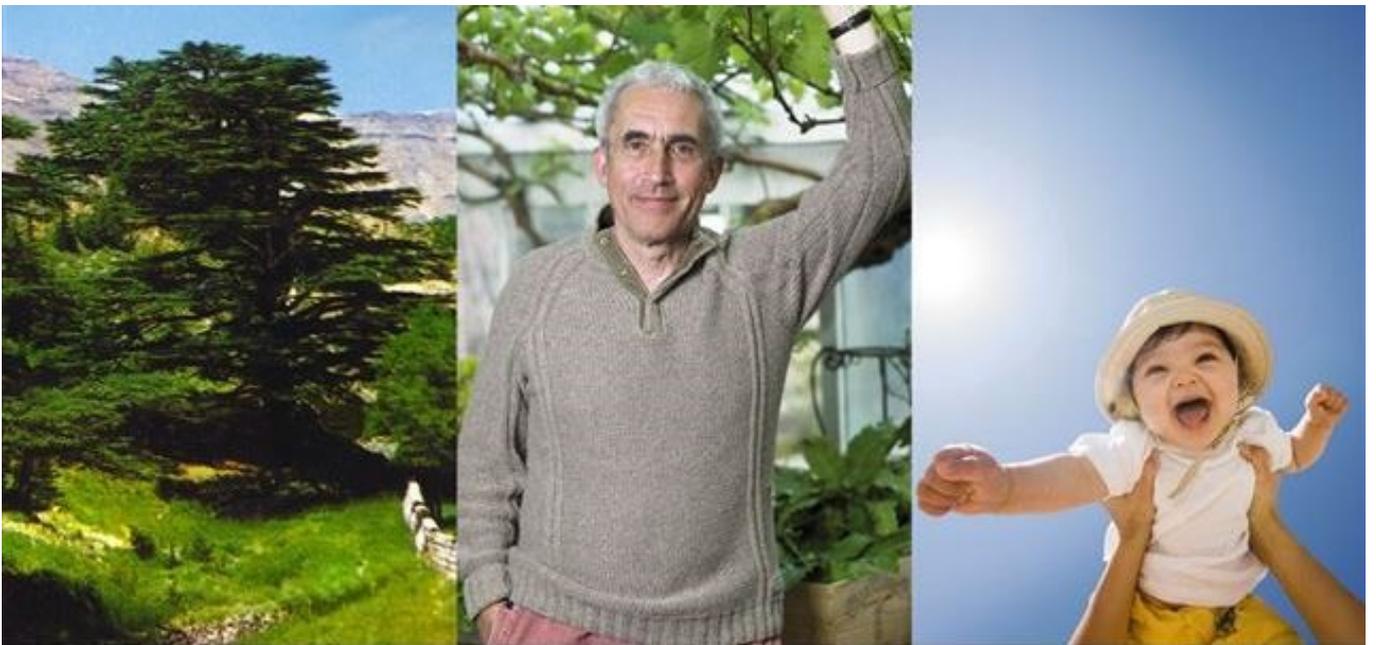




USAID | **LEBANON**
FROM THE AMERICAN PEOPLE

**USAID/Lebanon
Country Development Cooperation Strategy (CDCS)
2014 – 2018**



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USAID
من الشعب الأمريكي

Table of Contents

i. Acronyms.....	3
ii. Executive Summary.....	4
iii. Map of Lebanon.....	5
1. Development Context, Challenges and Opportunities.....	6
Development Context.....	6
Challenges.....	6
Opportunities.....	6
Impact of the Syrian Crisis on Lebanon and the USG Response	7
USAID response to the Syrian refugee crisis.....	7
2. Relationship of CDCS to U.S. Foreign Policy Objectives.....	8
3. Strategy Goal, Development Hypothesis, and Objectives	9
CDCS Results Framework	9
Development Hypothesis	10
Development Objective 1.....	10
Development Objective 2.....	11
4. Cross-Cutting Themes	11
5. USAID/Lebanon Proposed CDCS Results Framework 2014-2018	12
6. Results Framework Discussion.....	15
7. Monitoring and Evaluation Plan	23

i. Acronyms

CDCS – Country Development Cooperation Strategy
CSO – Civil Society Organization
DO – Development Objective (USAID)
DoS – Department of State (USG)
ESIA – Economic and Social Impact Assessment (World Bank)
FFP – Food for Peace Office (USAID)
GDP – Gross Domestic Product
GoL – Government of Lebanon
IMF – International Monetary Fund
IP – Implementation Plan (USAID and Implementing Partner)
IR – Intermediate Result
IT – Information Technology
M&E – Monitoring & Evaluation
MEHE – Ministry of Education and Higher Education (GoL)
MENA – Middle East and North Africa
MENA II – Middle East North Africa Investment Initiative II (USAID)
MSMEs – Micro-, small-, and medium-sized enterprises
NGO – Non-government Organization
OTI – Office of Transition Initiatives (USAID)
PMP – Performance Monitoring Plan
PRM – Bureau of Population, Refugees, and Migration (DoS)
SMEs – Small- and Medium-sized Enterprises
Sub-IR – Sub-Intermediate Result
UN – United Nations
UNICEF – United Nations Children’s Fund
UNHCR – United Nations High Commissioner for Refugees
UNRWA – United Nations Relief and Works Agency for Palestine Refugees in the Near East
USG – United States Government

ii. Executive Summary

Steeped in history and with a rich cultural heritage, modern Lebanon is today characterized by sectarian divisions and pressures from external forces that undermine attempts to build a cohesive national culture. Recently, the conflict in Syria has placed additional pressure on Lebanon as refugees arrived in unprecedented numbers. By mid-2014, Lebanon had given refuge through its “open door” policy to over one million Syrian refugees, the equivalent of 25 percent of the country’s population. The spillover from the Syria crisis has undermined security, weakened the economy, and put excessive pressure on the delivery of services already under strain. Schools are over-crowded, basic health delivery services are overwhelmed, food prices have escalated, refugees are competing with the Lebanese for jobs, and political and sectarian clashes have intensified. Tensions between Lebanese host communities and the Syrian refugee population are also growing.

U.S. foreign policy supports the country’s sovereignty and promotes stability through a range of assistance. During this 2014-2018 strategy period, USAID will reinforce this policy by improving the quality of public services available to the average Lebanese citizen, and by expanding economic opportunity. By providing improved public services, including schools, USAID programs serve to counter extremism. Further, capitalizing on its programs and working relationships, USAID will help Lebanon address the needs of vulnerable communities struggling to deal with declining income prospects and a growing refugee population; for example, with regard to education, livelihoods and access to potable water. USAID’s work will be carried out in cooperation with local and regional governmental entities, the Ministry of Education and Higher Education, and with civil society and the private sector.

This Country Development Cooperation Strategy (CDCS) proposes an overarching goal of “*improved accountability and credibility of public institutions, and broader economic prosperity.*” This goal supports the broader U.S. objective of achieving stability in Lebanon, and it aligns with various Government of Lebanon strategy pronouncements. Development Objective 1 – *improved capacity of the public sector in providing transparent, quality services across Lebanon* – reflects a program emphasis on enhancing the quality and availability of basic education, on addressing water quality and municipal level service delivery issues, on promoting accountability and transparency in public institutions, and on strengthening the ability of non-governmental organizations and civil society generally to effectively participate in and contribute to democratic governance.

Under Development Objective 2 – *inclusive economic growth enhanced* – USAID will work towards increasing the competitiveness of Lebanon’s private sector by strengthening the advocacy role of business associations, improving trade linkages, increasing access to finance credit especially in rural areas, addressing labor market issues, and providing for job-focused formal higher education and technical training for vulnerable groups.

1. Development Context, Challenges and Opportunities

Development Context

Lebanon, a nation with a long history of conflict and violence, remains fragile, with its social fabric, economy, and stability suffering due to internal and external factors, and above all from the Syria crisis. Since the end of the Lebanese civil war in 1990, the Lebanese economy has grown, but underlying tensions are resurfacing and threatening future prosperity. The escalating conflict in neighboring Syria led to a dramatic influx of refugees into Lebanon in 2013 and 2014, following relatively smaller numbers in 2012. This has strained the economy, burdened host communities, and caused clashes, particularly in Tripoli, Akkar, Bekaa, and southern Beirut. Mounting tensions between Lebanese host communities and the Syrian refugee population adds yet another stress factor.

The USG provides a spectrum of assistance designed to lead to a sovereign, stable, democratic, independent, and prosperous Lebanon that is at peace with its neighbors. USAID/Lebanon focuses its efforts on expanding and deepening the quality of public services available to the average Lebanese citizen and enhancing economic opportunity for people not otherwise benefiting from Lebanon's development.

Challenges

Inadequate infrastructure, especially electricity shortages, poor water supply systems (for both quality and delivery), undrinkable water, and crumbling and low-performing public schools are major challenges. Moreover, the growing number of Syrians taking refuge in Lebanon creates a huge additional burden on already weak public services. Therefore, organizations from across the religious spectrum have stepped in to fill the gap, offering confessional alternatives to public services.

In addition to the swelling flow of Syrian refugees escaping the violence next door, there is a sizable Palestinian population of approximately 400,000 living in 12 official refugee camps and other, unofficial, settlements. The Syrian conflict has pushed more than 50,000 additional Palestinians into Lebanon, mostly to the camps and gathering areas around the camps, straining existing conditions in Lebanon's camps and communities. The U.S. Department of State's (DoS) Bureau of Population, Refugees, and Migration (PRM) is the lead USG agency assisting Palestinian refugees in Lebanon, providing a large percentage of operating expenses for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the UN agency responsible for supporting the Palestinian refugees in the Middle East.

Another critical challenge is Lebanon's inability to address income inequality. About 28 percent of the population lives on less than \$4 a day, primarily in remote and under-privileged areas outside metropolitan Beirut. Such income inequality between urban and rural areas spurs instability and increases the attraction of extremist messages.

Finally, adding to development complexity, there is a huge data vacuum in Lebanon, and, therefore, assistance planning often requires laborious and expensive research.

Opportunities

Despite these development challenges, significant opportunities remain for USAID to engage in promoting greater economic prosperity and supporting improvements in public institutions at the regional and municipal levels. These opportunities are detailed throughout this strategy document and address basic education, improved public services, strengthened civil society participation, and greater economic opportunity.

During this strategy period, USAID will concentrate assistance on educational institutions, service delivery entities such as Water Establishments, and the private sector. A core USAID objective is to enhance economic opportunities for the disenfranchised poor of Lebanon. The aim is to create and sustain living-wage jobs. This is to be achieved primarily by increasing productivity and competitiveness in market-led sectors and expanding access to finance for micro-, small- and medium-sized enterprises. USAID's basic education and post-secondary scholarship programs complement these efforts by advancing quality public school education and offering under-privileged secondary school graduates the means to attend the country's best universities.

The pressures on Lebanon stemming from the conflict in Syria and the continuing influx of refugees into some of the country's most impoverished communities is straining livelihoods, further aggravating income inequality, and increasing tensions. The challenge – and opportunity – for USAID/Lebanon is to assist in alleviating these more immediate refugee-driven pressures, while addressing the longer-term constraints to development that are part and parcel of Lebanese institutions and structures. USAID's work in this area will contribute to the No Lost Generation initiative, a multi-stakeholder program spearheaded by the United Nations Children's Fund (UNICEF) which calls on the international community to provide \$1 billion for programs in the region to help children affected by the Syria conflict gain access to quality education, provide protective family care and reunification, protect children from violence and abuse, provide counseling and psychological support, and meet other critical needs.

Impact of the Syrian Crisis on Lebanon and the USG Response

One of the greatest threats to Lebanon's stability, prosperity, and fragile security is the spillover of the Syrian civil war and its long-term effects on the country. As of late June 2014, the GoL and the United Nations (UN) estimated that over one million Syrian refugees, registered and unregistered, are in Lebanon which is approximately one Syrian for every four Lebanese. Most Syrian refugees reside in host communities in poorer areas, straining basic services and overwhelming municipalities. They rent rooms in homes and hotels, stay with families, live in unoccupied public and private buildings or in tents on private and municipal lands. Border trade has been disrupted, severely so in some cases, and some supply chains are broken or reduced because of much higher costs, which has cut off many traditional sources of affordable goods and services, economic opportunities, and markets in Syria and the Gulf. This disruption exacerbated competition for already limited social services and jobs and increased the economic burden against a background of rising prices for some goods, including rents, and increasing security concerns. Overall, inadequate delivery of public education and health services, growing poverty, a crowded job market, reduced food security, and social fragmentation will require immediate and probably long-term attention at least through the strategy period. More broadly, tensions between Lebanese host communities and Syrian refugees have grown more acute.

The U.S. Government is the largest donor to the UN regional response plan for the Syria crisis. The USG – including the State Department's Bureau of Population, Refugees, and Migration (PRM) and USAID's Office of Food for Peace (FFP) – has provided more than \$3 billion in humanitarian assistance responding the Syria crisis, of which nearly \$616 million is for Lebanon, distributed through UN agencies as well as international and local NGOs. In Lebanon, PRM supports the full range of humanitarian assistance programs for shelter, essential household items, primary health care, emergency medical care, and psycho-social services for victims of gender-based violence and those suffering from the trauma of violence inside Syria. FFP provides assistance through the World Food Program, which amounts to approximately \$206 million to-date for assistance in Lebanon.

USAID Response to the Syrian refugee Crisis

In early 2013 USAID/Lebanon deepened its assistance to Lebanese institutions and host communities critically affected by the protracted conflict in Syria. Programs related to expanding public services, improving livelihoods, and increasing business opportunities were restructured to meet new development demands in areas that host significant numbers of refugees. Building on its experience

and networks developed during its six years in Lebanon, USAID's Office of Transition Initiatives (OTI) reconfigured its program to mitigate sectarian tensions and resource strains in the most vulnerable communities. Assistance is focused on stabilizing at-risk communities that host refugees.

Later in 2013, to further augment support, Secretary Kerry committed supplemental foreign assistance to better target those communities that are hosting Syrian refugees. Assistance was allocated among three priorities: education, social cohesion, and health. This approach allowed for a relatively quick, high-impact response to the "*Lebanon Roadmap of Priority Interventions for Stabilization from the Syrian Conflict*," while being responsive to Lebanon's needs.

During the early stages of this CDCS, USAID will maintain OTI's rapid-response and flexible mechanism to help municipalities and communities better address resource constraints, repair infrastructure, meet critical public service needs in education, health, water and sanitation, and reduce tensions in refugee-saturated areas. OTI will continue to partner with local civil society organizations to provide critical assistance to host communities and refugees, primarily in the North, the Bekaa and other vulnerable regions of the country.

USAID will also actively employ other non-OTI elements of its program to address the refugee crisis, for example, in its education work, as well as in several other critical areas. The influx of hundreds of thousands of refugee children from Syria has placed tremendous pressures on Lebanon's public school system. In partnership with the Ministry of Education and Higher Education, USAID's nationwide education program is working to help the Ministry cope with the mounting demand on the public school system. Funds are also being used to expand basic education assistance, strengthen school counseling and psychosocial services and improve the quality of learning for all students in host communities. USAID will prioritize the training of teachers, principals, and school staff in areas hosting Syrian refugees to promote the social and academic integration of students.

Local governments are strained to cope with refugees. The massive influx has placed even greater demands on them and communities, and degraded their ability to deliver services to increased populations. Community tensions often flare and extremism can germinate as a result. Within this context, USAID is working to reduce these strains on the combined populations. USAID's local governance activities place priority on heavily impacted communities, encouraging and training municipal leaders to work jointly with populations to carry out projects that improve services and create economic opportunities. USAID is helping communities to develop emergency management plans that effectively ameliorate evolving tensions between refugees and Lebanese citizens.

Water is a major concern in many communities with large numbers of refugees. USAID is building on previous program achievements and lessons learned to improve the capacity of regional Water Establishments to address the urgent water emergencies developing in refugee-affected areas, benefiting refugee populations and host communities alike.

USAID is working to promote economic opportunities for vulnerable communities, defined in this context as those which are already poor and underserved yet trying to cope with large numbers of refugees. In order to assist, USAID is particularly targeting low income rural households in these affected areas using modest agriculture schemes that will supplement their incomes and mitigate tensions. Likewise, USAID's economic growth program is emphasizing financial lending to small firms facing challenges resulting from Syrian refugee-related disruptions. The ultimate aim of this work is to create more jobs, increase incomes and alleviate tensions in the country's poorest areas affected by the refugee crisis.

2. Relationship of CDCS to U.S. Foreign Policy Objectives

The United States' assistance to Lebanon is designed to lead to a sovereign, stable, democratic, independent, and prosperous Lebanon that is at peace with its neighbors. USAID/Lebanon contributes to this effort by focusing its support on helping institutions and local governments to

become more effective and efficient in delivering basic services to the average citizen, and on stimulating private sector growth and job creation especially for people not benefiting from Lebanon's economic development. USAID/Lebanon actively participates in interagency assistance coordination. USAID works closely with the Bureau of Population, Refugees, and Migration on providing assistance to refugee-affected Lebanese communities. USAID also works to identify, coordinate, and execute civil sector Overseas Humanitarian Disaster Assistance.

3. Strategy Goal, Development Hypothesis, and Objectives

USAID/Lebanon's goal for the strategy period is "*Improved accountability and credibility of public institutions, and broader economic prosperity*". The goal, Development Objectives (Dos), Intermediate Results (IRs), and the associated interventions fit USAID's Policy Framework, 2011-2015, as well as other Agency-level sector and thematic strategies and policies. The strategy is consistent with the GoL's *National Development Plan 2011-2016* and aligns with the *National Education Strategy* and the *National Water Sector Strategy*.

The two DOs and related IRs and associated sub-intermediate results (sub-IRs) best advance the CDCS goal. They address Lebanon's development challenges and opportunities, respond to the repercussions of the current Syria refugee crisis, and capitalize on USAID's comparative technical advantages. During this strategy period, USAID assistance will continue to strengthen linkages between humanitarian relief and medium- to longer-term development needs, in order to help assure sustainable institutional progress while also easing pressures on Lebanese public services and host communities resulting from the influx of the Syrian refugees. The strategy assumes a level of relative political stability to allow USAID the flexibility to implement an integrated and coordinated development approach that fosters participatory, responsive, transparent, and accountable governance, especially at the regional and municipal levels, while enhancing economic opportunities for the poor.

CDCS Results Framework

The above-indicated goal will be achieved through the following two Development Objectives and Intermediate Results and associated Sub-Intermediate Results:

- **Development Objective 1:** Improved capacity of the public sector in providing transparent, quality services across Lebanon
 - IR1.1: Expanded access to quality education for vulnerable students in Lebanese public schools
 - Sub-IR 1.1.1: Improved reading outcomes for primary level public school students
 - Sub-IR 1.1.2: Expanded access to safe and relevant education for vulnerable public school students
 - Sub-IR 1.1.3: Strengthened management (resilience) in education system to better direct and monitor education
 - IR 1.2: Improved availability of water-related public services for all in Lebanon
 - Sub-IR 1.2.1: Increased efficiency of water management
 - Sub-IR 1.2.2: Improved water infrastructure
 - IR 1.3: Improved governance in addressing citizens' needs in public service delivery
 - Sub-IR 1.3.1: More capable municipalities working inclusively with citizens to effectively accomplish local development objectives
 - IR 1.4: Strengthened civil society contributing effectively to participatory and democratic governance

- Sub-IR 1.4.1: Citizens’ concerns increasingly addressed through Civil Society Organization (CSO) initiatives
- **Development Objective 2: Inclusive economic growth enhanced**
 - IR 2.1: Increased private sector competitiveness
 - Sub-IR 2.1.1: Strengthened business association services and policy advocacy
 - Sub-IR 2.1.2: Increased business and trade linkages
 - Sub-IR 2.1.3: Increased workforce development linked to job opportunities
 - IR 2.2: Increased access to finance, especially for business start-ups and women entrepreneurs
 - Sub-IR 2.2.1: Strengthened micro-finance association and member institutions services
 - Sub-IR 2.2.2: Increased early stage investment financing for new and existing firms

Development Hypothesis

The two DOs and IRs address interconnected challenges relating to improved services delivery and expanded economic opportunities, especially for the rural poor and other economically depressed groups. Achievement of the DOs and IRs/Sub-IRs increase the country’s prospects for long-term stability and economic prosperity, and respond to the effects of the ongoing Syrian crisis on Lebanon.

Improving the public education system and the delivery of basic services, strengthening governance capacity, and building civil society’s ability to advocate for better governance will raise citizens’ confidence in public institutions, increase transparency, and promote stability. Helping Lebanon to more effectively address the demands that the influx of Syrian refugees are placing on basic services and the economy will respond to basic needs, reduce internal tensions, and promote stability.

Increasing business opportunities for the poor, enhancing skills training and employment opportunities for youth and others, promoting business growth and competitiveness, expanding access to finance for micro-, small-, and medium-sized enterprises, and supporting new business start-ups and early-stage small and medium enterprises will, collectively, lead to achievement of broader economic prosperity.

Development Objective 1: Improved capacity of the public sector in providing transparent, quality services across Lebanon

One of Lebanon’s greatest challenges is providing adequate and quality services to its citizens. Supporting basic services including public education, strengthening municipal work, encouraging openness and good governance, and fostering a stronger civic culture will improve the capacity of the public sector in providing transparent and quality services across Lebanon.

USAID’s assistance will improve the public basic education that is available to all school-aged children by providing improved learning opportunities, and learning environments with reduced social tensions. Students will thus be better prepared to successfully proceed through the formal school system and, ultimately, be better equipped for lives of productive employment and effective participation in society and the economy. Technical assistance to municipalities will enhance their capacity to address the needs of their communities. Municipalities will have improved systems in place and greater transparency in their transactions, while citizens will participate more actively in local decision-making. Supporting civil society to advocate for citizens’ concerns will result in improved democratic governance and a stronger base for civic culture.

Similarly, USAID assistance in the water sector aligns with USAID’s new regional water security initiative¹, and supports the GoL’s recently developed water strategy that boosts the role of water institutions in providing efficient services to its citizens. USAID intends to work with regional water entities to improve management and services and rebuild customer confidence in the capabilities of these public service providers. Programs will rehabilitate existing water systems or install new ones and ensure that consumption and distribution are metered and monitored. At the same time, USAID will continue strengthening the managerial and operational functions of water entities by training staff and developing improved procedures and systems that ensure efficiency and prompt responsiveness to citizens’ demands. USAID will also work with citizens to improve their perception of water governing institutions, promote water conservation and quality protection, and highlight citizens’ duties and responsibilities towards public water providers.

Development Objective 2: Inclusive economic growth enhanced

To address income disparity, improve productivity, and strengthen the business environment, USAID’s economic growth activities will focus on improving business enabling conditions and increasing production capabilities and market access in sectors with high growth potential. Building on current and past investments and linking programs to the new Middle East and North Africa Investment Initiative (MENA II), assistance will help to increase business and employment opportunities, especially for youth and women and in rural and peri-urban areas; enhance the competitiveness of Lebanon’s high value productive sectors; expand access to finance for micro- and small-scale enterprises; and promote business start-ups. Support to these enterprises will increase sales, create jobs, and contribute to Lebanon’s overall economic growth.

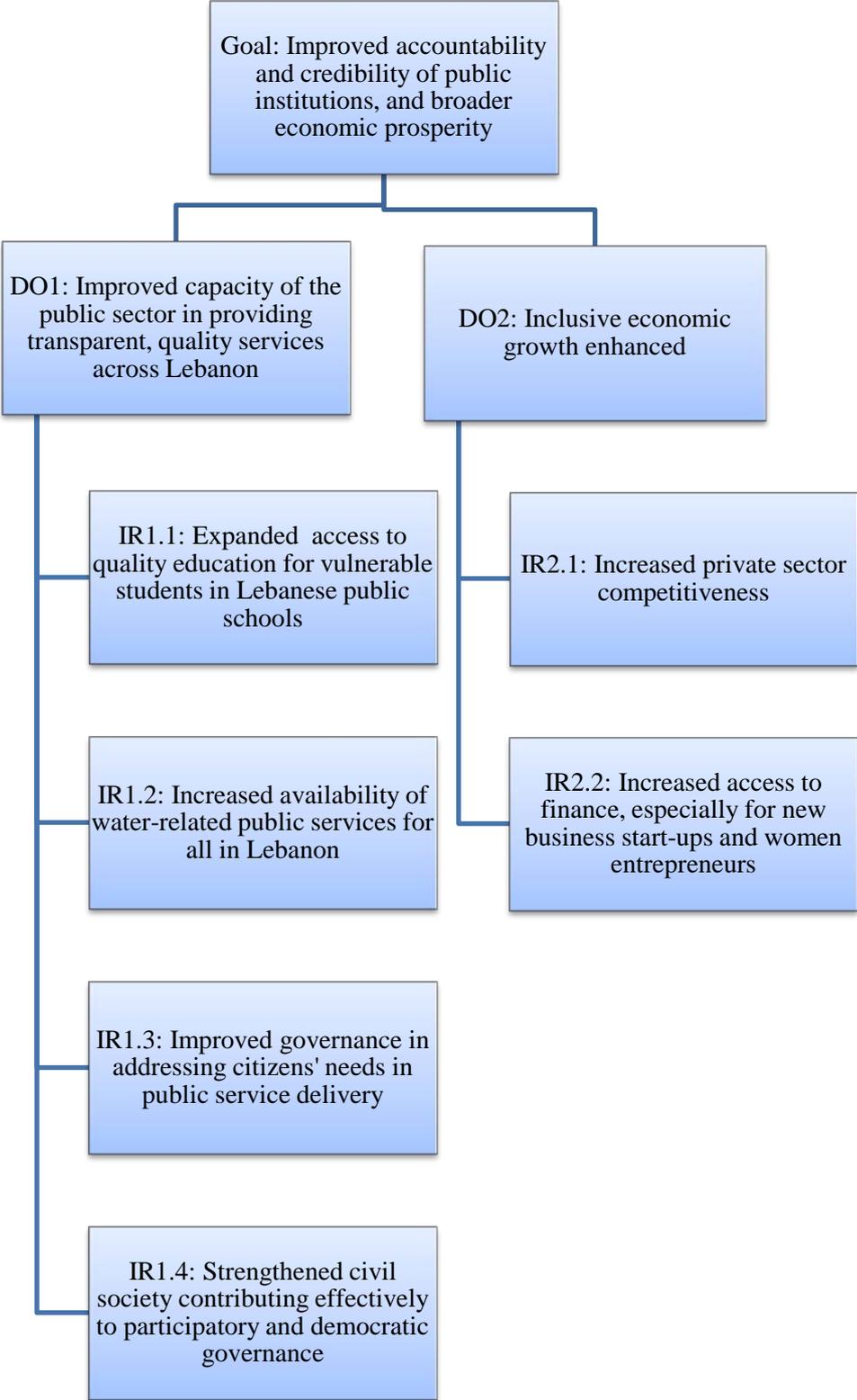
Increasing private sector competitiveness will promote the entry and expansion of high value sectors into international markets. Promoting partnerships between the private sector and vocational and technical institutions will advance workforce development. Providing higher education scholarships to enable meritorious yet financially needy public school graduates access to quality university-level education will contribute to enhancing job readiness, employability, and earning a decent income.

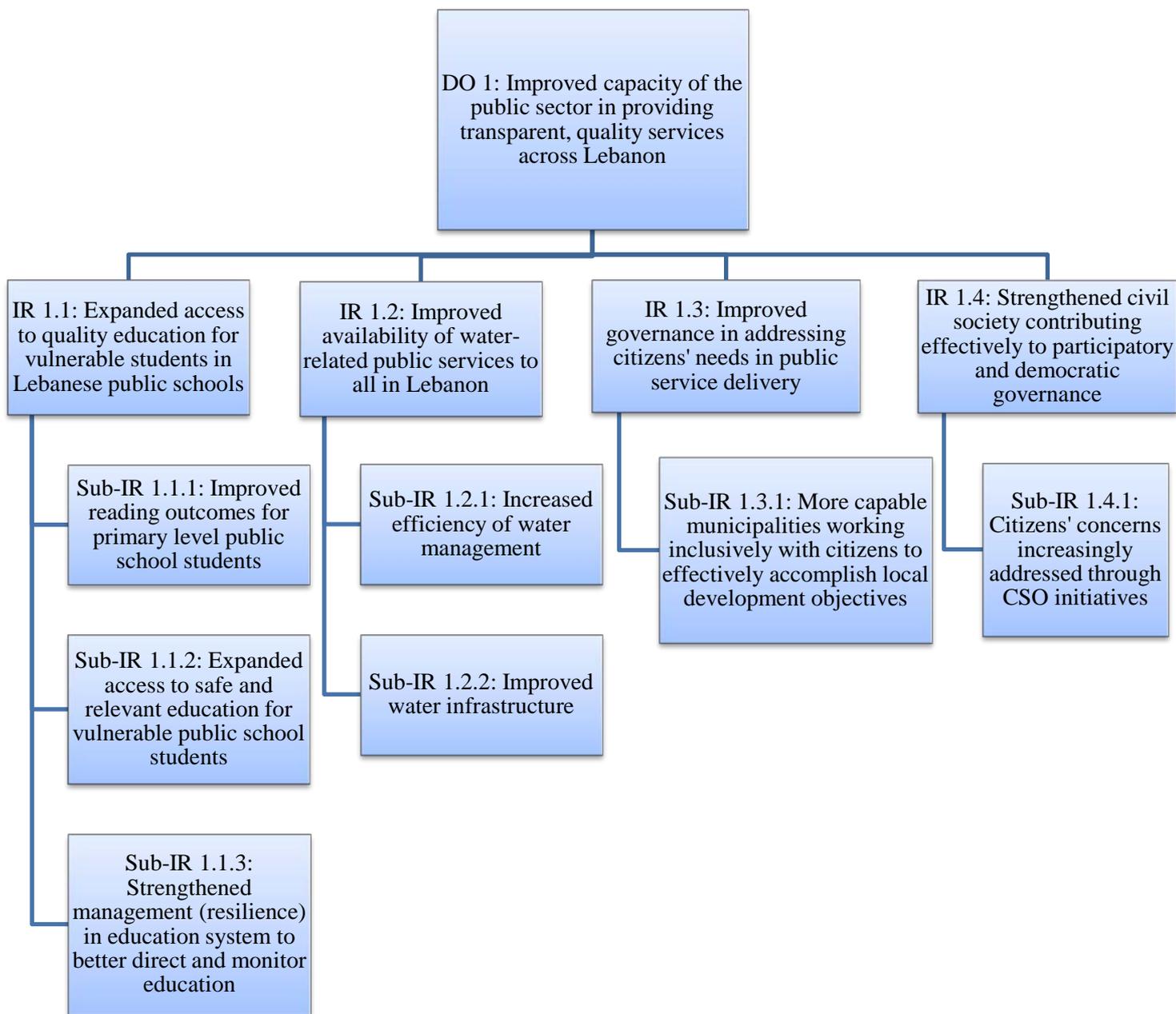
4. Cross-Cutting Themes

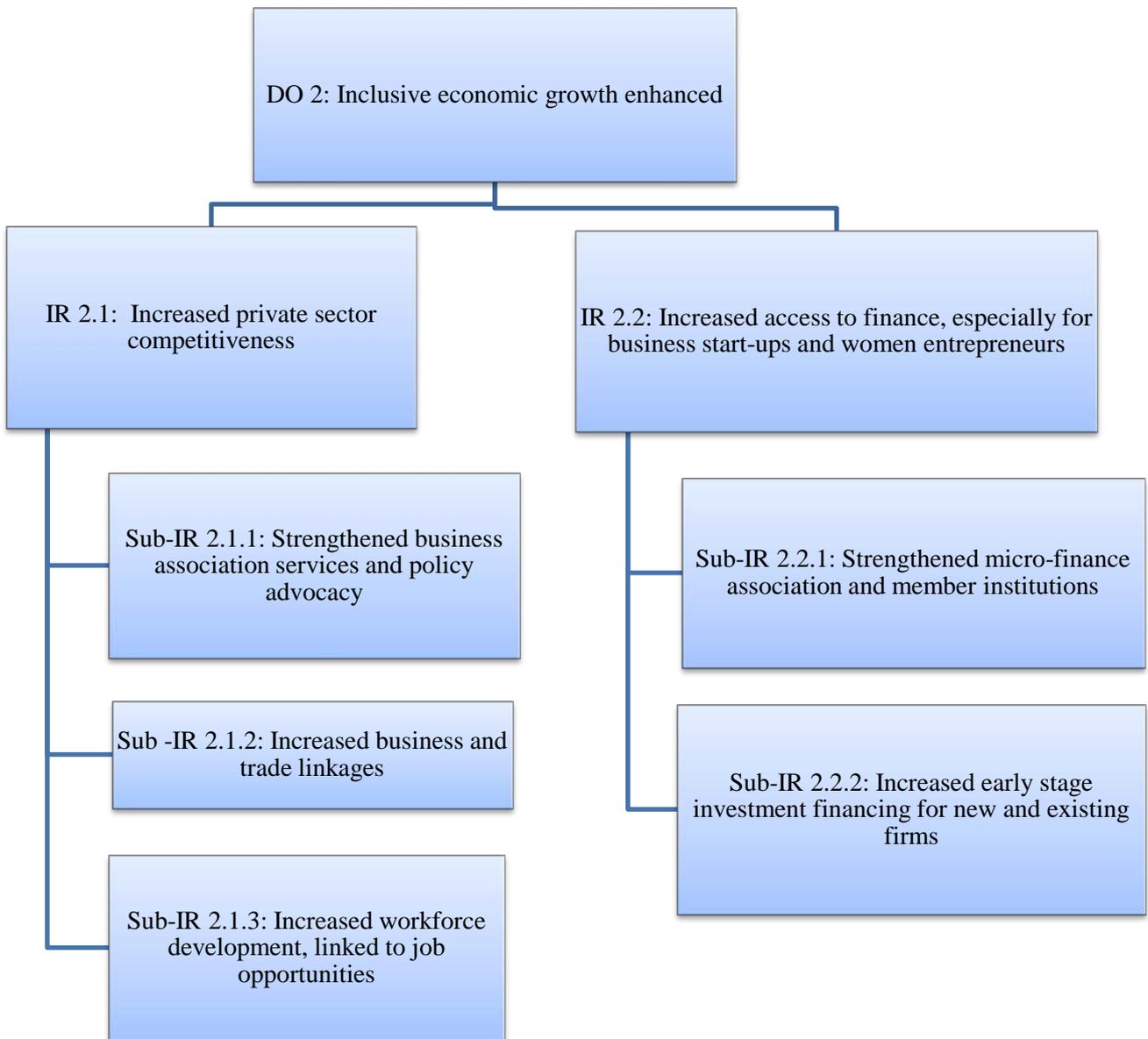
The cross-cutting themes of outreach, environmental protection, youth engagement and empowerment, gender equity, and organizational capacity development complement USAID’s two development objectives and are an integral part of USAID’s messaging and project activities.

¹ The Middle East Water Security Initiative-MWSI

5. USAID/Lebanon Proposed CDCS Results Framework 2014-2018







6. Results Framework Discussion

CDCS Goal: Improved accountability and credibility of public institutions, and broader economic prosperity

The United States' foreign policy goal in Lebanon is “*a sovereign, stable, democratic, and economically viable Lebanon at peace with its neighbors.*” USAID-managed development assistance supports this policy goal by expanding and deepening the quality of public services available to the average Lebanese citizen, and enhancing economic opportunity for those Lebanese citizens left behind.

Goal-level Illustrative Indicators:

- Improved social capital ranking
- Population living under poverty line (\$4/day)
- Percentage of citizens who feel they make a difference in their community

Development Objective 1: Improved capacity of the public sector in providing transparent, quality services across Lebanon

Illustrative Indicators:

- Number of institutional strengthening policies, regulations, guidelines, or trainings undertaken with USAID support to improve public school learning outcomes at the primary level
- Number of citizens benefiting from USAID-supported municipal level programs
- Number of civic entities with enhanced advocacy abilities, as a result of USAID support

Lebanon's vibrant, active, and diverse civil society faces major constraints thwarting its ability to influence public policy. These constraints are both internal and external.

Nonetheless, well-established Lebanese NGOs have played a modest role in advancing reform on a number of issues. At the community level, NGOs are active in a variety of areas, from service delivery to environmental protection and social assistance. But by and large, organizations that seek to impact public policy are disconnected from the grassroots, while those active at the grassroots level have little understanding of advocacy. In addition, many civil society organizations suffer from internal governance weaknesses and lack of capacity that limit their reach and impact. Despite these challenges, Lebanese civil society continues to evolve, mature, and grow in influence, and it often plays a constructive role in gathering together diverse coalitions from various confessions to advocate on behalf of a specific issue, such as environmental protection. Thus civil society groups not only advocate for the sake of the issues they cover, but they also help build bridges between groups from different religions.

The civic challenges in Lebanon include improving government responsiveness, advancing transparency and the rule of law, increasing accountability, improving citizens' perception of government as a legitimate institution, and encouraging higher levels of productive and peaceful civic activism.

Addressing these fundamental challenges, USAID/Lebanon will continue during this strategy period and under this DO to promote democratic, accountable, and collaborative government while preserving Lebanon's social and political pluralism. This will be achieved by improving basic education; expanding access to reliable, affordable, and quality water services; expanding local government service delivery capacities; and strengthening civil society's ability to create a stronger civic culture and more democratic governance.

Intermediate Result 1.1: Expanded access to quality education for vulnerable students in Lebanese public schools

IR Illustrative Indicators:

- Proportion of students in targeted schools who, by the end of two grades of primary schooling, demonstrate on-grade learning skills
- Number of teachers/educators trained with USG support
- Number of learners enrolled in schools or equivalent non-school based settings with USG support (Standard Indicator [SI])

Sub-IR 1.1.1: Improved reading outcomes for primary level public school students

Sub-IR 1.1.2: Expanded access to safe and relevant education for vulnerable public school students²

Sub-IR 1.1.3: Strengthened management (resilience) in education system to better direct and monitor education

Description of Intermediate Result

Lebanon's public school system suffered tragically after the outbreak of the civil war in 1975. Since that time, the country witnessed a wide discrepancy in investment between previously highly regarded public schools and private, often religious-based, schools with the vast majority of resources flowing into the private system. Public schools are now overcrowded and under-resourced in terms of teachers, equipment and facilities. Consequently, approximately 70 percent of Lebanese children attend private educational institutions.

The Lebanese public education sector suffers from high dropout rates between the fourth and seventh grades³. These trends are worse in the North and parts of the Bekaa Valley, where unemployment is correspondingly high. The quality of private education is often higher than that of public education, resulting in increased gaps between the more economically advantaged youth and their poorer peers. These gaps are manifested in significant differences in graduates' employment potential and preparedness for more productive and profitable jobs.

In addition, Lebanese public schools suffer from a severe shortage of qualified English and French speakers who can teach math and science in these languages, a key requirement for students seeking higher degrees. Many public schools have inadequate bathrooms, heating, and other infrastructure. Audio-visual equipment and blackboards are often non-existent. Most of these schools are not equipped with standardized computer and science labs. Continuing teacher training and education are limited. These factors contribute to poor school test scores and higher drop-out rates. With increasing global economic competition, many students graduate poorly prepared, a circumstance that holds back the country's social, political and economic progress.

Spillover from the civil war in Syria and the resulting large number of Syrian refugees fleeing into Lebanon (nearly half of them children) exacerbate these challenges. As of October 2014, the United Nations High Commissioner for Refugees (UNHCR) estimated there were approximately 476,000 school-age children (between ages 3 and 18), of which only about 176,000 were in school. International donors, the GoL and the MEHE agree on the necessity of strengthening the formal education system, supporting non-formal education and training options to reach out of school students, and address refugee-related issues.

USAID interventions in this sector will build on previous program achievements and lessons learned. Interventions will include a focus on reading in the early grades in order to improve learning

² Including Syrians

³ *Agence Française de Développement*: October 2010 report

outcomes for primary level public school students for continued retention and success in future grades, on supporting psycho-social efforts to mitigate school level tensions that are arising due to the Syrian refugee situation, and on strengthening the MEHE's resilience through improved monitoring and improving access. USAID Lebanon's basic education program will be aligned with USAID's Education Strategy and results under this program will contribute to the Education Strategy's goals and objectives. By expanding access to quality public education, USAID's assistance will help restore citizens' confidence in the public education system and enhance the quality of the learning that public schools offer. The improved educational services provided by public schools will offer low income families a good alternative to expensive and often religious-based private education.

Intermediate Result 1.2: Improved availability of water-related public services to all in Lebanon

IR Illustrative Indicators:

- Number of customers with improved access to potable water supply
- Increased number of customers who pay their bills
- Number of citizens' complaints addressed effectively
- Decrease in non-revenue water

Sub-IR 1.2.1: Increased efficiency of water management

Sub-IR 1.2.2: Improved water infrastructure

Description of Intermediate Result

Lebanon benefits from comparatively good annual precipitation rates and water reserves, but a rapidly growing population, an expanding agricultural sector, and unpredictable precipitation patterns are threatening water availability. Due to inefficiencies in resource management and old infrastructure networks and irrigation systems, more than 50 percent of water resources are lost, leading to projections of water deficits by 2025⁴. Water quality is also deteriorating in Lebanon due to surface and underground water pollution caused by decades of chaotic urbanization, lack of proper waste management systems and dumping of waste of all kinds in rivers, sea outfalls and valleys. Water for irrigation is key to supporting the livelihoods of rural citizens, who tend to be most vulnerable to appeals and conditions-based support from extremist movements. Reliable access to safe drinking water is a basic human right and an expectation of all citizens. The lack of water threatens government credibility, public health, the environment, and agricultural enterprises.

The increased refugee population fleeing from the turmoil in Syria is aggravating Lebanon's complex water-related issues. The World Bank's 2013 Economic and Social Impact Assessment (ESIA) estimates that the additional demand on the water and wastewater sector is about 26.1 million m³/year (cubic meters/year), equivalent to seven percent of the pre-crisis demand, and that an estimated \$340-375 million will be required over a two-year period (2012-2014) to stabilize the sector and deliver services to host communities and refugees. To date efforts remain scattered and have not succeeded in stabilizing the sector. In an effort to improve conditions, USAID will continue to assist regional water authorities in coping with the impact of the refugee crisis on the water sector.

USAID engagement under this IR will help Lebanese policy makers and key stakeholders improve their ability to make better choices regarding limited water resources, while strengthening the four Regional Water Establishments' capacity to deliver quality and safe drinking water and manage the increased demand on the inadequate water system. Local solutions to key water challenges will be developed through coordination with the Middle East and North Africa (MENA) Network on Water Centers of Excellence and with other innovators working on water-related technologies. Public-private investment programs will be encouraged to participate in efforts to reduce non-revenue water

⁴ *National Water Sector Strategy (2010)* – Lebanon Ministry of Energy and Water

(water lost through leakage or non-payment), decrease the cost of extracting and pumping, and explore new water sources. USAID/Lebanon's water program will be aligned to USAID's new regional water security initiative, and results under USAID's water-related efforts will contribute to the goals and objectives of this broader initiative.

By improving equitable access to safe, reliable and affordable water services, USAID assistance will help in restoring consumer confidence in water governing institutions and enhance users' perceptions that local government can indeed provide reliable and affordable public services. The improved capability of Water Establishments will help to fulfill their mandate as autonomously operating institutions to generate revenues, eliminate debt and engage in capital investment planning.

Intermediate Result 1.3: Improved governance in addressing citizens' needs in public service delivery

IR Illustrative Indicators:

- Number of municipalities in partnership with lead NGOs or for-profit private sector entities that are implementing citizen-identified projects, as a result of USG assistance
- Percentage increase in customer satisfaction with public services in areas receiving USG assistance
Percentage of assisted municipalities that have improved internal systems

Sub-IR 1.3.1: More capable municipalities working inclusively with citizens to more effectively accomplish local development objectives

Description of Intermediate Result

Since 1975, and the advent of the civil war, local and national governance issues have emerged. Reconstruction efforts in the early 1990s increased stability and economic activities in Lebanon, but did not address problems with centralized governance that constrains decision-making at the local level. Municipalities are eager to meet the service delivery needs of their constituents, but face challenges due to a lack of funds, personnel and capacities.

There are about 957 municipalities and approximately 1,200 villages in the country, with municipal councils elected every four years. They, in turn, elect the mayors or municipal council presidents. A decentralization law has been debated for several years, but has yet to gain parliamentary approval. Such a law would give locally-elected officials greater financial and administrative autonomy and allow decentralization of public services by moving responsibilities to the municipal level.

Municipal councils are legally permitted to directly collect 16 different tariffs and fees with specified tax rates, but only a handful of these are significant sources of revenue. The allocation of funds and medium- to long-term planning is equally difficult for local governments. Often, municipalities engage in development projects without measuring the impact on the surrounding region outside of their local jurisdiction.

The Syrian conflict has placed even greater demands on municipal governments in those communities that accommodate large numbers of refugees. Already service delivery is further diminished by pressures coming from the refugee presence. In many host communities, particularly in North Lebanon and the Bekaa, the influx of cheap labor significantly reduced wages and further impacted municipalities and local economies.

To promote regional impact and the efficiencies that can be realized from joint efforts, the GoL established the concept of "municipal unions" in which groups of municipalities can work together formally. A few of these have been quite successful, but they face considerable challenges. For example, they are often established without reflecting the social, geographic, financial, and political differences among municipalities. In such cases, a highly diverse mix of municipalities with often-

diverging aspirations and plans can cripple potential cooperation. Regional planning at the municipal union level or even district level is very weak, when present at all. Consequently, municipalities implement a multitude of diverse projects that contribute to short-term progress, but fall short of long-term and regional impact.

Few Lebanese citizens are aware of the legal framework for local governance, including a legal requirement for public announcements of council decisions. Better-informed citizens would not only be empowered to hold local government accountable and demand greater participation, but also would be better able to appreciate the challenges and constraints under which Lebanese municipalities operate and the ways in which they can assist in improving the quality of life in their communities.

In order to deepen connections between the public and their local representatives, USAID will build the institutional capacities of municipalities and strengthen their ability to deliver quality services, while better integrating citizens in the decision-making process. Municipalities will be supported in designing and implementing community projects in close coordination with local non-governmental organizations and private entities.

Intermediate Result 1.4: Strengthened civil society contributing effectively to participatory and democratic governance

IR Illustrative Indicators:

- Number of USAID-assisted local CSOs engaged in community, regional and national programs (broken down by women-run versus other NGOs, and percentage of women compared to men in CSOs engaged in programs)
- Number of citizens engaged in local and national advocacy activities
- Percentage of citizens who feel that their concerns are well-represented by civil society organizations

Sub-IR 1.4.1: Citizens' concerns increasingly addressed through CSO initiatives

Description of Intermediate Result

Lebanon has a varied and sophisticated civil society. As public sector institutions weakened considerably after the outbreak of war in 1975, the non-governmental sector rose to organize people and communities and harness a collective spirit to improve the lives of constituents. There are well over 5,000 registered NGOs in Lebanon, with nearly 1,000 currently active. The majority focus upon small community needs or confessional priorities.

However, Lebanon's vibrant, active, and diverse civil society faces major constraints – internal and external – thwarting its ability to influence public policy. Well-established, Beirut-based NGOs play a modest yet important role in advancing reform outside of Beirut on a number of issues, including elections, economic development, the environment, and gender-based violence. At the community level, NGOs are active in a variety of areas – from service delivery to environmental protection and social assistance. Generally, Beirut-based organizations that seek to impact national public policy are disconnected from the grassroots, while those active at the grassroots level have little understanding of advocacy. In addition, many civil society organizations suffer from internal governance weaknesses and lack of capacities that limit their reach and impact. Despite these challenges, Lebanese civil society holds promise as a potential agent of change as it continues to mature, build alliances, learn from the past, and seek inspiration from the broader demands for change that are fitfully sweeping the region.

Within this context, USAID will provide technical assistance to local civil society organizations to improve their institutional capacity in administrative and financial operations, fundraising, and advocacy. The overarching goal of this assistance is to improve these organizations' internal

operations and their ability to play a larger role in fueling civic initiatives and change, including with regard to the rule of law, good governance, and adherence to basic human rights.

Development Objective 2: Inclusive economic growth enhanced

Illustrative Indicators:

- Number of jobs impacted by USAID interventions
- Number of households benefiting directly from USG interventions
- Number of MSME (micro-, small-, and medium-sized enterprises) credit borrowers as a result of USG assistance

Historically, Lebanon has been a regional finance, trade and cultural center. Its relatively high GDP per capita reflects an economy resilient to internal and external shocks. The reality, however, is one of growing disparities between greater Beirut and outlying rural areas with significant pockets of poverty. Half of the country's population lives in Beirut and its surrounding neighborhoods, and possesses the largest share of the country's wealth. Poverty remains particularly evident in rural areas, especially in the Northern regions of Akkar, Hermel, and Baalbek, where it has persisted for many years. Challenges in these areas resulted in those most adversely affected migrating to urban centers and surrounding suburbs in search of economic opportunity, though few actually escape poverty.

While Lebanon boasts one of the most sophisticated and successful banking sectors in the region, thanks in large part to the country's enormous flows of remittances and other account transfers from abroad, the benefits of that success have not reached many of the country's rural poor nor micro-, small-, and medium-sized business owners. Lebanon's financial sector registers high deposit growth rates, which enabled banks to finance the borrowing needs of the public and private sectors. However, according to statistics released by the Central Bank of Lebanon, more than 90 percent of bank loans are in urban areas, with 80 percent in Beirut alone. Moreover, the agricultural sector, one of the sectors in dire need for financing, receives a mere one percent of total banking sector loans. The Lebanese banking sector is very conservative and access to capital for rural businesses is constrained by banks' requests for high collateral and lack of lending flexibility for seasonal businesses.

High input costs and unskilled labor, compounded by a poor enabling environment, inhibit investment and retard economic prosperity in some sectors. This has most affected agriculture and some light industrial sectors, and to a certain extent construction and small-scale businesses. In some of the poorest rural areas of Lebanon, agriculture accounts for over 50 percent of total income, yet the structure of the economy in these areas is locked into low productivity, low value-added jobs, and low wages.

In the meantime, work with the various business chambers and associations to build their capacity to advocate for reforms in support of private sector growth is the best approach to promote improvements in the business environment. Workforce development through skills training – including higher education and vocational and technical instruction for youth and women – will help to alleviate unemployment and reduce poverty. Supporting improvements in the agriculture sector and in the provision of business services – including access to credit and trade linkages, and the application of improved technologies and quality production inputs – will also help tackle important constraints to inclusive growth and opportunities for rural populations.

Intermediate Result 2.1: Increased private sector competitiveness

IR Illustrative Indicators:

- Number of MSMEs, including farmers and others in rural areas, benefiting from improved

business environment, new technologies, and other initiatives of USAID-assisted advocacy associations Number of firms that have increased access to business and trade linkages as a result of USAID assistance

- Number of recipients who benefited from workforce development efforts (skills training and education) as a result of USAID support, and secured jobs

Sub-IR 2.1.1: Strengthened business association services and policy advocacy

Sub-IR 2.1.2: Increased business and trade linkages

Sub-IR 2.1.3: Increased workforce development linked to job opportunities

Description of Intermediate Result

Lebanon is a middle-income country with a traditional mercantile culture that, until recently, enjoyed robust growth. While much of the world's output dropped during 2008–2010, Lebanon had annual growth rates averaging 9.1 percent during this four-year period. However, GDP growth was only 2.0 percent in 2011, 2.5 percent in 2012, and 1.5 percent in 2013 (International Monetary Fund (IMF)). GDP growth in 2014 is projected at around 1.75 percent.)

The Lebanese private sector continues to be dominated by small, family-owned enterprises. The transformation of these many small enterprises into stronger, more competitive businesses – and the emergence of viable start-ups – is stymied by several factors: (a) a weak business enabling environment; (b) conservative lending that does not provide the level of capital and equity financing needed to achieve strong growth and provide jobs; (c) entrepreneurs with limited “soft skills”, e.g., the ability to adapt quickly to changing markets, seize opportunities for innovation, and effectively motivate employees/teams in modern work settings; (d) inadequate access to new technologies that promote efficiency; (e) weak relationships between businesses on the one hand and service providers and advocacy business organizations on the other; (f) fragile trade linkages to potential markets, that are further disrupted by the Syrian crisis; and (g) limited workforce and skills training opportunities clearly linked to job opportunities, especially for youth, women, and vulnerable groups.

With specific regard to workforce development and opportunities for vulnerable groups, youth in Lebanon in particular face a multitude of risks that often hinder their educational path, and eventually, their future economic prosperity. Financially needy students often drop out of school due to poor family support, lack of social encouragement for attaining an education, and dire need for family income that puts them into child labor or low paying menial tasks. Financially needy students who are fortunate enough to have completed secondary education often have limited opportunities to access quality higher education. Such young people – short on education and short on jobs that will support them – are especially vulnerable to appeals and support from extremist movements.

These circumstances drive the imperative of a strong workforce development initiative under this IR. Skills training, internships, and scholarships will match business needs with learning opportunities and build the management and technical capabilities of youth, while also focusing on the training needs of women and vulnerable groups such as those visually or physically challenged.

National and sub-national chambers of commerce, universities, business associations, and civic groups show great interest in improving the regulatory environment in Lebanon, enhancing business competitiveness, and creating jobs and stability. Whereas these entities have passion and vision, many lack resources and capacities. USAID will help assure that the Lebanese private sector can operate within a more business-friendly environment, through supporting these business organizations and chambers of commerce to advocate with government institutions for business-related policy and regulatory changes that will promote growth and encourage competitiveness.

Improved sharing of information about and opportunities in regional and global markets will strengthen and expand trade linkages and advance the application of up-to-date technologies and research and development findings to meet new and ever-changing market demands. The adoption of

new technologies and management techniques will help farmers and businesses improve production to better meet market requirements. These IR 2.1 initiatives to foster investment and business growth, competitiveness, and job creation will be complemented by IR 2.2 efforts to increase access to financing.

Intermediate Result 2.2: Increased access to finance, especially for new business start-ups and women entrepreneurs

IR Illustrative Indicators:

- Total number of client households and enterprises benefitting from financial services provided through USAID-assisted financial intermediaries, including non-financial institutions or actors
- Number of firms that have successfully accessed bank loans, private equity (or both) as a result of USAID assistance
- Number of MSMEs, including farmers, receiving business development services from USAID-assisted sources

Sub-IR 2.2.1: Strengthened micro-finance association and member institutions

Sub-IR 2.2.2: Increased early stage investment financing for new and existing firms

Description of Intermediate Result

Lack of equity finance supporting new or current business growth and development is a serious constraint in the Lebanese economy for MSME firms and individuals at all levels, as well as a significant hindrance to increasing economic opportunities and private sector competitiveness. In particular, new business start-ups suffer from three substantial gaps in the financial landscape environment: (1) access to funding at the early stage where entrepreneurs need to develop their ideas into viable concepts and products; (2) seed funding needed when starting a company; and (3) absence of angel and venture finance for firms to reach growth stage and beyond. Banks, individuals, or group investors are conservative by nature and do not provide the finance to the extent required by MSMEs. In the current environment, these challenges are exacerbated for new business start-ups, particularly for businesses or start-ups owned by women who usually do not have access to the type of collateral needed to obtain commercial loans or equity financing.

Micro- and small-sized firm access to capital for businesses is constrained by banks' requests for high collateral and a lack of lending flexibility for seasonal businesses such as agriculture, handicrafts, tourism, consumables for tourists, and certain services. Hampered by low productivity and a weak investment climate, micro- and small-sized firms around the country are paralyzed by the lack of affordable credit and specialized support services. When they can access credit, it is typically on less favorable terms, with high collateral requirements, at higher rates and shorter terms. Currently, there are approximately a dozen microfinance institutions that provide capital for microenterprise firms to start-up or provide valuable operating funds to meet business operating expenses. These circumstances are further exacerbated by the spillover from the Syrian crisis, which has limited investment and business expansion even more due to security concerns.

USAID engagement under this IR will increase access to finance and related business services for new business start-ups, existing micro- and small-sized firms, and women entrepreneurs, helping them to grow, move into new markets, and create jobs. There will be a particular focus on addressing needs in rural areas and, complementing efforts under IR 2.1, there will be an emphasis on lending to small Lebanese firms facing strained resources resulting from the rise in refugee population.

7. Monitoring and Evaluation Plan

Monitoring and evaluation (M&E) forms a critical component of USAID/Lebanon's development approach. Through rigorous M&E efforts USAID/Lebanon will assess and improve the results of programs, justify assistance resources with empirical evidence and data, and demonstrate a commitment to accountability and transparency. Further, through consultations with other donors and stakeholders in Lebanon USAID/Lebanon endeavors to share lessons learned and information to make U.S. development assistance in the country more effective.

Throughout the preceding CDCS narrative, proposed indicators were included by DO to illustrate the specific results to which the individual DOs, IRs, and their activities will contribute. Mid-term and end-of-project evaluations of major projects will be used to adapt activities to better achieve results and to identify areas of cross-sectoral collaboration. In addition, impact evaluations may be employed by each DO to assess broader level sectoral results.

Throughout CDCS period, USAID will continue to manage its Performance Management Plan as well as validate and refine performance indicators, baselines, and targets.

