



EN

THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX VI

to the Commission Implementing Decision on the financing of the Multiannual Action Plan in favour of Lebanon 2024 and 2025

Action Document for Support towards Access to Necessary Micro-finance for MSEs' Inclusive and sustainable growth in Lebanon (EU-TANMIA)

MULTIANNUAL ACTION PLAN

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title OPSYS Basic Act	Support towards Access to Necessary Micro-finance for MSEs' Inclusive and sustainable growth EU-TANMIA Multiannual Action Plan in Favour of Lebanon 2024 and 2025 OPSYS business reference: ACT-62527 ABAC Commitment level 1 number: JAD.1408778 (for 2024) Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Economic and Investment Plan (EIP)	No
EIP Flagship	No
3. Team Europe Initiative	No
4. Beneficiary of the action	The action shall be carried out in Lebanon
5. Programming document	Multiannual Indicative Programme 2021-2027 ¹
6. Link with relevant MIP(s) objectives/expected results	PRIORITY 2: Strengthening an inclusive and resilient economy Specific objective 1: Increased competitiveness of MSMEs within selected key economic sectors with innovation potential as key vector for sustainable growth

¹ C(2022)8363 final of 24/11/2022

	Expected Result: Sustainable innovative products, systems and processed are adopted and developed by MSMEs			
PRIORITY AREAS AND SECTOR INFORMATION				
7. Priority Area(s), sectors	321 Industry 240 Banking And Financial Services			
8. Sustainable Development Goals (SDGs)	Main SDG: SDG 9 Industry, Innovation & Infrastructure Other significant SDGs and where appropriate, targets: SDG5: Gender equality SDG8: Decent work and economic growth SDG 10 Reduced Inequalities			
9. DAC code(s)	321 Industry Sub-code 1- 32130 SME development (50%) Sub-code 2- 24040 Informal/semi-formal financial intermediaries (30%) Sub-code 3- 24081 Education/training in banking and financial services (20%)			
10. Main Delivery Channel	20000 Non-Governmental Organisation (NGO) and Civil Society			
11. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
12. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**13. Internal markers
and Tags**

Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Policy objectives	Not targeted	Significant objective	Principal objective
EIP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EIP Flagship	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	
Tags	YES	NO	
transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
environment, climate resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
economic development (incl. private sector, trade and macroeconomic support)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
human development (incl. human capital and youth)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
health resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
migration and mobility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
agriculture, food security and rural development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
rule of law, governance and public administration reform	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
other	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION			
14. Amounts concerned	Budget line(s) (article, item): 14.020110 – Southern Neighbourhood Total estimated cost: EUR 10 000 000.00 Total amount of EU budget contribution EUR 10 000 000.00		
MANAGEMENT AND IMPLEMENTATION			
15. Implementation modalities (management mode and delivery methods)	Direct management through: - Grants		

1.2. Summary of the Action

In the face of Lebanon's economic fragility and frequent external shocks, microfinance institutions (MFIs) within the country have encountered substantial challenges in maintaining operational stability and supporting financial inclusion. These challenges have impaired MFIs' capacities to serve micro and small enterprises (MSEs) during periods of crisis. To this end, the Action aims to support Lebanon's economic recovery through, on the one hand, supporting MSEs' access to finance, and on the other hand, by rebuilding MFIs' capacity to play their crucial financial intermediation role, especially for youth and women.

The proposed Action seeks to support MFIs in Lebanon through phases of crisis recovery and growth. By providing targeted support to MFIs, the initiative not only addresses immediate needs during crises but also lays the groundwork for sustainable growth and development within the financial sector, contributing to the broader objective of economic stability and recovery in Lebanon. The Action recognises the crucial role of environmental sustainability in building resilient MSEs, and places a strong emphasis on environmental mitigation and sustainability by prioritising investments in green and circular business models wherever possible, and raising beneficiaries' awareness about their carbon footprint and how to reduce it. By promoting green practices and supporting MSEs in adopting environmentally friendly solutions, the Action aims to contribute to Lebanon's sustainable development goals and help MSEs align with global sustainability trends.

Limited to non-existent access to finance has severely constrained the capacity of MSEs to sustain, let alone grow their activities in the face of successive crises. The economic downturn has disproportionately impacted women borrowers, exacerbating gender disparities in economic participation. This Action aims at addressing these challenges by enhancing MSEs' access to finance to mitigate the disproportionate impact on vulnerable populations and fostering economic recovery in a context of escalating poverty.

In addition, the Action will support advocacy with the Lebanese authorities to develop legal frameworks for new digital financial services, and community engagement with non-traditional financial tools and products such as e-wallets through awareness campaigns to promote entrepreneurship, particularly among women and youth. By advocating for reforming the legal framework governing the microfinance sector, the Action will

promote the development of secure and compliant digital services thus improving the integration of MSEs, while reducing the risks related to Money Laundering and Financing of Terrorism practices.

1.3. Beneficiary of the action

The action shall be carried out in Lebanon, which is included in the list of ODA recipients.

2. RATIONALE

2.1. Context

Since late 2019, Lebanon has been facing an unprecedented crisis, which has led to a dramatic economic contraction, a large increase in poverty, unemployment and brain drain. In March 2020, Lebanon defaulted on its Eurobonds which was followed by a deep recession, a dramatic fall in the value of the Lebanese currency and triple digit inflation. The deteriorating economic situation has hit the public sector to an extent that it is visibly disintegrating. Public authorities lack the necessary funds to maintain operations and to pay their staff more than symbolic salaries. The COVID-19 pandemic and the August 2020 port of Beirut explosion have compounded the crisis.

The crisis has had devastating effects on the country's economy and its people, resulting in a massive impoverishment of the middle classes. The public sector has been particularly hard hit with the bulk of the labour force still paid in Lebanese lira, suffering from plummeting purchasing power. Thousands of highly qualified civil servants are leaving for better paid jobs in the private sector or emigrating in search of better opportunities.

The current economic crisis in Lebanon is a result of a complex set of factors, including political instability, corruption, and mismanagement of public finances. The economic contraction has resulted in a sharp increase in unemployment, poverty, and inflation, making it difficult for the government to deliver essential services and for the people to access basic necessities. In addition, the 2020 default on public debt cut Lebanon's access to financial markets. In 2021, the devaluation of the national currency against the US dollar accelerated, affecting dramatically an economy highly dependent on imports. The Central Bank and the banking sector severely restricted access to people's savings and limited cash withdrawals. Subsidies (food, gasoline, medications) were lifted abruptly. Before the recent Gaza conflict and its repercussions, Lebanon's economy was projected to grow by 0.2% in 2023, marking its first expansion since 2018, however, the economy is now expected to reverse this growth. Exacerbated by currency depreciation and rapid dollarization, inflation averaged at 222.4% in 2023 and is expected to decrease in the coming years. Although, the World Bank has refrained from forecasting for 2024, citing high uncertainty, the economy is nonetheless expected to recover modestly, amidst a global economic slowdown and protracted regional conflict. Essential reforms, including those agreed upon with the IMF in the April 2022 Staff-Level Agreement (aimed to address inter alia banking sector restructuring and fiscal policy), have largely not been implemented. The banking system is dysfunctional, and the economy relies on cash.

Lebanon's leadership has inadequately addressed the crises due to a lack of consensus. The Council of Ministers operates in a caretaker capacity since May 2022, with no consensus on a presidential candidate since November 2022. The absence of a Head of State hinders government formation, causing a political vacuum. It also hinders legislative process. Some of the political parties consider that until a President is appointed, the Parliament is only an electoral body and can only legislate in emergency cases. Since November 2022, there have been only five legislative sessions with twelve unsuccessful electoral sessions to elect a President.

Lebanon has already started to feel the impact of the Israel-Hamas war in terms of hostilities at the southern border. The World Bank assesses that Lebanon is the hardest hit among the neighbouring countries by the conflict. It is estimated that the real GDP growth has contracted by 0.6 percent to 0.9 percent in 2023, depending on the extent of the tourism contraction, reversing the positive pre-conflict baseline. Military operations unfolding along Lebanon's southern border have already caused the internal displacement of 93,040 persons as of May 2024.

In Lebanon, the critical role of MSEs as catalysts for economic growth and employment generation has been increasingly recognised amidst the country's protracted economic crisis. Representing a substantial segment of the national economy, these enterprises are pivotal in driving sustainable development, particularly in sectors characterised by high labour intensity and low capital requirements, such as services, construction, transport, and light manufacturing. Despite their potential to spur economic recovery and create jobs for both unskilled and skilled labour, MSEs in Lebanon face significant barriers that inhibit their contribution to the economy. Chief among the challenges confronting MSEs in Lebanon is the acute lack of access to finance. The Lebanese banking sector, traditionally the backbone of the country's financial system, has been severely impacted by the ongoing economic crisis. This has resulted in a dramatic contraction of lending activities, with banks increasingly unable to fulfil their role as providers of financial services to the economy. The repercussions of this banking sector paralysis are particularly severe for MSEs, which, in the absence of functional banking services, often have no choice but to turn to non-traditional and sometimes illicit sources of financing, exposing them to increased vulnerability and risk.

The breakdown of conventional financing channels has positioned MFIs as critical lifelines for MSEs, often serving as lenders of last resort. However, MFIs have not been spared by the several economic challenges and are facing constraints that limit their ability to support MSEs' growth effectively.

The Building Beirut Businesses Back and Better Fund (B5) is a USD 25 million grant to support the recovery of MSEs affected by the 4 August 2020 Beirut Port explosion and sustain the operations of MFIs. The grant is financed by the Lebanon Financing Facility (LFF), a USD 70 million multi-donor Trust Fund with contributions from the EU (largest donor), Canada, Germany, Denmark, France, and Norway.

The B5 was an urgent first step to extending lifeline support to MFIs considering the multiple crises affecting the country. Thanks to the support of donors, the three beneficiary MFIs were able to retain 84% of their staff whose capacity has been built over two decades of development work. However, the B5 support ends in March 2024 and while MFIs are trying to generate additional resources by extending new loans, their liquidity shortages in hard currency limits their ability to sustain their operations through their lending activities. There is a renewed risk that key staff will leave, which would lead to the collapse of the sector. In December 2023, the LFF approved an additional financing of USD 3 million to support MFIs in deploying innovative financing solutions based on market needs. This new allocation will help to extend the ability of MFIs to sustain their activities by 18 months. Other forms of support to MFIs are limited, such as a USD 2.5 million loan guarantee by PROPARCO to Vitas Lebanon (3rd largest MFI).

The Action is aligned with the Sustainable Development Goal (SDG) 9 "Industry, innovation and infrastructure". It also relates to SDG 10 "Reduced Inequalities", SDG 5 "Gender empowerment and equality of women and girls", as well as SDG 8 "Promote Sustained, Inclusive and Sustainable Economic Growth, Full and Productive Employment and Decent Work for All", in particular Target 8.10 "Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all".

This action falls under priority 2 of the Multiannual Indicative Programming 2021-2027 for Lebanon "strengthening an inclusive and resilient economy", specifically Resilient Micro, Small and Medium Enterprises through developing innovative market-oriented solutions that enhance companies' growth and

expansion, locally and internationally and supporting the digitalisation of start-ups/MSMEs, which presents a potential for the transition into the direction of a digital economy in Lebanon.

The intervention supports the efficient and timely implementation of the flagship initiatives of the Economic and Investment Plan for the Southern Neighbours that will reinforce the EU's partnership with Lebanon, including in the key policy area of resilient and inclusive economies.

2.2. Problem Analysis

Short problem analysis

Lebanon's multi-dimensional crisis, characterised by a collapsed banking sector, political instability, and failing institutions, has precipitated a precarious environment for MFIs, which remained as the lender of last resort for most MSEs that were able to weather the compound crises faced by the country in recent years. Following the 2019 financial collapse, MFIs faced significant losses, primarily due to foreign exchange risks as loans in USD were repaid in LBP at a discounted value, and cash held at banks was subjected to informal capital controls and haircuts. Before the crises, Non-Performing Loans (NPLs) in the sector were less than 5%. However, as the economic situation deteriorated and many borrowers struggled to repay their loans, NPLs rose dramatically, reaching around 30%. This sharp increase in NPLs was largely due to the significant decrease in economic activity, which made it difficult for borrowers to generate income and meet their loan obligations. In the past year, the NPL rate in the microfinance sector stabilized at less than 5%, before rising again due to the conflict in Southern Lebanon.

The micro-finance sector is crucial in Lebanon. It showed resilience, effectively becoming its economic backbone, despite the unprecedented challenges faced:

- Firstly, financial instability as a result of the insolvency of banks and the scarcity of foreign currency, which have critically impaired MSEs' access to required capital. This liquidity crunch has not only cropped their growth potential but also jeopardised their very survival. The crisis is exacerbated by a lack of investor confidence and a severe contraction in consumer spending.
- Moreover, the crisis has highlighted and intensified social exclusion issues within the MSE sector. Notably, women and youth-led enterprises, despite their potential for driving innovation and social change, are confronted with systemic barriers. These range from societal biases to a lack of support tailored to their unique needs and challenges. As a result, these demographic segments remain underrepresented and their considerable potential largely untapped.
- In addition, amidst the economic turmoil, environmental considerations have been largely sidelined by MSEs. Many such enterprises operate without incorporating sustainable practices, largely attributable to a combination of financial constraints and a lack of awareness or resources. While some companies have opted for renewable energy solutions to decrease energy costs, the rush to adopt photovoltaic panels has often been driven by short-term financial considerations rather than a comprehensive approach to sustainability. For instance, the quality and lifetime of these panels, as well as their eventual disposal, have not been adequately addressed. This oversight not only contributes to Lebanon's escalating environmental challenges but also means that these MSEs miss out on the opportunity to align with global sustainability trends and practices.

In this context, the role of MFIs becomes increasingly vital. As traditional banking channels fail, MFIs stand as pivotal financial intermediaries for MSEs, particularly in facilitating access to capital. These institutions are uniquely positioned to understand and cater to the specific needs of micro and small enterprises, offering more flexible and accessible financial services. Moreover, MFIs can play a crucial role in fostering financial literacy and business acumen among MSEs. Their grassroots-level engagement and tailored financial products

can significantly contribute to bridging the financial gap faced by MSEs, thereby enabling them to navigate through the prevailing economic challenges more effectively.

This multifaceted crisis necessitates a comprehensive intervention to support and empower MSEs. Such a strategy would address the immediate financial needs of these enterprises, facilitate their participation in the broader economy, and promote sustainable business practices. The aim is to ensure the resilience and long-term viability of both MFIs and MSEs in a rapidly changing and challenging economic and geo-political environment.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action.

The main stakeholders and their corresponding institutional and/or organisational issues, mandates, potential roles, and capacities to be covered by the action, as well as the stakeholders most affected by the issues to be addressed, include:

- **Micro-Finance Institutions (MFIs):** Lebanon has around 20 active microfinance providers (MFPs)². At its pre-crisis peak level, the microfinance sector was serving more than 150,000 borrowers, over half of which were female entrepreneurs, with an aggregate portfolio of USD 220 million. The sector was severely impacted by the multiple crises hitting the country and has since significantly contracted. Currently, the three largest MFIs, serving nearly 80% of the market, have an aggregate lending portfolio of USD 7 million.
- **Lebanese Micro-Finance Association (LMFA):** The LMFA serves as the main voice of the microfinance industry in Lebanon, representing nine member organizations on the national and international levels linking them up with relevant actors, and offering them business services. LMFA also acts the main channel to improve the provision of both financial and non-financial services to marginalised groups, and the main interlocutor to activate the relationship between microfinance institutions, the relevant authorities the official financial system.
- **Central Bank of Lebanon (BdL) and Banking Control Commission (BCC):** The BdL is responsible for safeguarding and maintaining economic stability, safeguarding the structure of and regulating and supervising the banking system, and developing the monetary and financial market. The supervision of financial sector is under the mandate of the Banking Control Commission (hosted by BdL). BdL is managed by the Governor and the Central Council—composed of the Governor as Chairman, four Vice-Governors, the Director General (DG) of the Ministry of Finance (MoF) and the DG of the Ministry of Economy and Trade (MoET). The involvement of these two Ministries is therefore necessary.
- **Ministry of Finance (MoF):** Responsible for fiscal policy, revenue administration, public financial management, and debt management. The crisis has severely limited its capacity in key areas, such as tax policy and PFM. The MoF plays a crucial role in the implement reforms. Civil servants in its services will be the main target of the capacity-building and technical assistance activities. The involvement of the MoF is decisive to ensure ownership of the reform by the authorities.
- **Ministry of Economy and Trade (MoET):** Responsible for Micro, Small and Medium-size Enterprises and startups in Lebanon. MoET is in charge of centralising information about funding, training, legislation, competitions, mentorship, market access, export, innovation and other relevant and useful information. The SME Unit is tasked with the implementation of the Integrated Small and Medium Enterprise Support Programme (ISSP), with the aim to support Lebanese small and medium enterprises through creating an enabling environment conducive to the growth and development of SMEs and through developing Lebanon as a high value added, highly skilled, innovative and enterprising economy based on a thriving

² Not all MFPs are registered as Financial Institutions with the Central Bank. Some are registered as NGOs while others have the legal status of “comptoirs”.

enterprise sector, that enables Lebanese businesses to compete globally and lead to better employment opportunities for all Lebanese citizens.

- **Chambers of Commerce:** With a membership exceeding 10,000 SMEs and young entrepreneurs, the Chambers provide a wide array of support services, targeting the achievement of the UN Sustainable Development Goals (SDGs 2030) namely Decent Work & Economic Growth, Inclusive and Quality Education, Youth Empowerment and Gender Equality. Within their mission, the Chambers offer training and capacity-building programs specifically designed to improve the skills and competencies of young employees within Lebanese SMEs and to empower young entrepreneurs and startups, enabling them to expand and contribute significantly to the enhancement of Lebanon's economy.

Association of Lebanese Industrialists (ALI): As the main national entity representing manufacturing companies operating in Lebanon, ALI seeks to create and maintain an environment that is favourable to industrial investment, growth, and development. ALI play the role of interlocutor conveying the needs and recommendations of its members to trade unions, public institutions, Parliament, Government, and international organisations and stakeholders. ALI actively participates in shaping national policies on a range of issues, including economic and social policy, labour legislation and industrial relations, social security and health care, taxation, policies for small and medium-sized enterprises, education, research and technology, and the environment.

In addition to the Lebanese public stakeholders, international institutions, donors, the private sector and civil society organisations, will also be involved in the action. These stakeholders will play a crucial role in monitoring the implementation of reforms, providing feedback, and fostering dialogue among various actors. Their involvement will contribute to the overall success of the action by ensuring that the interests of the Lebanese population are represented and addressed throughout the intervention.

- **International partners:** Coordination with other donors and International Financial Institutions (WB, EIB, EBRD, IFC, Proparco, KfW) will ensure sustainability of the intervention. Consultations with the IMF will be regularly held to ensure aligning donor support with broader economic reforms.
- **Private sector:** Lebanon's economy is based on a dynamic and entrepreneurial private sector, which has largely managed to weather the financial crisis. The private sector is also an influential voice in the Lebanese society, as well as being a key actor in the actual implementation of economic reforms. Dialogue with the Lebanese business community will be key in ensuring their acceptance and compliance with new financial tools and regulatory framework.
- **Non-Governmental Organisations (NGOs) and Think-tanks:** NGOs with previous engagement with the microfinance sector will be consulted to build on their experience and avoid any duplication of previous interventions. Think-tanks such as The Policy Initiative and Legal Agenda will also be consulted for their understanding of the legal framework and the governance structure of the sector.
- **Civil society organizations (CSOs):** Lebanon enjoys a vibrant, diverse and active civil society, representing a wide range of voices in reform and development debates, advocating for the rights of vulnerable and marginalised populations, defence of the environment, but also taking responsibility for the delivery of services. Regular exchanges with CSOs active in the economic and financial sectors will ensure the wider public's understanding and acceptance of the intervention as well as being key advocates for reforms of the financial sector, providing feedback, and fostering dialogue among various actors.

2.3. Lessons Learned

The development and implementation of the proposed action to support MSEs through MFIs in Lebanon have been informed by a comprehensive analysis of lessons learned from previous initiatives, both within the country and in similar contexts globally.

The action draws lessons from EU engagement with MFIs through the B5 project funded through the LFF, which provided support to operational expenses of MFIs.

The results of the B5 illustrate the critical role of establishing strong, collaborative relationships across various stakeholders, including MFIs, MSEs, government bodies, and international donors. These collaborations have been pivotal in enhancing the relevance and effectiveness of interventions. Concretely, through continuous engagement, the share of women-owned MSEs supported increased from 27% to more than 40%. Similarly, thanks to collaboration with local actors, significant efforts were made to support entrepreneurs and businesses impacted by disabilities due to the Port of Beirut explosion. This approach not only facilitated targeted assistance to those most in need but also underscored the value of inclusive strategies that prioritise support for vulnerable groups, including women and individuals with disabilities. Failing to do so will inevitably lead to challenges in alignment with local needs and jeopardise the sustainability of the intervention.

Another lesson learned from the B5 project involves the need of balancing disbursement speed with proper spending. Indeed, the slow disbursement rate at the beginning of the implementation period was due to the need to first rebuild the capacity of MFIs, then prioritise the critical needs on the ground to find an equilibrium between the rapid disbursement of funds and the assurance that the funds are used effectively and responsibly.

The Action will incorporate a flexible and adaptable framework to better respond to unforeseen challenges, such as economic shocks or political instability.

Similarly, and building on the success of past and ongoing EU programmes such as ENABLE and Private Sector Development Programme, there is a need to customise the financial products to address the specific needs of MSEs and consider the unique challenges of the local market. A one-size-fits-all approach is more likely to fail to effectively support MSEs' growth and financial inclusion.

Finally, providing targeted capacity building and technical assistance to both MFIs and MSEs has emerged as a crucial component of effective actions. Enhancing the operational capabilities of MFIs and the business acumen of MSEs significantly contributes to the sustainability and impact of interventions.

This action is designed to anticipate future engagement within the framework of the European Fund for Sustainable Development Plus (EFSD+) by laying the groundwork and ensuring that the most appropriate modality is employed in the current context. At present, due to the collapsed banking sector, there is virtually not take up in Lebanon of EFSD+ opportunities. The use of grants is the most suitable approach at this stage, as it allows for the necessary capacity building, technical assistance, and market preparation required to create an enabling environment for sustainable microfinance operations in Lebanon. By focusing on strengthening the financial adequacy and loan capital of MFIs, improving their ability to respond to the needs of MSEs, and promoting the adoption of digital financial services, this action aims to establish a solid foundation upon which future EFSD+ initiatives can build, once the banking sector is restructured and IFIs are reengaging at scale with the country.

Indeed, experiences from previous EU interventions in the region, such as the Southern Neighbourhood Microfinance Facility (SNMF) – a EUR 71.3 million lending facility that supports investments in microfinance markets in by blending EIB resources with EU funds under the Neighbourhood Investment Facility (NIF), showed the importance of having a solid financial sector intermediaries to reach the developmental objectives, especially when it comes to women beneficiaries.

The Action will also incorporate lessons learned on crosscutting issues such as gender equality and environmental sustainability. The Action will ensure that supported investments are environmentally friendly. Previous actions have highlighted the importance of embedding these considerations into the design and implementation phases to ensure broader societal impacts and alignment with EU principles.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The **Overall objective / Impact** of this action is to

Improve Lebanon's private sector's sustainable economic recovery, resilience and financial inclusion.

The Specific Objectives (**Outcomes**) of this action are to

1. Improve MFIs' financial adequacy and loan capacity.
2. Improve MSEs' investments in green and circular business models as well as the financial inclusion of women, youth and entrepreneurs with disabilities.
3. Strengthen legal and regulatory framework of microfinance operations in line with international best practices.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objective (Outcome) 1 are:

- 1.1 Increased availability of grants for MFIs.
- 1.2 Increased capacity of MFIs to respond to the operational needs of MSEs, with a focus on green and resource-efficient solutions.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objective (Outcome) 2 are:

- 2.1 Increased availability of tailored financial products and services provided by MFIs to MSEs for green and circular business models.
- 2.2 Improved financial literacy, business skills and awareness of sustainable business practices among MSEs, with a focus on women, youth and persons with disabilities.
- 2.3 Increased awareness of MSEs with a focus on women, youth and persons with disabilities, on digital financial tools and their potential to support sustainable business practices.

The **Output** to be delivered by this action contributing to the corresponding Specific Objective (Outcome) 3 is:

- 3.1 Improved capacity of authorities to design compliant, and environmentally friendly digital financial services.

3.2. Indicative Activities

Activities related to Output 1.1:

- Launch a mechanism for the provision of grants to MFIs to strengthen their financial adequacy and loan capital.
- Support MFIs to develop guidelines to assess the environmental impact of potential investments and prioritise lending to green and circular businesses.

Activities related to Output 1.2:

- Training MFI staff to identify green and resource-efficient business solutions.

Activities related to Output 2.1:

- Support MFIs in developing financial products tailored to the needs of MSEs, with attention to women, youth and persons with disabilities.
- Establish a green finance facility within MFIs to provide preferential terms for sustainable investments.

Activities related to Output 2.2:

- Organise workshops and trainings for MSEs on financial literacy and sustainable business practices.
- Create a mentorship program connecting MSEs with experienced entrepreneurs.

Activities related to Output 2.3:

- Awareness campaigns targeting women, youth, and persons with disabilities to promote digital financial tools and their role in supporting sustainable businesses.
- Develop educational materials on digital and green finance for MSEs.

Activities related to Output 3.1:

- Support authorities in developing the legal framework on mobile banking and paperless transactions.
- Support authorities in upgrading their digital infrastructure and operations.
- Training of civil servant on international best practices in the field of micro-finance regulation.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

Environmental sustainability will be integrated into the action by, for example, minimising the environmental impact of investments in MSMEs and/or industrial infrastructure development; promoting resource-efficient and circular practices within the private sector as much as possible; developing and utilising environmental policy solutions for the greening of MSMEs.

Outcomes of the Strategic Environmental Assessment (SEA) screening (relevant for budget support and strategic-level interventions)

The SEA screening concluded that no further action was required.

Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project).

The EIA screening classified the action as Category C (no need for further assessment).

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project).

The CRA screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality and empowerment of women is addressed as principal objective of the action through the intervention, indicators disaggregated by sex, and will also include the commitment to monitor and report on the gender equality results. This action will contribute to GAP III thematic priority “economic and social rights and the empowerment of girls and women”.

Human Rights

The proposed action is fully aligned to the existing EU human rights strategies and action plans. Human rights concerns are mainstreamed throughout the action and will be taken into consideration in all activities to be drawn up during implementation stage. The action has been designed following a “rights-based “and “leave-

no-one behind” approach. It promotes equal participation of women in the decision-making at various levels, and will respond to people’s participation in public life and other support ownership of the action by local actors within the framework of international human rights standards. The action will also encourage and promote the civil society actors, mainly CSOs active in women’s rights advocacy and monitoring.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the proposed intervention is a significant objective as inclusion will be mainstreamed within the action whenever possible and relevant, by favouring the participation of people with disabilities in public, political, economic and social spheres following a people-centred and inclusive approach.

Democracy

Respect of democracy in Lebanon are underlined under the objectives of the Action. In line with EU commitment to promote legally binding international standards to the fundamental rights and the rule of law, the action will promote Lebanon commitment to international conventions.

Conflict sensitivity, peace and resilience

This action applies conflict-sensitivity and a do-no harm approach throughout the planning and implementation of the action, and addresses related priorities and recommendations.

Disaster Risk Reduction

Not applicable.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1. External Environment	Economic instability leading to further deterioration of the financial situation of the microfinance sector	High	High	Engage with international donors for emergency funds to support and stabilise the financial sector.
1. External Environment	The escalation of hostilities along the Southern Border of Lebanon intensifies and extends to a nationwide scale	Medium	Medium	Activities will be adjusted to identified needs through an ongoing monitoring and maintain on stand-by the components that cannot be implemented until adequate conditions are in place.
1. External Environment	Political instability affecting the implementation of support measures	Medium	Medium	Continuous dialogue with all political actors, support from the international donors’ community, and flexibility in the implementation to adapt to changing political circumstances.
2. Planning, Processes and Systems	Insufficient capacity of MFIs to manage increased	Medium	Medium	Capacity building for MFIs, including operational and financial management training, supported by technical assistance.

	operational demands			
2. Planning, Processes and Systems	Delay in disbursement of funds due to complex administrative procedures	Low	Medium	Continuous dialogue with monetary authorities to ensure seamless funding procedures.
3. People and the Organisation	Resistance from MFIs and MSEs to adopt new financial products or processes due to lack of understanding or trust	Low	Low	Comprehensive awareness campaigns, demonstration projects, and engagement with MFI and MSE representatives to facilitate buy-in and adoption of new initiatives.
4. Legality and Regularity Aspects	Legal restrictions on the operation of MFIs and the provision of new financial services	Medium	Low	Work closely with governmental authorities to support the process of reviewing and amending relevant legislation, ensuring that new financial products and services can be legally offered and utilized.
5. Communication and Information	Misinformation or lack of awareness about the support measures among MFIs and MSEs	Low	Medium	Implement targeted communication strategies to ensure clear, consistent, and accessible information is available to all stakeholders, including the use of local languages and media.

External Assumptions

Stable political and security environment:

The effective implementation of the action depends on a stable political and security environment in the country. In the absence of stability, the implementation of reforms may be hampered, and progress may be slow or ineffective.

Ability of MFIs to retain human and financial resources:

Despite the several crises that Lebanon has been through MFIs have been able to withstand the repeated shocks by shrinking their operations and rationalising their operational expenses. The action assumes that MFIs will have retained most of their staff and clients in the event of a new crisis or in case of a severe deterioration of economic prospects through loan forgiveness, grants and guarantee funds.

3.5. Intervention Logic

The underlying intervention logic for this action is that Lebanese Micro and Small Enterprises' access to finance has been severely strapped by the financial crisis, and Micro-Finance Institutions capacity to extend lending has been limited due to the economic crisis.

IF non-bankable MSEs are provided with access to finance, THEN they will be capable of sustaining and developing their activities leading to economic growth, job creation and reduced inequalities among vulnerable populations. IF MFIs are provided with loan capital, capacity building and operational THEN they will be capable of stabilising and restoring their activities to a level that allows them to absorb concessional loans and guarantee schemes to finance their capital growth.

IF the activities are undertaken AND the assumptions hold true, THEN Lebanon's private sector recovery, resilience and financial inclusion would be enhanced.

IF MFIs have access to grants and improved operational capacity (Outputs 1) THEN their financial adequacy and loan capability would be enhanced.

IF MSEs have better access to tailored financial products and services, higher financial literacy and increased awareness of digital financial tools, with a focus on women, youth and persons with disabilities, (Outputs 2) THEN their ability to grow and invest in green and circular business would be improved.

IF authorities have improved capacity to design secure and environmentally friendly rules for digital financial services (Output 3), THEN the legal and regulatory framework of microfinance operations would be strengthened in line with international best practices.

3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results [maximum 10 @]	Indicators [it least one indicator per expected result @]	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact 1	Improve Lebanon's private sector sustainable economic recovery, resilience and financial inclusion	1. World Bank Business Ready (B-READY) (GERF 1.13) 2. Proportion of MSEs with an account at a bank or other financial institution or with a mobile-money-service (GERF 1.14)	1. TBD 2. 12.85% (2021)	1. 50 2. 40% (2029)	1. WB 2. WB	<i>Not applicable</i>
Outcome 1	1 Improved MFIs financial adequacy and loan capacity	1.1 Amount of loan capital provided by financial institutions to MFIs	1.1 USD 0 million (2024)	1.1 USD 10 million (2029)	1.1 Financial Statements	MFIs creditors remain engaged with the sector.
Outcome 2	2 Improved MSEs' access investments in green and circular business models including for women, youth and entrepreneurs with disabilities	2.1 Number of MSEs with access to financial services with EU support (GERF 2.17) 2.2 Number of MSEs that report an increase of income as a result of EU support disaggregated by the age and gender of the entrepreneur (MIP)	2.1 TBD at inception stage 2.2. 0	2.1 500 2.2 200	2.1 Report EU-funded intervention 2.2 Report EU-funded intervention	Business environment allows to sustain the profitability of circular business models.
Outcome 3	3 Strengthened legal and regulatory framework of microfinance operations in line with international best practices	3.1 Number of policies/strategies/laws/regulations developed and/or revised (GERF 2.10)	3.1 0	3.1 3	3.1 Official Gazette	There is political buy-in on the direction of the reforms for microfinance operations.
Output 1 related to Outcome 1	1.1 Increased availability of grants for MFIs	1.1.1 Portfolio size of MFIs supported by EU intervention	1.1.1 USD 10 million (2023)	1.1.1 USD 90 million (2029)	1.1.1 World Bank	MFIs are able to attract and retain clients.

Output 2 related to Outcomes 1	1.2 Increased capacity of MFIs to respond to the operational needs of MSEs, with a focus on green and resource-efficient solutions	1.2.1 Number of employees who have benefited from training with a demonstrated increase in skills (disaggregated by sex and persons with disabilities)	1.2.1 0 (2023)	1.2.1 100 (2029)	1.2.1 Report EU-funded intervention based on assessment (pre-post)	The demand for microfinance services among MSEs remains strong.
Output 1 related to Outcome 2	2.1 Enhanced availability of tailored financial products and services provided by MFIs to MSEs for green and circular business models	2.1 Number financial products and/or services developed by the EU intervention	2.1.1 0	2.1.1 5 (2029)	2.1.1 Report EU-funded intervention	MSEs are willing to adopt green and circular business models and invest in sustainable practices.
Output 2 related to Outcome 2 Output 3 related to Outcome 2	2.2 Improved financial literacy, business skills and awareness of sustainable business practices among MSEs	2.2.1 Number of beneficiaries enrolled in training programmes who can demonstrate an increase in financial literacy levels (disaggregated by age, gender and persons with disabilities)	2.2.1 0	2.2.1 100 (2029)	2.2.1 Report EU-funded intervention 2.2.2 Report EU-funded intervention with assessment (pre-post)	MSEs are receptive to training programs that aim to enhance their financial literacy, business skills, and understanding of sustainable business practices.
	2.3 Increased awareness of MSEs with a focus on women, youth and persons with disabilities, on digital financial tools and their potential to	2.3.1 Number of attendees to awareness events with demonstrated increase in understanding of sustainable	2.3.1 0	2.3.1 200	2.3.1 Report EU-funded intervention with	Women, youth, and entrepreneurs with

	support sustainable business practices	finance (disaggregated by age, sex and persons with disabilities)			assessment (pre-post)	disabilities are effectively reached and engaged.
Output 1 related to Outcome 3	3.1 Improved capacity of authorities to design compliant, and environmentally friendly digital financial services	3.1.1 number of civil servants trained who can demonstrate an increase in skills (disaggregated by age, sex and persons with disabilities)	3.1.1 0	3.1.1 30	3.1.1 Report EU-funded intervention	The introduction of secure and compliant digital financial services is technically feasible.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the Government of Lebanon.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.³

4.3.1. Direct Management (Grants)

4.3.1.1. Grants

a) Purpose of the grant(s)

The grant will contribute to achieving the overall objective and outcomes of this action as described in section 3.1.

b) Type of applicants targeted

Local Non-Government Organisations (NGOs), International Non-Governmental Organisations (INGOs) and other civil society organisations.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to a Local Non-Government Organisations (NGOs), or an International Non-Governmental Organisations (INGOs) or a civil society organisation, selected using the following criteria:

- Proven track record of successfully implementing microfinance programmes and supporting Micro and Small Enterprises (MSEs) in Lebanon or similar contexts.
- Strong financial management capacity and ability to manage and disburse funds to MFIs effectively and efficiently.
- Extensive network and established relationships with key stakeholders in the Lebanese microfinance sector, including MFIs, regulators, and relevant government entities.

³ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- Demonstrated commitment to promoting sustainable and inclusive economic development, with a focus on supporting women, youth, and persons with disabilities.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the country is in a crisis situation (category (b) "in other exceptional and duly substantiated emergencies" of Art. 195 of the Financial Regulation) as referred to in Article 2(21) of the Financial Regulation.

The part of the action under the budgetary envelope reserved for grants may, partially or totally and including where an entity is designated for receiving a grant without a call for proposals, be implemented in indirect management with an entity, which will be selected by the Commission's services using the criteria defined in section 4.3.1.1.c above.

4.3.2. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under direct management as described in section 4.3.1 (grants) cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation would be indirect management with a pillar assessed entity using the following criteria:

- Specific sector / thematic expertise: (a) adequate capacities to engage with Micro-Finance Institutions (b) experience with support to the private sector (c) Track record of working with government institutions.
- Logistical and/or management capacities: (a) longstanding experience in the implementation of private sector support programmes in Lebanon of similar value. (b) proven Experience in implementing and providing financial support to third parties to implement initiatives in the field of private sector support (including capacity building activities) and support to authorities.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution 2024 (amount in EUR)
Implementation modalities – cf. section 4.3	
Outcome 1, Outcome 2 and Outcome 3 composed of	10 00 000.00
Grants (direct management) – cf. section 4.3.1	
Grants– total envelope under section 4.3	10 00 000.00
Evaluation – cf. section 5.2	will be covered by another Decision
Audit – cf. section 5.3	

Strategic communication and Public diplomacy – cf. section 6	will be covered by another Decision
Totals	10 000 000.00

4.6. Organisational Set-up and Responsibilities

The EU Delegation will actively contribute in the Steering Committee to be formed at the start of the project, which will include the various entities engaged in the project and other relevant stakeholders. The Steering Committee will meet at least once a year and its members will include:

- Implementing partner
- Lebanese MF association
- Ministry of Finance/BdL

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the log frame matrix (for project modality).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

- Baseline and targets will be provided at the contracting phase.
- The implementing partner will ensure that all reports shall be laid out in such a way as to allow monitoring of the means envisaged according to the budget details for the action. The final report, narrative and financial, will cover the entire period of the Action implementation. All reports shall include Sex, Age, and Disability Disaggregated Data (SADDD) by communities of origin.
- Results monitoring will be requested at end of each calendar year during the implementation and will be based on the principles of simplicity, and promoting a learning culture to inform and, where necessary, adapt delivery.
- The EU Delegation will undertake regular project monitoring visits through its own staff for independent monitoring reviews at both operational and financial level (spot-check missions).

Monitoring and reporting shall assess how the action is considering the principle of environmental sustainability, gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity. Indicators shall be disaggregated by sex and disability.

5.2. Evaluation

Having regard to the nature of the action, a mid-term and a final evaluation will be carried out for this action or its components contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the actions will be implemented to promote the engagement of CSOs in policy dialogue and to encourage the CSOs to implement innovative actions to foster social cohesion and reduce tension.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach, conflict sensitivity, as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [*Communicating and raising EU visibility: Guidance for external actions*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

Appendix 1: IDENTIFICATION OF THE PRIMARY INTERVENTION LEVEL FOR REPORTING IN OPSYS

A Primary intervention (project/programme) is a coherent set of results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

- ✓ Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
- ✓ Articulating Actions and/or Contracts according to an expected common chain of results and therefore allowing them to ensure a more efficient and aggregated monitoring and reporting of performance;
- ✓ Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

The present Action identifies as:

Contract level (i.e. Grants, Contribution Agreements, any case in which foreseen individual legal commitments identified in the budget will have different log frames, even if part of the same Action Document)		
<input type="checkbox"/>	PC-37175	Grants – Direct management