery schemes. Waste management facilities are still needed in about 600 rural communities. USAID resources will cover about 100, with World Bank and EU funds hopefully financing another 200. In addition, reforestation and ecosystem restoration will be implemented along side the waste management program. Specific activities will include implementing appropriate waste water and solid waste treatment facilities, testing and improving the efficiency and effectiveness of these pilot technologies, demonstrating new, cost effective techniques through pilot reforestation and ecosystem restoration efforts, and strengthening municipal and local community capabilities to implement environmental management plans. Prime Contractor: Development Alternatives Inc.

Water Policy Program (\$1,000,000 ESF). Launched in the third quarter of FY 2002, the new water policy program is working in parallel at the community/regional level and at the national policy level. At the regional level, the program is focusing on restructuring the South Lebanon Water Authority to improve its management procedures and help it establish a new tariff and cost system. It is also introducing collaborative planning activities by working with diverse stakeholders to build their skills on water management issues and developing mechanisms for resolving disputes over water. At the national policy level, work is focused on increasing the knowledge base of policy makers by developing best approaches and a common national vision for water authority restructuring and private sector participation. This is being accomplished through a series of seminars, briefings and study tours, in addition to discussions with various stakeholders. Prime contractor: Development Alternatives Inc.

#### **FY 2004 Program:**

In FY 2004, the program is expected to continue within the same scope. About \$4,000,000 ESF might be added to the environmental management activities, and about \$1,000,000 ESF to the water management activities. The program will start using the cost recovery scenarios and encourage the Ministry of Water to adopt a water services pricing policy.

**Performance and Results:** Environmental activities under the rural community development cluster program (RCDC) were successful in helping villages put in place environmental management plans and adopt technologies for environmental protection, reforestation, land terracing and reclamation, drainage, and waste management. This program increased awareness of environmental problems facing rural areas, offered solutions through a number of demonstration activities at local and national levels. This will lead to more municipalities implementing sound environmental practices and more hectares under cultivation with improved conditions and better production. To date, some 300 small-scale projects have helped around 329 villages renew, reclaim and protect over 10,000 hectares of forest and agricultural land, much of which is already yielding greater production and increasing incomes.

The waste management activities, both wastewater treatment and solid waste recycling and composting, have demonstrated quick, affordable, maintainable solutions to solve environmental problems. These pioneering waste management technologies currently serve the needs of 35 rural cluster communities and have a wider impact on 3-5 villages within each cluster. Twenty-seven plants became fully operational in FY 2002 and five more are scheduled for completion in early 2003. These small-scale solutions have already improved health and sanitation conditions in rural areas, as well as the water quality of streams and certain rivers. These activities are emerging as viable alternatives to large-scale infrastructure schemes that are too costly, time consuming, and technically inappropriate for most rural communities. The Ministry of Environment has endorsed this technology and is exploring financing to disseminate the technology to all regions.

A Memorandum of Understanding was signed in late FY2002 between the Ministry of Water and Energy and USAID. In addition, a steering committee at the Ministry of Water and a working group at the Water Authority were formed and have started implementing the program.

## US Financing in Thousands of Dollars

Lebanon

268-005 Improving the Environment and Preventing Landmine	CSH	DA	ESF
<b>Through September 30, 2001</b>			
Obligations	300	1,100	4,304
Expenditures	300	307	3,632
Unliquidated	0	793	672
<b>Fiscal Year 2002</b>			
Obligations	0	600	6,000
Expenditures	0	335	4,639
<b>Through September 30, 2002</b>			
Obligations	300	1,700	10,304
Expenditures	300	642	8,271
Unliquidated	0	1,058	2,033
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	5,000
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	0	0	5,000
<b>Total Planned Fiscal Year 2003</b>			
Obligations	0	0	10,000
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	0	0	5,000
Future Obligations	0	0	5,000
Est. Total Cost	300	1,700	30,304