

## **Republic of Lebanon**

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### **Country Strategy Note**

Main report and appendices



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## Currency equivalents

Currency Unit	=	Lebanese Pound
US\$1.0	=	LE 1,507.5 (LBP)

## Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

## Abbreviations and acronyms

3RF	Reform, Recovery and Reconstruction Framework
AgriCAL	Enhancing Adaptive Capacity of the Rural Communities in Lebanon
ASAP+	Enhanced Adaptation for Smallholder Agriculture Programme
BAU	Business-as-Usual
BdL	Banque Du Liban
BRAM	Borrowed Resource Access Mechanism
COA	Court of Audit
COSOP	Country Strategic Opportunity Programme
CPI	Consumer Price Index
CSN	Country Strategy Note
CTB	Central Tender Board
DA	Designated Account
EIU	Economist Intelligence Unit
ESCWA	United Nations Economic and Social Commission for Western Asia
EU	European Union
FAO	Food and Agriculture Organization and United Nations
FPI	Food Price Index
FSSWG	Food Security Sector Working Group
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GIS	Geographic Information System
GHG	Greenhouse Gas
HALEPP	Harmonised Actions for Livestock-Enhanced Production & Processing
HASAD	Hilly Areas Sustainable Agricultural Development Project
HDI	Lebanon's Human Development Index
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
INDC	Intended Nationally Determined Contributions

IPs	Implementing Partners
ITSs	Informal Talented Settlements
LBP	Lebanese Pound
LCRP	Lebanon Crisis Response Plan
MEW	Ministry of Energy and Water
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoSA	Ministry of Social Affairs
NDC	Nationally Determined Contributions
NRM	Natural Resource Management
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OFID	OPEC Fund for International Development
PBAS	Performance-based Allocation System
PCU	Project Coordination Unit
PoB	Port of Beirut
PwSN	People with Specific Needs
RDNA	Rapid Damage and Needs Assessment
RS	Remote Sensing
SDG	Sustainable Development Goals
SECAP	Social, Environmental and Climate Assessment Procedures
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
US\$	United States Dollar
WB	World Bank
WBG	World Bank Group
WFP	World Food Programme





## Map of IFAD-funded<sup>1</sup>/supervised operations in the country



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 14-06-2021

<sup>1</sup> The AgriCAL project is fully financed by the Adaptation Fund (AF)



## I. Country diagnosis

1. Lebanon is facing a severe and prolonged economic depression in part due to inadequate policy responses to an assailment of compounded crises. The country's largest peace-time financial crisis, COVID-19, Syrian refugee influx, the 450,000 long-term Palestinian refugees, protracted absence of a functional cabinet, until recently in September 2021, and the Port of Beirut (PoB) explosion have all taken their toll. Lebanon's Human Development Index (HDI) now ranks at 92 out of 189 countries compared to a rank of 80 in 2017<sup>23</sup>. Lebanon's GDP per capita has fallen by around 40 per cent over the 2018-2020 period and is expected to decline further. Inflation reached triple digits while the Lebanese Pound (LBP) continues to devalue eroding savings, and poverty is rising sharply<sup>4</sup>. Lebanon's World Bank income classification is likely to be downgraded from an upper-middle income economy to a lower-middle income status<sup>5</sup>.

2. **Political Context:** political instability is expected to be especially severe in Lebanon during the first half of the period between 2021 through 2025. The prime minister-designate, has finally name a cabinet on 10 September 2021, which secured a vote of confidence from the Lebanese parliament 28 September 2021. The new government will carry the country to its May 2022 general election. Post-election government formation efforts will also be protracted<sup>6</sup>.

3. **Economic Context:** Lebanon's real GDP growth contracted by 20.3 per cent in 2020 while other estimates indicate 21 per cent<sup>7</sup>. Lebanon's average inflation rate in 2020 soared to 84.9 per cent, the highest since 1992. Year-on-year inflation (December 2020 relative to December 2019) stands at 145.8 per cent<sup>8</sup>. Following an extra allocation of special drawing rights to Lebanon by the IMF in August 2021, Banque du Liban (BdL) is expected to be able to delay the necessary exchange rate reforms until after the parliamentary election in May 2022. The abandonment of BdL's long-standing strategy of defending the currency peg to the United States dollar will be a core requirement of an IMF funding arrangement, which is expected to take place at the end of 2022<sup>9</sup>.

**Table 1: Key Economic Indicators<sup>10</sup>**

Key Indicators	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>
Real GDP growth (%)	-20.3	-11.9	-3.1	1.6	2.2	3.7
Consumer price inflation (av; %)	84.9	130.1	127.4	87.9	41.6	26.9
Government balance (% of GDP)*	-3.4 <sup>c</sup>	-4.5	-2.3	-2.0	-1.5	-1.3
Current-account balance (% of GDP)	-29.0 <sup>c</sup>	-25.3	-13.2	-7.9	-4.5	-3.1
Exchange rate L£:US\$ (av) <sup>d</sup>	5,549	14,325	18,995	17,778	16,418	15,803
Exchange rate official L£:US\$ peg until 2023 (av)	1,508	1,508	1,508	-	-	-
Private consumption	-6.0	-11.9	-2.3	1.7	2.6	4.0
Exports of goods & services	-53.5	2.0	4.2	5.2	5.9	6.3
Imports of goods & services	-46.6	-4.8	2.5	3.0	5.0	5.5
Agriculture	-25.1 <sup>c</sup>	-8.6	-1.5	2.4	3.0	4.5
Industry	-0.3 <sup>c</sup>	-9.2	-4.6	1.7	3.3	4.8
Services	-16.2 <sup>c</sup>	-11.9	-2.6	2.5	3.0	4.7

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit Forecasts. <sup>c</sup> Economist Intelligence Unit estimates. <sup>d</sup> Switch to parallel rate for 2019-22.

\*Fiscal deficit

<sup>2</sup> UNDP, Human Development Indicators, 2020. Link: <http://www.hdr.undp.org/en/countries/profiles/LBN>

<sup>3</sup> Blom Bank Group, Lebanon Ranked 80 out 189 Countries on the HDI, 2017. Link: <https://blog.blominvestbank.com/27410/lebanon-ranked-80-189-countries-hdi/>

<sup>4</sup> World Bank: Lebanon's Economic Update – April 2021

<sup>5</sup> World Bank Group, Lebanon's Economic Update, April 2021. Link: <https://thedocs.worldbank.org/en/doc/a3d1489dafa646ee90f5a19abd950cab-0280012021/original/9-mpo-sm21-lebanon-lbn-kcm.pdf>

<sup>6</sup> Economist Intelligence Unit, EIU Country Report Lebanon, September 7<sup>th</sup> 2021.

<sup>7</sup> World Bank Group, Lebanon's Economic Update, April 2021. Link: <https://www.worldbank.org/en/country/lebanon/publication/economic-update-april-2021>

<sup>8</sup> OCHA Services ReliefWeb, ACT Alliance Alert: Lebanon Crisis, 16 March 2021. Link: <https://reliefweb.int/report/lebanon/act-alliance-alert-lebanon-crisis-16-march-2021>

<sup>9</sup> Economist Intelligence Unit, EIU Country Report Lebanon, September 7<sup>th</sup> 2021.

<sup>10</sup> Economist Intelligence Unit, EIU Country Report Lebanon, September 7<sup>th</sup> 2021.

4. **Agriculture:** According to FAO, agriculture plays a relatively minor role in Lebanon's economy, contributing about 5 per cent of GDP and 8 per cent of the effective labour force. In addition to primary agriculture production, the sector is a key contributor to Lebanon's important agri-food industry which contributes an additional 5 per cent to GDP and constitutes a major and growing employer in the economy<sup>11</sup>.

5. The financial crisis, the Beirut explosion, the COVID pandemic, and the influx of Syrian refugees have had adverse impacts on the sector. As a result, the sector shrank by 11 per cent in 2020 and is expected to continue shrinking by approximately 7 per cent by the end of 2023. Other major challenges facing the agriculture sector include the destruction of the plant and animal quarantine offices at the PoB. The combined impact on people's livelihoods has been devastating, particularly for the most vulnerable Lebanese, Syrians and Palestinians youth, day labourers, female-headed households, the elderly and people with specific needs<sup>12</sup>.

6. The cost of production increased by more than 50 per cent for various agricultural systems. The cost of basic agriculture inputs rose by 400 per cent based on a cash payment modality. The financial crisis changed the dynamics of doing business in agriculture for all farmers who need to cover farming expenses cash in advance. This is expected to reduce the land under production by over 30 per cent in the coming winter season. In 2020, agriculture received 0.36 per cent of the total government budget, although it contributes a higher percentage to GDP<sup>13</sup>.

7. Stakeholder consultation revealed that farmers adopted a number of both negative and positive coping mechanisms to offset the effects of hyperinflation. Such negative mechanisms include, using low quality agricultural inputs, selling small ruminants, reducing cultivated areas, and utilizing untreated waste water for irrigation, etc. On the other hand, positive mechanisms were also developed such as contract farming, establishment of producer groups/cooperatives, import substitution, and a shift to renewable green energy.

8. Inadequate land tenure security is linked to high fragmentation, low productivity and land degradation, impacting both the livestock sector and investments in irrigation. In addition to contributing to land fragmentation, inheritance laws affect women's and youth's ability to access land. The low level of land registration in certain parts of the country impacts people's ability to access finance. Pastures and rangelands are being put under pressure due to agricultural encroachment, urbanization, overgrazing and harsh climatic conditions, contributing to a reduction in herd size and sometimes increased conflicts over access to land and water<sup>14</sup>.

9. **Fragility Analysis:** According to the World Bank List of Fragile and conflict-affected Situations for FY2022, Lebanon will remain in the "High Institutional and Social Fragility" category<sup>15</sup>. Key drivers of fragility include political instability, weak governance, dysfunctional economy, rising poverty and food insecurity, influx of refugees and environmental factors. A comprehensive fragility assessment is presented in **Appendix 2**.

10. **COVID-19:** As of 29 October 2021, 640 675 people were infected with COVID-19<sup>16</sup>. A total of 11,962 Palestine refugees, 59 per cent of whom are living in camps, have been confirmed as positive with COVID-19, including 363 deaths. Furthermore, 6,649 Syrian refugees and 36 refugees of other

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<sup>11</sup> FAO, Lebanon at a Glance, 2021. Link: <http://www.fao.org/lebanon/fao-in-lebanon/lebanon-at-a-glance/en/>

<sup>12</sup> FAO, Lebanon: Revised humanitarian response May–December 2020. Link: [fao.org/3/cb0204en/CB0204EN.pdf](http://fao.org/3/cb0204en/CB0204EN.pdf)

<sup>13</sup> ESCWA, Is Food Security in Lebanon under Threat? (E/ESCWA/2020/Policy Brief.14), 2020.

<sup>14</sup> See: 1) Hamadé, K. Lebanon's Food Insecurity and the Path Toward Agricultural Reform, Carnegie Middle East Center, November, 2020; 2) Darwish, T. Country Study on Status of Land Tenure, Planning and Management in Oriental Near East Countries: Lebanon Case, FAO, 2012; 3) Chedid, M. Sustainability of agro-pastoralist systems undergoing global changes as reflected by farmers' perception and value chain analysis : a Lebanese case-study, CIRAD, March 2020

<sup>15</sup> World Bank, FY22 List of Fragile and Conflict-affected Situations. Link:

<https://thedocs.worldbank.org/en/doc/bb52765f38156924d682486726f422d4-0090082021/original/FCSList-FY22.pdf>

<sup>16</sup> Republic of Lebanon Ministry of Health "Monitoring of COVID-19 Infection In Lebanon - 29/10/2021"

<https://www.moph.gov.lb/en/Media/view/43750/1/monitoring-of-covid-19->

nationalities have tested positive for COVID-19, including 264 deaths<sup>17</sup>. According to a joint study conducted by UNHCR, the World Bank Group and the Joint Data Centre of Forced Displacement, 1.7 million Lebanese (33 per cent) are expected to have fallen into poverty. Syrian refugees were living just above the international poverty line when COVID-19 hit, making them much more vulnerable, so as many as 840,000 Syrians (56 per cent) have now fallen into poverty<sup>18</sup>.

**11. Poverty and Food Security:** With Lebanon facing one of its most severe crises in history, currently 82% of all households in Lebanon are faced with multidimensional poverty which amounts to nearly 4 million people. This is almost the double of the 42 per cent faced with multidimensional poverty in 2019. Poverty is higher in rural areas such as Akkar (92 per cent), Nabatieh (92 per cent) and Bekaa (91 per cent) and among elderly, Syrian refugees and women headed households<sup>19</sup>. One in five Lebanese residents are food insecure with a gender distribution of 27 per cent women compared to 23 per cent men. Similarly, one in two Syrian refugees are food insecure with a distribution of 55 per cent women-headed households compared to 48 per cent men-headed households.

**12. Nutrition:** According to the 2020 Global Nutrition Report, Lebanon has been lagging behind in meeting the global nutrition targets. No progress has been made towards achieving the target of reducing anaemia among women of reproductive age, with 31.2 per cent of women aged 15 to 49 years now affected. Meanwhile, no progress is made in low birth weight target, with 9.2 per cent of infants having a low weight at birth. On stunting and wasting, the latest prevalence data shows that, respectively, 16.5 per cent and 6.6 per cent of children under 5 years old are affected. No progress is made in the target for obesity, with an estimated 37 per cent of adult women and 27.4 per cent of adult men living with obesity<sup>20</sup>.

**13. Environment and climate change:** Lebanon is already facing a number of environmental challenges that are being exacerbated by the current political context and Syrian refugees' situation. The country is already suffering from water scarcity while the incremental water demand for refugees has caused a nationwide increase in domestic water use by 20 per cent and increased the mean water stress by 6 per cent by 2019<sup>21</sup>. Pressure on land resources due to population growth and the continued loss of arable land and biodiversity are major factors impacting land resources. The Syrian refugee crisis has sparked urban densification in the country through formal housing and Informal Tented Settlements (ITs). Climate change is expected to have major impacts on Lebanon including decline in water availability, decrease in agricultural productivity and increase in the frequency and intensity of extreme weather events. Stakeholder consultations revealed that air and water pollution, water shortages and extreme weather events can be considered the main environmental concerns in Lebanon at the moment. The combination of misuse of natural resources, weak governance, absence of law enforcement and climate change impacts are putting major obstacles towards agricultural development. See SECAP annex for more information.

**14. Lebanon Nationally Determined Contributions (NDC):** Lebanon's 2020 NDC is an update to the 2015 INDC as a response to the global call for more ambitious mitigation targets. Lebanon commits to unconditionally increase its greenhouse gas emission reduction target from 15 per cent to 20 per cent, and conditionally increasing its GHG emission reduction target from 30 per cent to 31 per cent relative to the Business-as-Usual (BAU) scenario.

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<sup>17</sup> OCHA Services ReliefWeb, COVID-19 response – Lebanon monthly situation report, 10 June 2021. Link: <https://reliefweb.int/report/lebanon/covid-19-response-lebanon-monthly-situation-report-april-18-may-2021>

<sup>18</sup> UNHCR, Lebanon COVID-19 Response – Overview 2020. Link: <https://reporting.unhcr.org/sites/default/files/UNHCR%20Lebanon%20COVID-19%20update%20January%202021.pdf>

<sup>19</sup> UNESCWA, 2021. Multidimensional poverty in Lebanon - policy brief September 2021,

<sup>20</sup> Global Nutrition Report, Country Nutrition Profiles: Lebanon, 2020. Link: <https://globalnutritionreport.org/resources/nutrition-profiles/asia/western-asia/lebanon/>

<sup>21</sup> Jaafar, H., Ahmad, F., Holtmeier, L. and King-Okumu, C. (2019). Refugees, water balance, and water stress: Lessons learned from Lebanon. *Ambio* **49**. 1179-1193 (2020). Springer.

15. **Gender:** Lebanon's 2020 gender inequality index stands at 0.411, with a significant difference between the HDI for men (0.774) and women (0.691)<sup>22</sup>, Lebanon ranked 132<sup>nd</sup> out of 144 countries in the world and 6<sup>th</sup> among 19 Arab countries on the global gender gap index in 2021<sup>23</sup>.

16. Women play a big role in agriculture, but their contribution is often unpaid (working as family labour) and almost exclusively at production level, with few interactions with other stakeholders in the value chain<sup>24</sup>. They are also less likely to have irrigated land and have less collateral than men, undermining their access to rural finance. Empowering women in agriculture is hence a key priority for the government<sup>25</sup>.

17. **Youth:** In 2015, 27.4 per cent of Lebanon's total resident population was youth (aged 15-29). While ILO estimates that unemployment rate was 6.1 per cent in 2008, a recent ministry report indicated that unemployment rate for youth<sup>26</sup> goes as far as 37 per cent in 2020. An estimated 7 per cent of youth works in agriculture. Challenges youth face in the agricultural sector include absence of assets such as financial assets as well as land ownership and insufficient access to technical training<sup>27,28</sup>.

## II. Rationale and time frame

18. IFAD continues to play a pivotal role in the development of rural areas and in support of smallholders to eradicate poverty in Lebanon. Based on past and current engagement and in view of the above economic, agriculture and rural poverty contexts, the rationale for IFAD engagement in Lebanon is even more compelling. IFAD would support the government priorities aiming at increasing the competitiveness and inclusiveness of agri-food value chains, improved natural resource management and improved access to rural financial services.

19. Lebanon has no PBAS allocation for the upcoming cycle (2022-2024), thus a transitional CSN is deemed appropriate instead of a COSOP. This country strategy note (CSN) will be valid for the period 2022-2023.

## III. Strategic objectives

20. IFAD's strategic objectives in Lebanon have been based on the Ministry of Agriculture's National Agriculture Strategy (NAS) 2020 - 2025, which has a robust focus on increasing the competitiveness and inclusiveness of value chains, improved natural resource management and improved access to rural financial services. Consultation with both local and international counterparts was also carried out to identify the immediate needs and main impediments facing the agricultural sector<sup>29</sup>. The strategic objectives are also building on the UN and development partners Reform, Recovery and Reconstruction Framework (3RF)<sup>30</sup>, in addition to building on the platform of knowledge generated by past and ongoing IFAD engagements in Lebanon.

**Strategic Objective 1: Improving natural resource management to increase resilience of smallholders and protect and preserve biodiversity, water and land resources.**

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<sup>22</sup> UNDP Human Development Report, 2020, <http://hdr.undp.org/en/countries/profiles/LBN>

<sup>23</sup> World Economic Forum, The Global Gender Gap Report, 2021, [http://www3.weforum.org/docs/WEF\\_GGGR\\_2021.pdf](http://www3.weforum.org/docs/WEF_GGGR_2021.pdf)

<sup>24</sup> ILO: Potential for Women's Economic Empowerment, Lebanon, 2018

<sup>25</sup> MoA, Agricultural Strategy 2015-2019. There are strong indicators that this will remain a priority in the next strategy, expected to be published in 2020.

<sup>26</sup> Note: in this report, the definition of youth up to 35 years old is used.

<sup>27</sup> FAO (2020). Technical briefing note.

<sup>28</sup> UNDP (2015). Spotlight on Youth in Lebanon.

<sup>29</sup> Consulted stakeholders include: Ministry of Agriculture; Lebanese Agriculture Research Institute (LARI); Lebanese University-Life & Earth Sciences; Lebanon Reforestation Initiatives (LRI); Prime Minister Office: Strengthening DRM Capacities in Lebanon; University of Balamand; Local Water & RM Experts; FAO, WFP, UNICEF, UNEP, UNOPS, AgriCAL – IFAD and Adaptation Fund project in Lebanon.

<sup>30</sup> Finally, both objectives are fully aligned with the NAS pillars 2, 3, and 4 and the 3RF initiative and the UN's strategic framework for Lebanon (2017-2022) and underpins the core priority 3.



21. In the medium term (6-24 months), the focus will be on assisting smallholders to promote climate-smart and agro-ecological farm management practices that improve efficiency, increase productivity, competitiveness, raise incomes and build resilience. In alignment with Lebanon's NDC, measures to address climate change will include a continuation of investing in rainwater harvesting and other non-traditional sources of water; improving existing irrigation systems towards more efficient water use in agriculture; building capacities towards climate smart agriculture to increase productivity; introduction of drought resistant varieties; enhancing the early warning system for extreme weather events in terms of quality of information and outreach to farmers; and providing technical assistance to national institutions to mainstream climate change adaptation and mitigation in policies and regulations. Given the rising prices for fuel, the adoption of renewable energy technologies (solar pumping) could help mitigate production costs and at the same time reduce GHG emissions in line with the NDC. This will also underpin Lebanon's efforts to achieve the SDGs: No poverty (SDG 1), Zero Hunger (SDG 2), Clean Water and Sanitation (SDG 6), Industry Innovation and Infrastructure (SDG 9) and Climate Change (SDG 13).

**Strategic Objective 2: Integrating the rural poor in profitable value chains through aggregation, clustering, process upgrading and increased commercialisation to drive higher profitability.**

22. The commercial value chains typically consider smallholders as being unattractive due to the limited quantities they produce as well as the unstable quality of the products. They also struggle to meet the minimum food safety standards further reducing their attractiveness to upstream actors in the value chains. IFAD will seek to help the rural poor overcome these constraints by helping small-scale farmers aggregate their production to achieve economies of scale and also, to enable them to access financing to undertake processing and marketing. The focus will be on livestock, fruits for exporting and vegetables for local market consumption<sup>31</sup>. Women and youth will be a priority in this objective. Support to local production of inputs such as seeds, high quality fertilizers and pesticides, forage and alternative low cost fodder, will be prioritized to serve as means for import substitution. Capacity building for production quality improvement to meet export standards is also a focus areas. The exact organisation form of such aggregation and clustering will be demand-driven as previous attempts to impose one specific business model (e.g. the formation of producer groups and cooperatives) have had mixed outcomes. IFAD will also seek to modernize and digitalize the value chains to address the existing pain points. This will also support Lebanon in meeting the targets related to SDGs: No poverty (SDG 1), Gender Equality (SDG 5), Decent Work and Economic growth (SDG 8), Reduced Inequalities (SDG 10), and Partnership for the Goals (SDG 17).

## **IV. Planned IFAD engagement**

23. So far, IFAD has financed 5 projects for a total cost of US\$ 180 million, of which IFAD contributed US\$ 61 million, benefitting more than 57 000 households. IFAD's re-engagement in Lebanon resumed in 2008, with the "Hilly Areas Sustainable Agriculture Development Project" (HASAD)<sup>32</sup>. The current portfolio in Lebanon consists of one ongoing project, the "Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities in Lebanon" (AgriCAL) and a new project "Harmonized Actions for Livestock Enhanced Production and Processing" (HALEPP), signed in July 2019. Unfortunately, parliamentary ratification of HALEPP has not yet taken place because of the delays in forming a cabinet and the GoL's parliament requested major changes that will constitute a complete redesign.

24. Through AgriCAL project, IFAD is supporting the implementation of climate change adaptation measures in the agriculture sector, targeting the poor smallholders of various communities living in three highly vulnerable areas. The overall goal of the project is to increase community resilience and

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<sup>31</sup> For fruits, the strategic objective will focus on, but not limited to, Apple, Grapes, Olives, and Avocado value chains. Similarly, for vegetables the focus will be on, but not limited to, potatoes, onion, tomato, garlic, and lettuce.

<sup>32</sup> Total project value of US\$ 22.4 million (US\$ 4 million IFAD loan, a US\$ 0.6 million IFAD grant, US\$ 8.4 million OFID loan and US\$ 9.4 million domestic co-financing). HASAD completed on 30 June 2019.

adaptive capacity to climate change. The AgriCAL project is fully financed by an Adaptation Fund Grant of US\$ 7.245 million and is scheduled to complete on 31 April 2022.

25. IFAD has also launched a multi donor COVID-19 Rural Poor Stimulus Facility (RPSF), an initiative seeking to improve the resilience of rural livelihoods in the context of the crisis by ensuring timely access to inputs, information, markets and liquidity. Under the first round of the RPSF, Lebanon has been allocated US\$247,072 targeting Greenhouse participating communities located in coastal strip areas of the country in four governorates: (i) Mount Lebanon; (ii) Nabatieh governorate; (iii) Tripoli governorate; (iv) Sidon Governorate.

26. The IFAD Country Team will explore a mix of available financial options such as ASAP+, BRAM, non-sovereign funding and co-financing opportunities to ensure IFAD's continued engagement in Lebanon.

27. **Lessons learned:** IFAD's experience demonstrates that fragility and instability can only be addressed with the integration of rural people and regions into the overall economy, and their inclusion in the benefits of wider national economic and social development, through community-driven, area-based development initiatives. Among the specific lessons learned from past and ongoing IFAD's engagement in the country are:

- i) The fragility analysis should be extended to cover project implementation guidelines and modalities. Such considerations would ensure that any risks are identified early and systematically to guarantee that the impact of planned activities would reach the intended beneficiaries.
- ii) The management structure for future projects should be simple involving few implementing Partners (IPs). Projects involving different IPs have suffered from the lack of cooperation and coordination.
- iii) A high potential exists for modernized on farm irrigation networks, land terracing, runoff water harvesting and rainwater harvesting through hill lakes, making such interventions a high priority for rural poverty reduction.
- iv) Future projects should ensure a clear agreement with BdL and MoF in regards to projects' designated accounts (DA) being considered "Fresh Money" accounts to avoid disbursement delays.
- v) The inclusion of the Ministry of Environment (MoE) as a stakeholder in the implementation of certain activities is crucial to considering the environmental and climate aspects as well as for influencing environmental policy processes at the national level.
- vi) IFAD's experience in fragile contexts indicate that community based interventions are more effective and sustainable as opposed to large scale interventions that require high degree of government involvement. Future projects should focus on household level and community based interventions.



## V. Risk management framework

28. The following inherent risks and mitigation measures have been identified:

Risk	Risk Rating	Mitigation Measure
<b>Political/governance</b> – risk of political instability and weakened institutions as a result of the ongoing political stagnation	<b>Substantial</b>	Closely engage with UNCT to monitor political developments and benefit from lessons learned by development partners operating within the country. Focus on community based intervention to ensure sustainability.
<b>Security</b> – security issues resulting from the ongoing economic and political crises	<b>Moderate</b>	Closely monitor the situation through UNDSS reports and UNCT engagement. Apply a phased approach to ensure impactful interventions and mitigate risk.
<b>Macroeconomic</b> – risk of further devaluation of local currency, hyperinflation, and banking constraints	<b>High</b>	Incorporate significant financial contingencies in all future programmes costs and financials to offset further currency devaluation and spikes of inflation.
<b>Institutional capacity</b> – weakened institutional capacity for rural development	<b>High</b>	Invest in building community based organizations', capacity building, and enabling environment.
<b>Fiduciary</b> – Slow start up, weak systems and institutions, disbursement delays, cumbersome flow of funds, lack of adequate accounting software and internal audit function, implementation delays due to unstable banking procedures and restrictions on cash withdrawals and substantial delays in disbursements from Ministry of Finance transit treasury sub-accounts to the project Designated Accounts are common risks. Furthermore, cancellation of financing due to non-signing and ratification within the deadline remain a real risk.	<b>Substantial</b>	<p>Effective communication within IFAD, Project, MoF, MoA and the BdL. Ensure clear agreements with BdL and MoF on a "Fresh Money" project Designated Account to overcome banking restrictions and implementation delays.</p> <p>Timely and effective follow up on delayed disbursements from the MoF.</p> <p>Recruitment of qualified and motivated staff working exclusively for the project and provide continuous training, capacity building and implementation support</p> <p>Development of a reliable, integrated standalone accounting software.</p> <p>Effective internal audit arrangements with adequate scope and quality.</p> <p>Consider hiring a field proxy to improve fiduciary compliance and overall project management.</p>
<b>Fiduciary – Procurement</b> –	<b>High</b>	Adoption of IFAD Procurement Guidelines for the implementation of any new Project until the new Procurement law is ratified by the Parliament and adopted by the Public sector.
<b>Environment and climate</b> –	<b>Substantial</b>	Investing in rainwater harvesting and other non-traditional sources of water; improving existing irrigation systems towards more efficient water use in agriculture; building capacities towards climate smart agriculture to increase productivity; enhancing the early warning system for extreme weather events in terms of quality of information and outreach to farmers; and providing technical assistance to national institutions to mainstream climate change adaptation and mitigation in policies and regulations.
<b>Social</b> – Exclusion of the most vulnerable groups including women and youth in the project activities.	<b>Moderate</b>	Careful design of all types of targeting mechanisms at project level, use of participatory

		approaches and establishment of stakeholder engagement mechanisms.
<b>COVID-19</b> – increase in outbreak levels leading to further restrictive measures	<b>High</b>	Prioritize access to finance, livelihood interventions, and digital solutions

## **Appendix 1: Previous Country strategy Note from 2016**

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## Currency equivalents

USD 1 = 1,514.00 Lebanese Pound (LBP)

## Abbreviations and acronyms

AFD	Agence Française de Développement
AFESD	Arab Fund for Economic and Social Development
AgriCAL	Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities in Lebanon
COS OP	Country Strategic Opportunities Paper
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GALS	Gender Action Learning System
GoL	Government of Lebanon
HASAD	Hilly Areas Sustainable Agricultural Development
Is DB	Islamic Development Bank
MoA	Ministry of Agriculture
PBAS	Performance-Based Allocation System
PMU	Programme Management Unit
RB-COSOP	Results-Based Country Strategic Opportunities Paper
SLRP	Smallholder Livestock Rehabilitation Project
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
WB	World Bank

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## Map of IFAD-funded operations in the country



## **I. Country diagnosis**

1. Lebanon has an estimated population of 5.988 million (UN, 2016) and per capita income of US\$7,940 in 2015. The population is almost 90% urban, with a density of 449 inhabitants per km<sup>2</sup> in 2011. Density recently surged to 572 per km<sup>2</sup> from the influx of Syrian refugees. Unemployment is high at 23%, 33% among youth (Ministry of Labour, 2014). Agriculture employs 20-25% of Lebanon's working population. More than one in four residents lives in poverty.
2. Lebanon has a free market economy. GDP growth was estimated at 1.5% in 2015, up from 0.9% in 2013 (WB). The national debt continues to rise (148.7% of GDP, end of 2015), and the country's financial management is currently rated as high risk with a worsening corruption-perception index (Transparency International). The services sector contributed 75.4% of GDP in 2015 mainly through banking and tourism, while the agricultural sector accounted for 4.6%. Livestock products contribute nearly 2% of GDP.
3. Lebanon's Mediterranean climate has relatively high winter rainfall (875mm to 620mm, coast to interior), but Lebanon faces significant challenges in terms of water quantity and quality. Agriculture is vulnerable to climate change due to limited water and land resources. A recent study (American University .of Beirut) ,concluded that by 2030 climate change would cause a 0.55% drop in GDP, largely through shifts in agricultural production.
4. Lebanon imports 78% of its dairy and meat products, which undermines domestic production and marketing. Other problems in the dairy sector include: a weak animal health system; small and fragmented farms; decreasing area and productivity of pastures. The milk value chain is hampered by low yields; high cost of animal feed; inefficient collection; poor storage; and insufficient capacity for processing and marketing. A major constraint is the poor organization of farmers into cooperatives and associations. Furthermore, there is a lack of Cooperative Extension and Services Centres, and cooperatives have difficulty obtaining credit.
5. The livestock sector and related components account for most of the workforce in rural areas where alternative opportunities are limited. Social challenges confront the agricultural sector with vulnerable groups of women and youths prone to poverty. Two thirds of the 150,000 youths (aged 15- 24, 17% of rural population) face uncertainties in job market opportunities, compensation and job tenure; the majority live in poor households. Net migration to urban areas occurs at the annual rate of 3.18% (2010-2015), mostly by youths looking for better living conditions.
6. Rural areas accommodate approximately 13% of Lebanon's population, and many of those live below the upper daily poverty line of US\$4. Over 20% of households in the agricultural sector are classified as very poor. Poverty has been exacerbated by the influx of refugees who compete for farm labour at lower wages. Rural regions of North Lebanon and Beqaa Valley experience poverty rates of 36-38%. Women, who are one third of the agricultural labour force, are particularly disadvantaged.
7. One in five persons in Lebanon is a Syrian refugee. The number of registered refugees is 1, 122,745 (UNHCR, June 2015), but the real figure is probably higher. The majority live in extreme poverty and are hosted in Lebanon's poorest areas. Of Syrian refugee youth, 78% are unemployed. The higher population has saturated the housing market and encroached onto farmland. Previously taking 25% of Lebanese exports, Syria is no longer a major export partner. The Syrian crisis has significantly affected economic sectors including agriculture, with restricted access to border areas and loss of low-cost agricultural inputs (FAO, 2014).

## II. Rationale and time frame

### History of IFAD engagement

8. Since 1993, IFAD has supported four operations in Lebanon with a total of US\$165.6 million, US\$53 million from IFAD. The first agricultural project in Lebanon was the "Smallholder Livestock Rehabilitation Project" (SLRP; 1994-2003). Its components included restocking herds, livestock services (AI and vaccinations), establishing cooperatives, rural credit, and milk marketing. Restocking intended to help producers recover from herd losses during Lebanon's civil conflict. However, the arrival of heifers was delayed and they were often passed on to wealthier producers. SLRP introduced AI to Lebanon, now an established practice. Milk Marketing Centres failed because of a top-down approach. SLRP's credit service initially targeted individual farmers, but repayment was less than 20%; loans were often viewed as *de facto* grants. Rural finance succeeded better with women, who had a credit repayment rate of 84%, 68% for women's cooperatives. Women's loans were smaller and easier to repay and had greater flexibility in eligible investments (SLRP evaluation).

9. An Irrigation Rehabilitation and Modernization Project (1996-2005) co-financed by WB focused on strengthening public and private sectors, rehabilitating infrastructure and addressing social needs and environmental concerns. Also co-financed by WB, the Agriculture Infrastructure Development Project (1999-2005) conserved land and water resources with terracing, retaining walls and reservoirs.

10. IFAD is currently supporting Lebanon through the "Hilly Areas Sustainable Agricultural Development" project (HASAD, behind schedule) focused on water management. Another project, "Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities in Lebanon" (AgriCAL) has yet to start.

### Rationale for IFAD's engagement in Lebanon

11. IFAD has a crucial role to play in fragile situations such as Lebanon's agricultural sector. Addressing fragility is one of the "six essential elements" required for delivering Sustainable Development Goals (Agenda 2030). The consequences of not intervening are too costly to ignore. IFAD's country strategic opportunities paper (COSOP) for Lebanon (2000) identified five main thrusts: (1) promoting on- and off-farm enterprises; (2) reducing costs of production; (3) adding value to agricultural products; (4) promoting cooperatives; and (5) empowering rural women. These objectives remain valid today as confirmed by the 2016 stakeholders' workshop and IFAD's missions.

12. Among the main challenges facing Lebanese agriculture the MoA national strategy (2015-2019) lists: (1) increasing productivity; (2) upgrading sanitation to meet international standards; (3) enhancing food security; and (4) reducing rural-urban youth migration. Consistent with IFAD's approach, the MoA aims to strengthen the General Directorate of Cooperatives and re-activate Cooperative organizations, aiming by 2019 to increase active agricultural cooperatives from 25% to 35%, and increase membership to 7% of all farmers.

13. The GoL made a formal request to IFAD to support the livestock sector, with an emphasis on smallholders. Interventions will focus on integrated dairy value-chain management, capitalising on IFAD's worldwide experience supporting poor communities. IFAD's country programme will include policy dialogue, knowledge management, PPPs and co-financing initiatives.

### Time frame

14. This Country Strategy Note sets the framework for a project to assist smallholder livestock producers in the dairy sector. It will be submitted to IFAD and the Lebanese Government for approval before the end of 2016, and remain in force during the Project Design phase and initiation of the new project until a RB-COSOP is in place. In 2017, a joint FAD/Lebanon team will develop a Results- Based COSOP (RB-COSOP) to identify and justify further IFAD development in Lebanon.

### III. Strategic objectives

15. The strategic objectives of IFAD support to Lebanon are:
  - i) S01: increase opportunities and improve living conditions for dairy communities through improved production, capacity development, access to veterinary services, and policy dialogue.
    - a. Cover all regions of Lebanon, especially areas with concentrations of poor smallholders who lack technical support and social structures for enterprise development and marketing.
    - b. Improve milk quality control and milk processing for commercial purposes.
  - ii) S02: support rural enterprise development through SMEs and CBOs including cooperatives, producers' associations and private sector entities.
    - a. Increase competence of producer cooperatives and associations in financial management, collaboration, and enterprise initiative.
    - b. Increase prospects for rural youth employment in livestock enterprises and the agricultural sector in general, reducing rural-urban migration.
16. IFAD's short-term (six-month) contributions are to:
  - Assist the GoL to identify and design a new IFAD-financed project focused on strengthening the dairy livestock sector; the project will include mentoring of producers' associations in management, credit servicing and marketing;
  - Engage Lebanon in IFAD's partnership programmes and consultations, as both a beneficiary and contributor;
  - Trigger grant resources upon request by Gal to urgently respond to the influx of refugees; and
  - Support rural communities hosting Syrian refugees by promoting initiatives that generate income and employment opportunities.
17. IFAD's medium-term (6-24 months) contributions and anticipated outcomes are to:
  - Conclude the current Hilly Areas Sustainable Agriculture Development project (HASAD);
  - Reactivate the project Climate Smart Agriculture: Enhancing Adaptive Capacity of Rural Communities in Lebanon (AgriCAL);
  - Launch a new technical-assistance, capacity-building and value-chain project among small dairy producers, already written as a Project Concept Note; and
  - Prepare a RB-COSOP that reflects current trends and changing prospects, builds on prior experience, and anticipates further interventions.



## IV. Planned IFAD engagement

18. IFAD's engagement in coming years centres on poverty reduction and food security, with initial emphasis on the dairy sector. Small-scale dairy producers are the weakest link in the milk production chain due to inadequate investments in technology and poor use of feed resources. Livestock development should be channelled largely through cooperatives to achieve cost-effective results from technical assistance and capacity building. A small ruminant project should receive future consideration.

19. The next partnership for the Year 2016-2018 PBAS project cycle would be a six-year intervention at about US\$ 15 million, of which US\$ 0.6 million would be an IFAD grant and US\$4.8 an IFAD loan, the remainder from the GoL, beneficiaries and co-financiers such as AFD, USAID, IsDB, AFESD and EU. Female-headed households will account for at least 30% of the target, and communities hosting Syrian refugees will also include target beneficiaries. Gender Action Learning System (GALS) will be used to improve equal access of men and women to economic opportunities, decision-making processes and share of workload.

### Non-project engagement

20. IFAD will facilitate an evidence-based inclusive policy framework and institutional structure for Lebanon's dairy sector. It will support policy formulation, implementation, and monitoring and evaluation to reduce rural poverty. IFAD will offer assistance to drafting National Dairy Regulations needed to strengthen the dairy sector and improve efficiency and effectiveness in the industry. Engagement at the policy level may create opportunities for future IFAD operations.

### Lessons from past engagement

21. Past IFAD engagement in Lebanese projects has generated several guidelines:

- i) Targeting individual producers through cooperatives and farmers' associations is more effective for delivering services.
- ii) Cooperatives need to be mentored in management, revenue-generation and benefit-sharing.
- iii) Credit is available through Lebanese banks for cooperatives that demonstrate good business practice and capacity to repay.
- iv) IFAD should adopt a bottom-up strategy, not a top-down approach as used for Milk Marketing Centres in SLRP.
- v) The women's cooperatives in SLRP set an example in credit management and promotion of initiative.
- vi) A Project Management Unit (PMU) attached to a Government body, e.g., MoA, managed by specialists recruited on a competitive and transparent basis, is best placed to implement IFAD-supported projects.
- vii) The MoA needs to encourage private service-providers and regulate them to ensure that technicians work to industry standards.
- viii) Where projects utilize Government services, exit strategies need to be considered to ensure that these services are self-sustaining.

## V. Risk management framework

<b>Risk</b>	<b>Rating</b>	<b>Mitigation Measures</b>
Livestock farmers leave the sector due to cost/price squeeze	Medium	Technical advice to farmers to reduce costs, increase production and gain better market access
Syrian crisis worsens with increase in refugees	Medium	Through FARMS, partner with national and international institutions to provide capacity building and access to finance.
Shortage of MoA field staff to support IFAD interventions	Medium	Help farmers to service coop members; train MoA staff to supervise service providers
Small and medium livestock holders resist participation in a cooperative	Low	Demonstrate technical and economic benefits of coop membership
Livestock cooperatives fail to generate revenue for disbursement to members and repay loans	High	Capacity building for cooperatives regarding effective operation and management
Political uncertainty and instability	Medium	Diversify project components among government, NGO and private sector
Fragile fiduciary management and abidance by IFAD guidelines and procedures	Medium	Select staff on a competitive and transparent basis and train them as needed

## Appendix 2: Fragility Assessment

1. As defined in the 2016 IFAD Strategy for Engagement in Countries with Fragile Situations:

“Fragility is a condition of high vulnerability to natural and man-made shocks, often associated with an elevated risk of violence and conflict. Weak governance structures along with low-capacity institutions are a common driver and consequence of fragile situations. Fragile situations typically provide a weaker enabling environment for inclusive and sustainable rural transformation and are characterized by protracted and/or periodic crises, often with implications for smallholder agriculture and food security.”<sup>33</sup>
2. IFAD Special Programme recognizes four stages of fragility to differentiate IFAD’s approach:
  - i. **High vulnerability to shocks.** The country is highly vulnerable to political, economic, environmental and other shocks that can lead to social and institutional disruption and conflict;
  - ii. **Crisis.** The country is in a crisis, due to conflict or natural disaster;
  - iii. **Post-crisis and recovery.** The country is in the immediate aftermath of a crisis, either a conflict or a disaster;
  - iv. **Transition to resilience.** The country is in the early stages of the transition to resilience, or when the transition is prolonged.
3. One of the main elements of IFAD’s Special Programme for Countries with Fragile Situations is the World Bank Harmonized List of Fragile Situations. According to the WB List of Fragile and conflict-affected Situations for FY2022, Lebanon will remain in the “*High Institutional and Social Fragility*” category.<sup>34</sup> Countries in high institutional and social fragility are defined as countries that are facing deep institutional crises, that have very poor transparency and government accountability, or that have weak institutional capacity. These issues are sometimes compounded by threats posed by climate change.<sup>35</sup>
4. Based on the current classification of the WB Harmonized list, Lebanon would fall under the Transition to Resilience stage of IFAD’s approach. However, since the devastating Beirut Port explosion on August 4, 2020, Lebanon’s fragile context took a turn for the worst. This regression in the country’s situation was recognized by the UN and all development partners through the development of the Reform, Recovery and Reconstruction Framework (3RF). The World Bank Group (WBG), United Nations (UN), and European Union (EU) developed the 3RF in cooperation with civil society, Lebanon’s government, and the international community. It provides a roadmap to operationalize the findings of the Rapid Damage and Needs Assessment (RDNA) and other assessments in response to the devastating explosion at the PoB. When the explosion occurred, Lebanon already faced severe and entrenched challenges: a deep economic crisis, increasing poverty and worsening food security, and a financial and social crisis, all exacerbated by the COVID-19 pandemic. Now social and economic conditions have deteriorated even further, and critical public services have collapsed, intensifying the urgent and critical need for action<sup>36</sup>.

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<sup>33</sup> IFAD, Special Programme for Countries with Fragile Situations: Operationalizing IFAD’s Fragility Strategy, 2<sup>nd</sup> of May 2019.

<sup>34</sup> World Bank, FY22 List of Fragile and Conflict-affected Situations. Link: <https://thedocs.worldbank.org/en/doc/bb52765f38156924d682486726f422d4-0090082021/original/FCSList-FY22.pdf>

<sup>35</sup> World Bank, Revised Classification of Fragility and Conflict Situations for World Bank Group Engagement. Link: <http://pubdocs.worldbank.org/en/964161594254019510/Revised-Classification-of-Fragility-and-Conflict-Situations-web-FY21.pdf>

<sup>36</sup> UNSDG, Lebanon Reform, Recovery and Reconstruction Framework (3RF), December 2020. Link: [https://unsdg.un.org/sites/default/files/2021-01/LBN\\_Socioeconomic-Response-Plan\\_2020.pdf](https://unsdg.un.org/sites/default/files/2021-01/LBN_Socioeconomic-Response-Plan_2020.pdf)

5. The 3RF aims to help Lebanon achieve three central goals in response to the Beirut port explosion. **First**, a people-centered recovery that returns sustainable livelihoods to the affected population; improves social justice for all, including women, the poor, and other vulnerable groups; and ensures participatory decision making. **Second**, the reconstruction of critical assets, services, and infrastructure that provides equal access for all to quality basic services and enables sustainable economic recovery. **Third**, the implementation of reform to support reconstruction and to help restore people's trust in governmental institutions by improving governance<sup>37</sup>.
6. The 3RF clearly aims to tackle the key drivers for Lebanon's fragile context while at the same time recognize that the country has regressed into a recovery stage. This regression is evident when looking at the country's main drivers of fragility starting by the economic crisis that the country is currently facing. Monetary and financial turmoil continue to drive crisis conditions, with interactions between the exchange rate, narrow money, and hyperinflation. A multiple exchange rate system includes the official exchange (L£ 1,508/ US\$), central bank (BdL)-backed lower rates for critical imports, as well as a highly volatile US\$ bank-note exchange rate; in fact the banknote rate depreciated by about 50 per cent over March 12-16, 2021. The banking sector, which informally adopted severe capital controls, has ceased lending and does not attract deposits. Instead, it endures in a segmented payment system that distinguishes between older (pre-October 2019) dollar deposits and minimum new inflows of "fresh dollars". The former is subject to sharp deleveraging through de facto "lirafication" (local currency) and haircuts (up to 70 per cent) on dollar deposits.
7. Real GDP is estimated to have declined by 20.3 per cent in 2020 while other estimates indicate 21 per cent. High frequency indicators such as the BLOM-PMI index, which captures private sector activity, averaged 41.1 in 2020 (<50 represents a contraction of activity), the lowest since it was first published in 2013. The sudden stop in capital inflows, coupled with a continued large current account deficit, has implied a steady depletion in foreign exchange (FX) reserves at BdL. By end-2020, gross FX reserves at BdL reached US\$24.1 billion, declining by US\$12.5 billion since end-2019. Lebanon's GDP per capita has fallen by around 40 per cent over the 2018-2020 period and is expected to decline further. Lebanon's World Bank income classification is likely to be downgraded from an upper-middle income economy to a lower-middle income status<sup>38</sup>. The cost of production increased by more than 50 per cent for various agricultural systems. The cost of basic agriculture inputs rose by 400 per cent based on a cash payment modality. The financial crisis changed the dynamics of doing business in agriculture for all farmers who need to cover farming expenses cash in advance. This is expected to reduce the land under production by over 30 per cent in the coming winter season. In 2020, agriculture received 0.36 per cent of the total government budget, although it contributes a much higher percentage to the GDP<sup>39</sup>.
8. The severe deterioration of the economic situation is directly linked to the second driver of Lebanon's fragility which is manifested in political instability, weak governance, fragile institutional framework, and civil unrest. The Economist Intelligence Unit (EIU) expects political instability to be especially severe in Lebanon during the first half of the period between 2021 and 2025. The prime minister-designate, has finally name a cabinet on 10 September, which secured a vote of confidence from the Lebanese parliament 28 September 2021. The new government faces the daunting task of preventing total economic collapse and state failure while mitigating the public health crisis driven by the COVID-19 pandemic. The proven self-interest and venality of Lebanon's elite raises the threat of further political in-fighting, resulting in policy stagnation in 2021-22 and the risk of sanctions from the international community is becoming a real possibility. Widespread demonstrations are expected to continue in the build-up to the May 2022 election and as economic conditions and living standards decline while the economy continues to contract, owing to decades of mismanagement, compounded by the debt crisis, pandemic-related economic disruptions and the August 4th 2020 explosion in the

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<sup>37</sup> World Bank Group, Lebanon Reform, Recovery & Reconstruction Framework (3RF), 4 December 2020. Link: <https://www.worldbank.org/en/country/lebanon/publication/lebanon-reform-recovery-reconstruction-framework-3rf>

<sup>38</sup> World Bank Group, Lebanon's Economic Update, April 2021. Link: <https://thedocs.worldbank.org/en/doc/a3d1489dafa646ee90f5a19abd950cab-0280012021/original/9-mpo-sm21-lebanon-lbn-kcm.pdf>

<sup>39</sup> ESCWA, Is Food Security in Lebanon under Threat? (E/ESCWA/2020/Policy Brief.14), 2020.

PoB. Currently, the main trigger points for protests are likely to be a further worsening of the already severe shortages of fuel, bread and medicines and the re-imposition of coronavirus-related lockdowns<sup>40</sup>.

9. Another key driver of Lebanon's fragility is the sharp increase in poverty and food insecurity. Estimates reveal that 82 per cent of the country's population is now trapped in multidimensional poverty and struggling for bare necessities. In other words, almost double 2019 rate which was 42 per cent. This brings the total number of the Lebanese population living in multidimensional poverty to 4 million people. The equivalent rise in the number of extreme poor is 1.65 million, representing 40 per cent living extreme multidimensional poverty<sup>41</sup>. Over 50 per cent of the population in Lebanon are at risk of failing to access basic food needs by the end of 2021. The PoB explosion has made around 300,000 people homeless, and 50,000 residential and economic units have been heavily damaged. The large grain silos have been mostly destroyed, leaving Lebanon with flour reserves estimated to last between 4 to 6 weeks only. Lebanon imports around 85 per cent of its wheat consumption. The purchasing capacity of the middle class has been considerably eroded, and personal remittances, which amounted to US\$7.4 billion in 2019 and constituted about 14 per cent of GDP, are estimated to have dropped in 2020 by 23.4-36 per cent, based on the value-at-risk analysis conducted before the blast<sup>42</sup>. Between October 2019 and December 2020 the Consumer Price Index (CPI) witnessed an annual inflation of 157 per cent and the Food Price Index (FPI) registered an inflation of 456 per cent<sup>43</sup>.
10. The influx of refugees into Lebanon remains to be a major contributor to the country's fragile situation. The country hosts around 500,000 Palestinian refugees, 500,000 migrant workers from different nationalities and 1.5 million Syrian refugees of whom about 78 percent lack legal status (UNHCR) and 89 per cent live below the extreme poverty line<sup>44</sup>. The conflict in the Syrian Arab Republic has imposed a heavy economic and social toll on Lebanon; however, since the Lebanese Government instructed UNHCR to suspend new registrations of Syrians at the beginning of 2015, the number of registered Syrian refugees has reduced to 879,529 as of 30 September 2020. The percentage of Syrian refugees holding valid legal residency has simultaneously decreased as the number of refugees able to comply with the requirements for residency renewal continues to fall. A lack of legal residency exposes refugees to the risk of arrest and detention. It also hampers their access to basic services like education, health care and social services, as well as to obtaining civil status documents, such as marriage and birth registration<sup>45</sup>. One in two Syrian refugees are food insecure with a distribution of 55 per cent women-headed households compared to 48 per cent men-headed households. Poverty among Syrian refugees is registered at 92 per cent in 2020 and extreme poverty is 89 per cent up from 55 per cent in 2019<sup>46</sup>.
11. Fragility also has an environmental dimension. Current water scarcity coupled with the pressure imposed by the influx of Syrian refugees on Lebanon's water and land resources contribute to the country's fragility. Lebanon's high vulnerability to climate change impacts due to the current trends of increasing temperature, overall decline in precipitation, increasing rainfall variability along the seasons, sea level rise, the predicted increase in the frequency and intensity of drought, flash floods and forest fire incidents as well as the increase in disease outbreaks will also increase the country's fragility in the future especially in rural areas. More details about the environmental and climate risks can be found in Appendix 3.

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<sup>40</sup> Economist Intelligence Unit, EIU Country Report Lebanon, September 7<sup>th</sup> 2021.

<sup>41</sup> UNESCWA, 2021. Multidimensional poverty in Lebanon - policy brief September 2021,

<sup>42</sup> ESCWA, Is Food Security in Lebanon under Threat? (E/ESCWA/2020/Policy Brief.14), 2020.

<sup>43</sup> WFP, National FSSWG – Food Security and Markets Situation Analysis, 9<sup>th</sup> of March 2021. Link:

[https://fscluster.org/sites/default/files/documents/lcrp\\_fsswg\\_food\\_security\\_analysis\\_wfp\\_9\\_march\\_2021.pdf](https://fscluster.org/sites/default/files/documents/lcrp_fsswg_food_security_analysis_wfp_9_march_2021.pdf)

<sup>44</sup> OCHA Services ReliefWeb, ACT Alliance Alert: Lebanon Crisis, 16 March 2021. Link:

<https://reliefweb.int/report/lebanon/act-alliance-alert-lebanon-crisis-16-march-2021>

<sup>45</sup> UNHCR, Lebanon, 2021. Link:

<https://reporting.unhcr.org/lebanon#:~:text=Lebanon%20remains%20the%20country%20hosting,Palestinian%20refugees%20under%20UNRWA's%20mandate.>

<sup>46</sup> WFP, National FSSWG – Food Security and Markets Situation Analysis, 9 March 2021. Link:

[https://fscluster.org/sites/default/files/documents/lcrp\\_fsswg\\_food\\_security\\_analysis\\_wfp\\_9\\_march\\_2021.pdf](https://fscluster.org/sites/default/files/documents/lcrp_fsswg_food_security_analysis_wfp_9_march_2021.pdf)

12. The two strategic objectives of this CSN are in line with the first goal of 3RF approach introduced by development partners to uplift Lebanon from the current state of fragility to recovery and resilience. Improving natural resource management of smallholders to increase their resilience, protect and preserve valuable resources, and integrating the rural poor into profitable value chains will support the 3RF goal of people-centered recovery that returns sustainable livelihoods to the affected population.

## Appendix 3: SECAP Background Study

### Introduction

1. IFAD is developing a new Country Strategic Note (CSN) for future engagement in Lebanon in view of identifying priorities for IFAD investments and policy engagement. A mission is meeting development partners in Lebanon in order to ensure synergy, coherence, and effectiveness with other partners' strategies toward poverty reduction and rural sector development in Lebanon.
2. This SECAP background study aims to provide an updated overview on the country's main social, environmental and climate challenges in order to help plan how new investments will align with IFAD 11 commitments on gender, youth, nutrition and climate change. It also takes into consideration IFAD's contribution to Lebanon's Nationally Determined Contribution (NDC) through the on-going portfolio.

### Socio-cultural context

3. **Population:** The total population in Lebanon in 2018 was 6,848,925 of which 50.2 per cent is male and 49.8 per cent is female including refugee populations. The country's population growth rate was 0.54 per cent in 2018. Life expectancy has been increasing since the 1960s and is now at 79.75 years. Rural population has declined from 57.6 per cent in 1960 to 11.4 per cent in 2018<sup>47</sup>.
4. **Refugee Situation:** Eight years into the Syria crisis, Lebanon remains the country hosting the largest number of refugees per capita. Close to 950,000 Syrian refugees are registered with UNHCR, though the Government estimate of the total Syrian displaced population remains at 1.5 million. In addition, more than 18,000 refugees of Iraqi, Sudanese and other origins stay in Lebanon. The presence of such a large refugee population is putting enormous pressure on infrastructure, services and natural resources<sup>48</sup>. The Lebanon Crisis Response Plan (LCRP) provides a framework for response for the refugees' crisis and is led by the Ministry of Social Affairs (MoSA) in cooperation with the UN Humanitarian Coordinator.
5. **Poverty:** With Lebanon facing one of the most severe crises in history, currently 82 per cent of all households are faced with multidimensional poverty, which amounts to nearly 4 million people. This is almost the double of the 42 per cent faced with multidimensional poverty in 2019. Poverty is higher in rural areas such as Akkar (92 per cent), Nabatieh (92 per cent) and Bekaa (91 per cent) and among elderly, Syrian refugees and women headed households<sup>49</sup>. There is a broad consensus among development partners that the underlying reasons for poverty include the ongoing economic, financial, and COVID-19 crises, as well as the PoB explosion. If unmitigated, the economic crisis would not only result in a steep increase in poverty and inequality in Lebanon, but it would also reverse hard-won gains in human capital investment, as well as fuel social tension between vulnerable Lebanese and non-Lebanese communities. As a direct fallout of the increases in poverty, households will come under increasing strain to smooth consumption and delay needed investments in education, nutrition, and healthcare. As the poorest are most likely to bear the brunt of the economic contraction, an increase in early marriages, child labour, abuse, and inequality is also very likely<sup>50</sup>.
6. To strengthen the human and social capital within the Lebanese context and reduce poverty, stakeholders consider that it is important to partner with local farmers and their associations. This is not only an entry point to potentially increase the quality of Lebanese produce, it can also build effective partnerships, leverage resources and amplify the impact of the agricultural sector. Although there is a broad consensus that import substitution is important, the promotion of high value crops can also bring additional fresh dollars into the country.
6. **Gender:** Lebanon ratified the Convention on the Elimination all Forms of Discrimination Against Women (CEDAW) in 1996 and in the late 1990s, Lebanon adopted gender mainstreaming in the

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<sup>47</sup> World Bank (2019). Data Portal. Last Accessed: 3/9/2019 [<https://data.worldbank.org/country/lebanon>].

<sup>48</sup> UNHCR (2019). Lebanon Fact Sheet – February 2019.

<sup>49</sup> UNESCWA, 2021. Multidimensional poverty in Lebanon - policy brief September 2021,

<sup>50</sup> World Food Programme (2021). Market brief #47.



collection and analysis of gender statistics. In spite of solid achievements with regard to equality and empowerment in recent years, women in Lebanon still face inequality in society, politics, legal affairs and the labour market. Lebanon's 2020 gender inequality index stands at 0.411 with a significant difference between the HDI for men (0.774) and women (0.691). Nonetheless, Lebanon ranked 132<sup>nd</sup> out of 144 countries in the world and 6<sup>th</sup> among 19 Arab countries on the global gender gap index of the World Economic Forum in 2021<sup>51</sup>. Although literacy rate among adult women was at 88 per cent in 2009, women constitute only 24.8 per cent of the total labour force. ILO estimates unemployment among female labour force in 2018 to be around 9.8 per cent which is double male's unemployment estimated at 4.9 per cent. In terms of political participation, women occupy only 4.7 per cent of seats in the Lebanese parliament<sup>52</sup>.

7. Many female youth, especially in periphery and rural areas, do not enter the labour force or exit very early and become economically inactive. The average age of marriage has moved back considerably for both males (29 to 32) and females (23 to 27.7) since 1970, though there remains a small subset of female youth (6 per cent) who were married before the age of 18.<sup>53</sup>

8. Limited sex-disaggregated statistics and the lack of gender analysis in the sector, inhibits exact calculations of the percentage of women that are active in the agricultural sectors. Yet, it is widely accepted that women in rural areas are major contributors to this sector and could account up to 43 per cent of the agricultural work force. Women usually spend long hours performing labour-intensive and time-consuming manual agricultural tasks, such as sowing, weeding, harvesting and processing. They are also responsible for a major part of livestock production as well as processing activities. Some estimates indicate that in certain labour-intensive agricultural sectors (e.g. tobacco growing) and household-based production activities, women actually constitute the absolute majority. Available data and studies suggest that women involved in agriculture are less likely than men to own land, and are generally involved in smaller-scale agricultural work. Concurrently, they have less access to productive inputs, finance, technologies and markets<sup>54</sup>. Among the pathways that are identified by stakeholders for Gender Equality and Women's Empowerment in agricultural production for women are livestock production, food processing and aromatic herbs and essential oils. Some projects on the economic empowerment of women have been reached in the processing sector including labelling, packaging and applying for international standards.

9. **Youth:** In 2015, 27.4 per cent of Lebanon's total resident population was youth (aged 15-29) While ILO estimates that unemployment rate was 6.1 per cent in 2008, unemployment among youth in was at 17.3 per cent<sup>55</sup>. This situation seems to have worsened over the last couple of years. Namely, when expanding the definition of youth up to 35 years, then a ministry reports indicates that the unemployment rate increases to 37 per cent<sup>56</sup>.

10. In terms of educational attainment, primary enrolment figures are very strong for Lebanese nationals across the country (97 per cent). However, there is large dropout rates from primary to intermediate education with only 62.0 per cent of students complete lower secondary education. In addition, there is a high degree of educational inequality represented by large differences in test performance between regions, income level and public and private school students. In fact, the majority of Lebanese students are enrolled in private schools, with an additional 23 per cent of primary students are attending subsidized private schools.

11. Stretching low incomes to cover high costs of living is a central challenge for all individuals in Lebanon including youth. The devaluation of the Lira and rising prices will probably have exacerbated this situation. Median household income was US\$ 13,004 in 2015 and at that time it was calculated that 28.5 per cent of the Lebanese population is impoverished by monetary measures. Out of the 28 per cent,

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<sup>51</sup> UNDP, UNFPA and UN Women (2018). Gender-Related Laws, Policies and Practices in Lebanon.

<sup>52</sup> World Bank (2019). Data Portal. Last Accessed: 3/9/2019 [<https://data.worldbank.org/country/lebanon>].

<sup>54</sup> FAO (2021), Role of women in agriculture Lebanon.

<sup>55</sup> World Bank (2019). Data Portal. Last Accessed: 3/9/2019 [<https://data.worldbank.org/country/lebanon>].

<sup>56</sup> FAO (2020). Technical briefing note.



8 per cent was living in conditions of extreme poverty. Poverty is much more severe in the North, with 53 per cent impoverished and 18 per cent extremely impoverished.

12. In general, over the last 50 years, industry and agriculture dropped in economic significance with agriculture's share of employment dropping by two thirds. Today most output and employment in Lebanon is concentrated around the service and trade sectors of the economy. Research shows that youth are more often working in trade (27 per cent) and industry (14 per cent). It is estimated that 7 per cent of youth work in Agriculture. Although concrete numbers are absent, it is likely that the percentage of youth active in agriculture increased due to the economic downturn. Among university graduates the lowest earners were those who had specialized in education, agriculture and services. Challenges youth face in the agricultural sector include absence of assets such as financial assets as well as land ownership and insufficient access to technical training<sup>57 58</sup>. Among the pathways in agricultural production mentioned for youth by stakeholders are direct income generation, promoting jobs around the value chain and access to agricultural finance as well as knowledge for youth. IFAD should aim at strengthening its policy dialogue with government entities around the youth agenda and follow-up on the ongoing national strategy for youth.

13. **Food security:** The year 2020 was a difficult year for Lebanon with the country being not only impacted by the direct effects of the pandemic, but was also faced with an explosion as well as political turmoil. In response to the multiple crisis and growing food needs, in 2020 the United Nations and its partners supported a total of 1,461,767 individuals from all population cohorts with food assistance. This was 38% more than the 1,072,559 individuals reached in 2019. Individuals benefitting from food assistance include 1,003,373 individuals receiving cash-based assistance and 458,394 individuals receiving in-kind assistance (food parcels). In addition to the regular food parcels distribution, households also benefited from ready-to-eat meals and hot meals. Whilst the vast majority of the beneficiaries of the meals are Syrian and Palestinian refugees, still some 300,000 Lebanese families benefitted from food assistance<sup>59</sup>.

14. The government's expenditure in the main sectors that condition the nutritional status of the population - namely agriculture, health, education and social protection - was less than 8 per cent of total expenditures in 2012. With the educational support needed to achieve good nutrition lacking behind, the country is not able to satisfactorily deliver on nutritional indicators. Consequently, Lebanon has been lagging behind in meeting the global nutrition targets. No progress has been made towards achieving the target of reducing anaemia among women of reproductive age, with 31.2 per cent of women aged 15 to 49 years now affected. Meanwhile, no progress is made towards achieving the low birth weight target, with 9.2 per cent of infants having a low weight at birth. On stunting and wasting, the latest prevalence data shows that, respectively, 16.5 per cent and 6.6 per cent of children under 5 years old are affected. No progress towards achieving the target for obesity has been made, with an estimated 37.0 per cent of adult women (aged 18 years and over) and 27.4 per cent of adult men living with obesity<sup>60</sup>.

## Environment and climate context, trends and implications

### Main Environmental Issues

15. **Water Resources:** In 2009, the total renewable water resources in Lebanon were estimated at 4.1 billion m<sup>3</sup> of which 2.7 billion m<sup>3</sup> remain in the country (2.2 billion m<sup>3</sup> of surface water and 0.5 billion m<sup>3</sup> as groundwater). Agriculture is the highest water consumer with around 61 per cent of the total water resources in Lebanon. Lebanon is considered water scarce with a per capita water share at 926 m<sup>3</sup>/ year, slightly below the water scarcity level of 1000 m<sup>3</sup>/ year. It was expected that the per capita share would reach 839 m<sup>3</sup>/year by 2015<sup>61</sup>. However, the Syrian refugee crisis has had a major impact on water resources use. The incremental water demand for refugees has caused a nationwide increase in

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<sup>57</sup> FAO (2020). Technical briefing note.

<sup>58</sup> UNDP (2015). Spotlight on Youth in Lebanon.

<sup>59</sup> UN interagency coordination (2020). Food security and agriculture 2020 annual sector report.

<sup>60</sup> Global Nutrition Report, Country Nutrition Profiles: Lebanon, 2020. Link: <https://globalnutritionreport.org/resources/nutrition-profiles/asia/western-asia/lebanon/>

<sup>61</sup> Ministry of Water and Energy (2010). National Water Sector Strategy 2010.

domestic water use by 20 per cent and increased the mean water stress by 6 per cent by 2019<sup>62</sup>. The water sector suffers from weak coordination between institutions responsible for investment planning and service provision; lack of technical capacity in the ministry of energy and water; absence of volumetric charges thus discouraging water conservation among the public and gaps in the legal framework for water management. This is in addition to the environmental concerns regarding water quality mainly due to sewage discharged in the environment without treatment; overexploitation of water resources due to excessive drilling and pumping (mainly concentrated in coastal area and Bekaa); excessive use of fertilizers and unregulated application of pesticides; direct discharge of industrial effluent into the environment (concentrated along the coast, in Mount Lebanon, in the Bekaa valley and Litani water shed)<sup>63</sup>. National stakeholder consultations confirmed that water scarcity, water pollution and wastewater mismanagement are among the main environmental concerns in Lebanon.

16. **Land Resources:** According to 2016 estimates, agricultural land in Lebanon makes up around 658,000 ha representing 64 per cent of Lebanon's total area<sup>64</sup>. Current land management practices in Lebanon are not sustainable as they continue to erode the country's natural resource base. Whereas traditional practices such as terracing, controlled grazing and forest management helped protect the lands, modern practices - many of which emerged during the civil war - have significantly altered the natural and social make-up of land. Population growth, the continued loss of arable land and biodiversity, concerns about food security and the rising costs of infrastructure due to population growth and urban sprawl are major factors impacting land resources<sup>65</sup>. The Syrian refugee crisis has sparked urban densification in the country through formal housing and Informal Tented Settlements (ITSs). In 2015, Lebanon was ranked 16<sup>th</sup> on the world population density index up from 21<sup>st</sup> before the Syrian conflict. Such densification resulted in many environmental and social stresses on host communities. The largest concentration of ITSs are located in the Bekaa, followed by Akkar, which represent Lebanon's largest agricultural regions. The major concern was ITSs' encroachment on agricultural lands and other environmentally sensitive areas<sup>66</sup>.

17. **Forestry:** Forests cover about 137,000 ha (13 per cent of the territory) and Other Wooded Land (OWL) covers 106,000 ha (about 10 per cent of the territory), yielding a total of about 23 per cent of Lebanon's area<sup>67</sup>. The impact of Syrian refugees on forest resources is variable, depending on the location. In north Lebanon for example, border villages historically used to thrive on illegal trade routes with Syria, including the smuggling of cheaper diesel oil. These trade routes closed when the Syrian Conflict intensified, pushing resident populations to look for alternative energy sources including firewood. In the absence of efficient law enforcement and/or energy substitutes, the illegal felling of forest trees has become a lucrative business in some parts of the country<sup>68</sup>.

18. **Air quality:** Air pollution is increasingly an issue for Lebanon especially from economic sectors such as industry, energy and transport. In 2004, it was estimated that the annual cost of air pollution was \$170 million in addition to the health and welfare issues caused<sup>69</sup>. The Syrian refugee crisis has exacerbated air pollution issues in Lebanon. Estimates for 2014 show an increase in Carbon Monoxide (CO), Nitrogen Oxide (NOx), Sulphur dioxide (SO<sub>2</sub>), Particulate Matter (PM10) and Particulate Matter (PM2.5) by 18 per cent, 20 per cent, 4 per cent, 11 per cent and 13 per cent respectively compared to 2010 levels. This is mainly due to the significant increase in on-road transport, residential heating, electricity generation and solid waste burning<sup>70</sup>. National stakeholder consultations confirmed that air

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<sup>62</sup> Jaafar, H., Ahmad, F., Holtmeier, L. and King-Okumu, C. (2019). Refugees, water balance, and water stress: Lessons learned from Lebanon. *Ambio* **49**. 1179-1193 (2020). Springer.

<sup>63</sup> Ministry of Water and Energy (2010). National Water Sector Strategy 2010.

<sup>64</sup> FAO (2019). Lebanon Country Profile. Last Accessed: 5/9/2019 [<http://www.fao.org/countryprofiles/index/en/?iso3=LBN>].

<sup>65</sup> Ministry of Environment and UNDP (2011). State of the Environment Report for Lebanon.

<sup>66</sup> Ministry of Environment and UNDP (2014). Lebanon Environmental Assessment of the Syrian Conflict & Priority Interventions.

<sup>67</sup> Ministry of Environment and UNDP (2011). State of the Environment Report for Lebanon.

<sup>68</sup> Ministry of Environment and UNDP (2014). Lebanon Environmental Assessment of the Syrian Conflict & Priority Interventions.

<sup>69</sup> Ministry of Environment and UNDP (2011). State of the Environment Report for Lebanon.

<sup>70</sup> Ministry of Environment and UNDP (2014). Lebanon Environmental Assessment of the Syrian Conflict & Priority Interventions.

pollution resulting from private electricity generators that has increased due to the energy crisis is having detrimental local impact in Lebanon.

19. **Waste:** Prior to the Syrian refugee influx, population growth, urbanization, dwindling land areas, lack of awareness and outdated legislations were the main drivers exacerbating solid waste issues in Lebanon. Before 2011, Lebanon was generating about 1.57 million tons of waste per year. Around 51 per cent of all municipal solid waste was landfilled, 32 per cent was dumped, and the remaining 17 per cent was recovered through sorting and composting<sup>71</sup>. In 2013, the amount of waste generated reached 2 million tons per year and the amount estimated to have been generated only by refugees was around 324,568 tons per year by the end of 2014. The influx of refugees has exerted pressure on existing solid waste management infrastructure; increased open dumping and open burning; deterioration of health issues around dumpsites; and increased the amount of healthcare waste with potential infection risks<sup>72</sup>.

### Main Climate Change Hazards

20. **Temperature Increase:** Lebanon has a Mediterranean-type climate characterized by hot and dry summers (June to September) and cool and rainy winters (December to mid-March). Spring and autumn are warm and pleasant. The average annual temperature is 15°C. Along the coast, summers are hot and humid with temperatures crossing 35°C in August but due to the moderating effect of the sea, the daily temperature range is narrower than it is inland. January is the coldest month, with temperatures around 5 to 10°C. However, climate projections show an overall increase of 1.2°C and 1.7°C (RCP4.5 and RCP8.5, respectively) by mid-century (2046-2065) and up to 3.2°C by 2100 compared to the baseline period of 1986-2005. Temperature extremes will also intensify by the end of the century. Projections show increasing trends of warming, reaching 15 to 43 additional days (RCP4.5 and RCP8.5 respectively) with maximum daily temperature higher than 35°C<sup>73</sup>.

21. **Decline in Precipitation:** The mean annual rainfall on the coast ranges between 700 and 1,000mm. About 70 per cent of the average rainfall in the country falls between November and March and is concentrated during only a few days of the rainy season, falling in heavy cloudbursts or violent storms. Precipitation in inland Lebanon is higher than precipitation along the coast (1,600 mm) with snow in the mountains. However, climate projections predict an overall decrease in precipitation of 4 per cent to 11 per cent (RCP4.5 and RCP8.5, respectively), with drier conditions by the end of the century (up to 5.8 mm decrease in average monthly precipitation). Precipitation extremes will also intensify by the end of the century, causing- combined with increased temperature- the seasonal prolongation and geographical expansion of drought periods. The projections also trends towards drier conditions with an increase in number of consecutive dry days (maximum annual number of consecutive dry days when precipitation < 1.0 mm) by the end of the century. This indicated that the dry summer season will extend in length, projected by an additional maximum number of 6 consecutive drought days. This combination of significantly less wet and substantially warmer conditions will result in hotter and drier climate. There will also be a decline in snow coverage with a decrease in snow residence time from 110 days to 45 days<sup>74</sup>.

22. **Sea Level Rise:** Coastal areas in Lebanon are vulnerable to sea level rise and it is expected that sea levels will rise up to 30-60 cm within 30 years, if the recent rate of rise, approximately 20 mm/year, continues<sup>75</sup>.

23. **Extreme Events:** Lebanon will face increased risk of extreme events. Projections show that droughts will likely become more frequent and severe due to the combination of increased temperature and decreased precipitation. Droughts will occur 15 days to 1 month earlier, and countrywide drought periods will extend 9 days longer by 2040 and 18 days longer by 2090. The already dry regions, such as

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<sup>71</sup> Ministry of Environment and UNDP (2011). State of the Environment Report for Lebanon.

<sup>72</sup> Ministry of Environment and UNDP (2014). Lebanon Environmental Assessment of the Syrian Conflict & Priority Interventions.

<sup>73</sup> Ministry of Environment and UNDP (2016). Lebanon's Third National Communication to the UNFCCC.

<sup>74</sup> Ibid

<sup>75</sup> Ibid

the Bekaa, Hermel, and the South, will experience the sharpest effects. However, there is also an increased risk of flooding. Over the past decade, Lebanon already witnessed a high number of severe rainfalls that can cause flooding. These flash floods can even occur in dry areas where the land is not equipped to absorb the excess moisture. It is also very likely that heat waves will occur more frequently and for longer because of seasonal mean temperature increases. Changes in the absolute value of temperature extremes are very likely in Lebanon and are expected to exceed the global average<sup>76</sup>. National stakeholders agree that extreme events namely forest fires, drought and flooding are increasingly becoming a major concern for the country.

### Climate Change Impacts

24. **Decline in water availability:** Snow will melt earlier in spring due to increased temperature. These changes will affect the recharge of most springs, reduce the supply of water available for irrigation during summer, and increase winter floods by up to 30 per cent. The declines in precipitation will also exacerbate existing challenges to water availability for agriculture, commercial and residential uses. This will have adverse impacts on rivers and groundwater recharge, and will affect water availability during the summer season and in drought periods<sup>77</sup>. It is reported that for dry years, GDP is estimated to have lost 60 per cent compared to years when total precipitation reached its optimal level<sup>78</sup>.

25. **Lower agricultural productivity:** Soil moisture will decline in response to higher temperatures, reduced precipitation, and higher evapotranspiration. Changes in temperature and rainfall will decrease productivity of lands currently used to produce most crops and fruit trees, especially wheat, cherries, tomatoes, apples, and olives. Most crops will also face increased infections due to fungi and bacterial diseases<sup>79</sup>.

26. **Seawater intrusion:** The higher sea levels will lead to seawater intrusion into aquifers, increase the risk of coastal flooding and inundation, increase coastal erosion, alter coastal ecosystems and damage coastal infrastructure<sup>80</sup>.

27. **Higher risk on forests:** Forests in Lebanon already suffer from fragmentation, pest outbreaks, forest fires and unsuitable practices that already challenge their capacity to survive and develop and climate change is expected to exacerbate these challenges<sup>81</sup>.

28. **Increase in diseases:** Lebanon will experience increases in the incidence of infectious diseases, morbidity, and mortality resulting from higher temperatures, more frequent extreme weather events, increased malnutrition from droughts and floods that affect agriculture, and reduced availability of clean water. Increases in temperatures are estimated to cause 2,483 to 5,254 additional deaths per year between 2010 and 2030<sup>82</sup>.

29. **Higher energy demand:** Higher temperatures in summer will increase demand for cooling, with related consumption of electricity increasing 1.8 per cent for a 1°C increase in temperature, and 5.8 per cent for a 3°C increase in temperature<sup>83</sup>.

30. Climate Change **Adaptation and Mitigation:**

*Adaptation priorities for water and agriculture sectors include<sup>84</sup>:*

- a. Enhancing the efficient use of irrigation water and expand the supply of surface water sources for irrigation;

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<sup>76</sup> World Bank (2018). Droughts and Agriculture in Lebanon.

<sup>77</sup> Ministry of Environment and UNDP (2016). Lebanon's Third National Communication to the UNFCCC.

<sup>78</sup> Ministry of Environment (2021). Lebanon's Nationally Determined Contribution. *Updated 2020 Version*.

<sup>79</sup> Ministry of Environment and UNDP (2016). Lebanon's Third National Communication to the UNFCCC.

<sup>80</sup> Ibid

<sup>81</sup> Ibid

<sup>82</sup> Ministry of Environment and UNDP (2016). Lebanon's Third National Communication to the UNFCCC.

<sup>83</sup> Ibid

<sup>84</sup> Adapted from the Third National Communication, the 2015 INDC and the updated 2020 version of the NDC.

- b. Building an operational and sustainable legal and institutional framework to ensure a proper management of the water sector allowing the development of sustainable and efficient services;
- c. Developing financing tools for the sector to set-up financial mechanisms allowing the sustainability and the financial balance of the services;
- d. Involve all actors in the service chain and establish sustainable mechanisms for collaboration and coordination to improve the sector monitoring and transparency;
- e. Implementing the Beirut Water Declaration<sup>85</sup>;
- f. Promoting alternative water sources especially through rainwater harvesting (e.g. from roads and greenhouse tops).
- g. Imposing stricter control of wells, increase staffing within water establishments and build the capacity of staff on monitoring of unlicensed wells.
- h. Establishing water user associations to better manage water resources.
- i. Implementing measures to reduce the exposure of freshwater aquifers being exposed to seawater intrusion.
- j. Improving water security such as through increasing artificial recharge of groundwater aquifers and increasing surface storage dams and hill lakes.
- k. Improving the availability of information about the country's water resources and water systems and building capacities for climate change adaptation in the water sector.
- l. Imposing new water tariffs to encourage behavioural changes and raising awareness of citizens on water conservation.
- m. Establishing standards for wastewater reuse using regional standards as a baseline and increasing wastewater treatment.
- n. Restore the livelihoods and productive capacity of farmers and producers;
- o. Increase agricultural production and productivity;
- p. Enhancing efficiency and competitiveness of agri-food value chains including fisheries;
- q. Encouraging private investment along the agri-food value chain including innovative technical solutions and improved access to climate finance and insurance;
- r. Increasing resilience of households with reference to food and nutrition security;
- s. Strengthening the enabling institutional environment for climate-smart agriculture;
- t. Introducing heat-resistant and drought-tolerant crop varieties.
- u. Changing timing of planting, irrigation, and harvesting.
- v. Raising tree nurseries' productivity.
- w. Adopting sustainable agricultural practices and promoting organic farming.
- x. Establishing early warning systems to provide farmers with timely information about extreme weather events.
- y. Adapting forest systems to climate change by halting land degradation, controlling erosion of topsoil, improving water quality and soil productivity;
- z. Promoting sustainable rangeland management;

*Mitigation priorities in land and agriculture sectors include<sup>86</sup>:*

- a. Promoting conservation agriculture that enhances carbon sequestration resulting from the combination of no till, cover crops, and long crop rotation.

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<sup>85</sup> <https://www.riob.org/en/file/280436/download?token=plghIHCP>

<sup>86</sup> Adapted from the Third National Communication, and the 2015 INDC and the updated 2020 version of NDC.

- b. Encouraging and supporting the use of renewable energy in agricultural irrigation and in drinking water supply;
- c. Rationalizing the use of Nitrogen fertilizers.
- d. Reducing the extent of new losses in agriculture and forest lands due to urbanization.
- e. Compensating the annual loss to urbanization through afforestation/reforestation activities.
- f. Reducing the risk of intense and frequent forest fires through the development of fire prevention measures and early warning systems;
- g. Increasing the current extent of Lebanon's forest and other wooded land cover up to 31.3 per cent through afforestation.

## NDC Analysis

NDC priorities relevant to IFAD mandate <sup>87</sup>	NDC priorities relevant to IFAD mandate <sup>88</sup>	IFAD contributions to the national NDC targets
<i>Strengthen the agricultural sector's resilience to enhance Lebanon's agricultural output in a climate-smart manner</i>	Restore the livelihoods and productive capacity of farmers and producers	AgriCAL is helping in building capacities of farmers for climate smart agriculture techniques through a weather based early warning system as well as demonstrations and provision of equipment in cooperation with the Lebanese Agriculture Research Institute (LARI).
	Increase agricultural production and productivity	AgriCAL is investing in improved water management through rainwater harvesting and improved irrigation as well as building capacities for climate smart agriculture techniques through demonstrations and provision of equipment.
	Enhance efficiency and competitiveness of agri-food value chains including fisheries	x
	Encourage private investment along the agri-food value chain including innovative technical solutions and improved access to climate finance and insurance	x
	Strengthen the enabling institutional environment for climate-smart agriculture	Through AgriCAL policy component, IFAD is supporting the mainstreaming of climate smart agriculture measures into the policies and regulations, preparing guidelines on adaptation techniques in agriculture and providing technical support to the climate change unit at the Ministry of Environment
	Increase resilience of households with reference to food and nutrition security	The main objective of the AgriCAL project is to increase resilience of agricultural communities to climate change through investments in water management, agricultural adaptation, rangeland management and policy frameworks
<i>Promote the sustainable use of natural resources, restore degraded landscapes, and increase Lebanon's forest cover while</i>	Achieve the goals listed in the Brummana Declaration for the Role of Mediterranean Forests to Fulfil the NDCs <sup>89</sup>	x
	Adapt forest systems to climate change by halting land degradation, controlling erosion of topsoil, improving water quality and soil productivity	x

<sup>87</sup> Ministry of Environment (2021). Lebanon's Nationally Determined Contribution. *Updated 2020 Version*.

<sup>88</sup> Ibid

<sup>89</sup> <https://vi-med.forestweek.org/sites/default/files/resources/files/brummana-declaration.pdf>

NDC priorities relevant to IFAD mandate <sup>87</sup>	NDC priorities relevant to IFAD mandate <sup>88</sup>	IFAD contributions to the national NDC targets
<i>meeting the ecological, social and economic needs of sustainable forest management</i>	Establish sites with improved production capacity linking with the development of wood and non-wood forest product processing industry and with the people's needs in terms of goods and services and improved employment opportunities	x
	Promote sustainable rangeland management;	AgriCAL project is supporting the development of community-based sustainable rangeland management plan as well as restoring rangeland areas and reducing flood risks.
	Reduce the risk of intense and frequent forest fires through the development of fire prevention measures and early warning systems	x
	Manage pest and disease outbreaks to protect forests and forest resources	x
<i>Structure and develop sustainable water services, including irrigation, in order to improve people's living conditions</i>	Implement the Beirut Water Declaration <sup>90</sup>	AgriCAL is building on HASAD's achievements to provide water from non-conventional sources through rainwater harvesting and to increase water use efficiency as agreed in the Beirut Water Declaration.
	Enhance the efficient use of irrigation water and expand the supply of surface water sources for irrigation	AgriCAL project complements the outputs of HASAD project- where the hill lakes were established- by providing on-farm water efficient irrigation systems and training on their installation and use.
	Encourage and support the use of renewable energy in agricultural irrigation and in drinking water supply	AgriCAL project will install solar-powered irrigation as part of the rehabilitation process of one large nursery in Abdeh with a capacity of 425,000 aromatic plants.
	Build an operational and sustainable legal and institutional framework to ensure a proper management of the water sector allowing the development of sustainable and efficient services	x
	Develop financing tools for the sector to set-up financial mechanisms allowing the sustainability and the financial balance of the services	x
	Involve all actors in the service chain and establish sustainable mechanisms for collaboration and coordination to improve the sector monitoring and transparency	x

<sup>90</sup> <https://www.riob.org/en/file/280436/download?token=plghIHCp>









## Appendix 4: Procurement Assessment and Risk Matrix

1. Lebanon's public procurement is based on two legal regulations (the Tender Regulations Decree of 1959 and the Public Accounting Law of 1963) which are outdated and do not meet the international procurement standards. Consequently, the system cannot ensure efficient procurement practices especially in procurement of Services where no selection procedures are defined for such procurement activities. The system does not include sufficient transparency requirements, adopts very short bid submission periods (15 days that may be reduced to 5); consulting services may be procured on direct selection basis. The highly centralized system excludes any effective regulatory and complaints management bodies.
2. As part of the country's system, The Central Tender board (CTB) is responsible for the processing of procurement planning, processing of tenders and recommendation of award for all procurement activities in excess of the equivalent of US\$ 66,000 (this equivalent amount is based on the official exchange rate and not on the black market one). The Court of audit (COA) has the prior administrative control over contracts exceeding the equivalent value of US\$ 50,000 for goods and works and exceeding the equivalent of US\$ 16,700- which are very low thresholds and which make the procedures unnecessarily time consuming.
3. Several attempts have been made by the Government of Lebanon to develop and adopt a new procurement law based on modern model laws; however, no law has been finalized yet. Nevertheless, a draft procurement law is being discussed by the Parliament starting late 2020; this draft adopts a modern framework and institutional setup based to a large extent on the UNCITRAL Model Law.
4. The Ministry of agriculture in Lebanon is abiding by the Procurement rules and regulations that are currently applicable in the country; however, due to the abovementioned weaknesses of the current system, procurement activities under projects to be financed by IFAD need to be done in accordance with the IFAD Project Procurement Guidelines. Any changes that may occur during the design or implementation of new projects will be agreed with IFAD.
5. Furthermore, given the economic downturn Lebanon has witnessed since the fourth quarter of 2019 and the sharp devaluation of the Lebanese currency, exceptional financial management measures need to be adopted to ensure success of procurement activities without imposing undue currency fluctuation risks on vendors. As of the date of this report, the Lebanese Central Bank is still implementing drastic measures preventing official trading in foreign currency with three exchange rates adopted: (i) the official exchange rate at about LBP 1,508 per US\$ is used for settlement of loans and management of subsidies, etc.; (ii) the quasi-official rate of LBP 3,900 per US\$ for very narrow withdrawals (in LBP) of depositor savings; and (iii) the unofficial market exchange rate varying in early 2021 between LBP 11,000 – 20,000 per US\$. Having access to foreign currency is only possible if it is received as "fresh money" from abroad; banks would not issue bank guarantees or letters of credit in foreign currency unless the equivalent amount has been deposited as "fresh money" by the client. Transfers of funds outside Lebanon (for payment to suppliers for example) can only be done from a "fresh money" account. Such measures drastically impact the ability of economic operators to efficiently participate in procurement activities.



IFAD Procurement Risk Matrix - Pillar A						
	Division	NEN				
	Country	Lebanon				
	Project	N/A CSN				
	Date	01-Apr-21			NET RISK RATING	
	INHERENT RISK RATING	● 1.70				● 2.40
#	Description of Risk Feature	Rating	Assessment Basis	Remarks	Recommendation /Mitigation	Rating
<b>A</b>	<b>COUNTRY RISK ASSESSMENT</b>	● 1.70				● 2.40
<b>1</b>	<b>Legal and Regulatory Framework</b>	● 1.80				● 2.80
a	Country procurement law, regulations and manual exist	● 2	3 they all exist, 2 only two exist, 1 only one exist or none	Currently, there is no Law dedicated to the Procurement Law in the Country. Public Accounting Law, Tenders Regulations, and other related decrees set out the framework and institutional setup for PP; Several Manuals have been developed by the Tender Board and IoF. A Procurement law has been prepared and is being currently revised by the Parliament.	Adopt IFAD Procurement Framework for the implementation of new projects until a new Public Procurement Law is adopted for the Public sector. elaborate PIM in detail to cover all procedures, methods, timelines, responsibilities, templates, etc.	● 3
b	Existence of Standard Bidding Documents for Goods, Works and	● 3	3 all exist, 2 only for NCB & ICB, none for	Several SBD's exist in CDR, OMSAR, IoF, MoD, etc.	use IFAD's SBD	● 3
c	Procurement Monitoring	● 1	Use PEFA Framework, see worksheet for details	In absence of PEFA and in light of minimal transparency requirements in current legislation, absence of uniform framework for all procuring entities, and very easy recourse to single sourcing, a rating of (1) is provided.	elaborate a detailed PIM Provide extensive implementation support to build staff capacities.	● 2
d	Procurement Methods	● 2	Use PEFA Framework, see worksheet for details	In absence of PEFA and in light of the presence of two main competitive methods and an extensive recourse to single sourcing, a rating of (2) is provided.	see above	● 3
e	Public access to procurement information	● 1	Use PEFA Framework, see worksheet for details	Bidding opportunities are availed in newspapers, Official Journal and websites, but without the actual bidding documents which mostly need to be purchased. Contract awards are not publicised despite presence of an Access to Information Law that mandates transparency.	Mandate publication of GPN and all open opportunities in 3 newspapers and MOA website as well as IFAD's and UNDB for international opportunities	● 3
<b>2</b>	<b>Accountability and</b>	● 1.60				● 2.00
a	Procurement Complaints Management	● 2	Use PEFA Framework, see worksheet for details	The complaints management system is judicial through the State Council.	include in BD's that the first instance for complaint management will be submitted to the Tender Board for example	● 2
b	Country Corruption Perception Index score	● 1	The score is published on Transparency.org. 0 to 29 = 1, 30 to 60 = 2,	2020 CPI Score = 25/100	Intensify supervision and implementation support	● 1

c	2-tiered system to handle complaints	 2	3 as stated, 2 only a single level system, 1 no system	Currently complaints are handled by the State Council	include in BD's that the first instance for complaint management will be submitted to the Tender Board for example	 3
d	Existence of a debarment system	 2	3 full existence, 2 existence of complaints body that is the	The Law includes provisions for debarment	include in BD's the standard self-certification clause on debarment as per the revised IFAD Handbook	 2
e	Existence of an independent and competent local authority responsible for investigating corruption allegations	 1	independent Anti-Corruption agency, 2 existence of an office within a government ministry/agency that carries out some/all of	The authority is provisioned in the law but has not been formed yet	specify clearly in the bidding documents the contact details for reporting on corruption and abuse (Anticorruption Hotline: Email: anticorruption@ifad.org Phone: +39 0654592888 Fax: +39 0654597888)	 2
<i>Risk Rating System</i>						
<b>3</b>	<b>L : Low Risk</b>		<b>2</b>	<b>M : Medium Risk</b>		
<b>1</b>	<b>H : High Risk</b>					