

**United Nations Development Programme**  
**Country: LEBANON**  
**Project Document**

**Project Title:** Support to the Economic and Social Fund for Development

**UNDAF Outcome(s):** (4) socio-economic status of vulnerable groups and their access to sustainable livelihood opportunities and quality basic social services are improved within a coherent policy framework of reduction of regional disparities

**Expected CP Outcome(s):** (2) Local governance structures in target under-served regions strengthened for better representation, participation, and basic local services delivery; CP Output(s) 2.1. Capacities of institutions and community groups strengthened for effective formulation and implementation of regional and local development plans including women and youth; 2.3. Capacities and access of local entrepreneurs and SMEs (mainly in poor regions) enhanced for income generating activities and support to livelihoods development

**Expected Output(s):** Economic and Social Fund for Development supported in enhancing employment opportunities and conducting community development activities

**Responsible Party:** UNDP

**Implementing Partner:** CDR

**Brief Description**

The project will support the Economic and Social Fund for Development in enhancing employment opportunities and community development activities. UNDP has regional offices and projects across the country and strong partnerships with local actors and could therefore ensure synergy with both the community development and the job creation components at ESFD to achieve the vision of a sustainable and comprehensive local development approach and results. The project will focus to support ESFD in fostering employment opportunities in deprived areas of Lebanon and will assist in the identification and implementation of local development projects involving all local stakeholders.

Programme Period:	2011 - 2014
Atlas Award ID:	00060895
Atlas Project ID:	00076878
Start date:	Jan 2011
End Date:	Dec 2014
PAC Meeting Date:	
Management Arrangements	NIM

Total resources required:	USD 5,030,844
Total allocated resources:	USD 5,030,844
Revenues from ESFD	
Revolving fund	USD 5,030,844
F&A (5%)	USD 239,564

**Agreed by the Council for Development and Reconstruction, Mr. Nabil El Jisr**

**Signature:** 

**Date:** 3/12/10

**Agreed by the UNDP Resident Representative, Ms. Marta Ruedas:**

**Signature:** 

**Date:** 3-XII-2010

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## I. SITUATION ANALYSIS

The United Nations Development Programme (UNDP) in Lebanon currently operates on the basis of the *Country Programme Action Plan for 2010-2014*, which was approved by the Government of Lebanon in December 2009. This new plan will guide the UNDP Lebanon country office's programmes and projects for this period, and will focus the programmes around key "Development Focus Areas." While the Council of Development and Reconstruction (CDR) became the entity responsible for reconstruction and development, its role has evolved to include initiatives that address social and economic issues, and has therefore become the de facto government counterpart of UNDP.

The UNDP Social and Local Development Programme is responsible for supporting over 10 different projects with a particular focus on vulnerable regions of Lebanon. This encompasses the North, South, Bekaa, Beirut Southern Suburbs and Mount Lebanon regions. Those projects are essentially aiming at promoting and improving social and economic sustainable development at the local level involving all key stakeholders including municipalities, the civil society and the private sector.

The Economic and Social Fund for Development (ESFD) started with an initial budget of EUR 31 million and has been initiated following a signed agreement between the European Commission and the Government of Lebanon in 2000. These EC funds provide financial support to the implementation of activities and are separate from the ESFD revolving fund. ESFD was launched in June 2002 as a semi-autonomous structure with a Managing Director reporting directly to the CDR President and a mandate of poverty alleviation in Lebanon.

The ESFD is expected to become an independent institution with wide autonomy, which will be supported by UNDP in achieving full operational status and sharing best practices.

The ESFD focuses on two main areas of intervention:

- The job creation component, which aims at enhancing job opportunities in the disadvantaged areas of Lebanon through the provision of credit to small and medium enterprises and capacity development to individual entrepreneurs.
- The community development component, which provides financial grants and technical support to projects proposed by local communities to improve social and economic living conditions of low-income groups.

The ESFD's budget estimate for 2010 is USD 11.6 million. The interest generated from loans is used to cover overhead costs of ESFD and essentially provides its sustainability. Disaggregation between activities and overheads (such as staff salaries, office rent, IT, training, audit or other running costs), shows that the latter accounts for a little over USD 1 million part of the 2010 budget.

ESFD operations on the ground have started in 2003. As of end of August 2010, it has financed 4,850 projects, including 3,550 targeted to Small and Medium Enterprises (SMEs), and 1,300 to Micro-



Enterprises and revolving a total of around USD 27 million. It has also supported a diverse range of projects not limited to funding long-established SMEs activities, but expanded to a significant number of start-up projects with an increased engagement with women entrepreneurs.

The Community Development Component successfully prepared and implemented 54 local development projects with an overall value of EUR 6.8 million in 20 partner communities with prevailing levels of poverty. The activities include productive projects in the agricultural sector (production and processing), local infrastructure and social service projects. The Community Development Component has also planned and currently implementing 10 projects for the rehabilitation of local infrastructure to communities affected by the armed conflict of 2006.

Overall in 5 years, ESFD has created almost 3,200 jobs with a direct and indirect livelihood impact on 144,650 permanent residents in 37 villages across Lebanon. Therefore, accrued support to ESFD is necessary to yield increased positive impact on local development.

ESFD has 21 core positions of which 5 positions are vacant. ESFD operations require the facility of mobilizing temporary experts (currently around 20). At the management level, the Director of ESFD directly reports to the President of CDR. The internal structure of ESFD follows the two main activity components supported by the operational team.

ESFD current status with CDR and its lack of legal entity have to some extent impaired its scope to attract and mobilize new external funds. While ESFD is endowed by funds with the EC, it is also in its interest to attract new donors for which its perceived fragile structure is a disincentive.

At a programmatic level, there are great synergies to be observed between ESFD and the UNDP Social and Local Development Portfolio. UNDP has regional offices and projects across the country and strong partnerships with local actors and could therefore ensure synergy with both the community development and the job creation components at ESFD to achieve the vision of a sustainable and comprehensive local development approach and results. Specifically related to economic and social local development, the Social and Local Development Portfolio is currently supporting and implementing projects of key relevance to ESFD. A new component of local economic development has been materialized across Lebanon through the Local Economic Development Offices (LEDOs), however it lacks the extensive field and programmatic experience ESFD has achieved since its creation and is limited in geographical outreach.

The Portfolio is already engaged with numerous activities covering the previously mentioned regions of Lebanon and supporting small-scale economic projects, local stakeholders' capacity development for elaborating and implementing local development plans, as well as other localized income-generating initiatives. It should be noted that ESFD is an already long established credit-scheme institution prior to this proposed UNDP support.

The Business Development Services (BDS) at ESFD has over the years proved to be an important catalyst for lending activities. The BDS officers in the regions identify SMEs, provide support and develop un-banked business owners in poor areas into bankable clients who would, otherwise, not enjoy the

benefits of financial services. The BDS would benefit from the presence of UNDP regional offices and build-on UNDP existing network, while UNDP will gain more strength on local economic development issues.

The Community Development Component at ESFD is one of the main players in preparing and implementing several local development projects in various communities across Lebanon with prevailing levels of poverty. The activities include productive projects in the agricultural sector (production and processing), local infrastructure and social service projects. UNDP implements several similar projects and would therefore coordinate activities.



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## **II. STRATEGY**

Despite its large micro, small and medium businesses presence across Lebanon, Lebanese entrepreneurs have limited access to credit to expand their operations and receive little business support services. Similarly, local development projects are scarce when compared to the needs of the most deprived areas of Lebanon, generally scattered and not results-based.

The project will support the Economic and Social Fund for Development in the management of its overhead and in enhancing employment opportunities and community development activities. This will be done through two main activities and sub-activities exposed below.

### **Activity 1: Increase job creation in under-served regions of Lebanon**

The project will assist ESFD on fostering employment opportunities in deprived areas of Lebanon. This will be conducted through the identification of existing small and medium enterprises in selected poor areas of Lebanon. Data collection and recording will serve the purpose of creating and maintaining a database of potential targeted beneficiaries.

Based on this database, the project will assist ESFD to provide support to un-banked business owners. With the provision of financial services, these business owners will become bankable clients with the opportunity to develop their technical and professional capacities. UNDP will ensure the quality and delivery of these financial services through thorough field monitoring, reporting and evaluation.

In turn, small and medium enterprises will be offered access to credit schemes to increase their growth and prosperity. This credit scheme will complement the activities of the LEDOs in geographical coverage and number of beneficiaries. Given their programmatic synergies, both institutions will be mutually collaborating on a continuous basis.

### **Activity 2: Support community development initiatives in under-served regions of Lebanon**

The project will also support ESFD's other component of engaging with community development initiatives. Following local participatory approaches, the project representatives will coordinate and assist in the identification and implementation of local development projects involving all local stakeholders (municipalities, NGOs, CSOs, youth groups etc). This will consist of the selection of communities for project intervention, undertaking participatory planning at the local level and conducting feasibility studies. The resources mobilised for the implementation of the community development initiatives originates from the European Commission funds external to the ESFD revolving funds used for this project. Therefore, UNDP will support these activities holding a monitoring role.

The selected local development projects from ESFD will be in relation with the agricultural, infrastructure and social services sectors. These will be prioritised according to their sustainability and productive impact on the local communities. The implemented local development projects will receive from UNDP regular monitoring and follow-up.

### III. RESULTS AND RESOURCE FRAMEWORK

<p><b>Intended Outcome as stated in the Country Programme Results and Resource Framework:</b> Local governance structures in target under-served regions strengthened for better representation, participation, and basic local services delivery</p> <p>CP Output 2.1 Capacities of institutions and community groups strengthened for effective formulation and implementation of regional and local development plans including women and youth</p> <p>Output 2.3: Capacities and access of local entrepreneurs and SMEs (mainly in poor regions) enhanced for income generating activities and support to livelihoods development</p> <p><b>Output indicators as stated in the Country Programme Results and Resources Framework:</b> Indicator 2.1: By 2014, local governance structures in four under-served regions with capacity to formulate and implement local development strategic initiatives</p> <p><b>Project Title and ID (ATLAS ID):</b> Support to the Economic and Social Fund for Development (Award ID: 00060895, Project ID: 00076878)</p>
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PROJECT OUTPUTS	OUTPUT TARGETS	INDICATIVE/HIGH LEVEL ACTIVITIES	RESPONSIBLE PARTIES	ANNUAL INPUT IN USD
<p><b>Output 1:</b></p> <p>Economic and Social Fund for Development supported in enhancing employment opportunities and conducting community development activities</p>	<p><b>Yearly Target:</b></p> <ul style="list-style-type: none"> <li>- 960 SMEs financed in under-served regions of Lebanon</li> <li>- 650 new jobs created in under-served regions of Lebanon</li> <li>- 480 SMEs received business</li> </ul>	<p><b>Activity 1: Increase job creation in under-served regions of Lebanon</b></p> <p>1.1. Support the identification of SMEs in under-served regions of Lebanon</p> <p>1.2. Provide support and develop un-</p>	<p>UNDP</p> <p>ESFD</p> <p>CDR</p>	<p><b>TOTAL A1:</b></p> <p><b>USD 690,352</b></p>

	<p>opportunities for financial inclusion</p> <p><b>Baseline:</b></p> <ul style="list-style-type: none"> <li>- SMEs have limited access to credits in under-served regions of Lebanon</li> <li>- SMEs have limited access to business support in under-served regions of Lebanon</li> </ul> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>- Number of SMEs financed</li> <li>- Number of new jobs created in under-served regions</li> <li>- Number of SMEs received business support for financial inclusion</li> </ul>	<p>banked business owners in poor areas into bankable clients</p> <p>1.3. Support access to credit to SMEs</p>		
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	<p><b>Yearly Target:</b></p> <ul style="list-style-type: none"> <li>- More than 100,000 individuals supported to benefit from project interventions</li> <li>- Support to at least 8 community development projects implemented</li> </ul> <p><b>Baseline:</b></p> <ul style="list-style-type: none"> <li>- Local development initiatives scattered and implemented with limited impact</li> </ul> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>- Number of individuals benefited from project interventions</li> <li>- Number of community development projects implemented</li> </ul>	<p><b>Activity 2: Support community development initiatives in under-served regions of Lebanon</b></p> <p>2.1. Support the coordination and assist in the identification of local development projects in various communities across Lebanon with prevailing levels of poverty with a focus on the agricultural sector (production and processing), local infrastructure and social service projects</p> <p>2.2. Support the implementation of selected local development projects with the local stakeholders</p>	<p><b>UNDP</b></p> <p><b>ESFD</b></p> <p><b>CDR</b></p>	<p><b>TOTAL A2:</b></p> <p><b>USD 567,359</b></p>
<p><b>TOTAL ANNUAL PROJECT BUDGET</b></p>				<p><b>USD 1,257,711</b></p>

#### IV. ANNUAL WORK PLAN

Expected Outputs	Planned Activity	ANNUAL PLANNED BUDGET											Amount (USD)					
		Fund		Donor	B/A	Budget Description	Year 2011	Year 2012	Year 2013	Year 2014	Q 1	Q 2	Q 3	Q 4				
		Q 1	Q 2															
<b>Output 1:</b> Economic and Social Fund for Development supported in enhancing employment opportunities and conducting community development activities	<b>Activity 1:</b> Increase job creation in under-served regions of Lebanon	x	x									x	x	479,000	479,000	479,000	479,000	
		x	x										x	x	69,368	69,368	69,368	69,368
		x	x										x	x	19,840	19,840	19,840	19,840
		x	x										x	x	818	818	818	818
		x	x										x	x	11,904	11,904	11,904	11,904
		x	x										x	x	5,000	5,000	5,000	5,000
		x	x										x	x	8,928	8,928	8,928	8,928
		x	x										x	x	37,200	37,200	37,200	37,200
		x	x										x	x	16,120	16,120	16,120	16,120
		x	x										x	x	9,300	9,300	9,300	9,300
														32,874	32,874	32,874	32,874	
														<b>690,352</b>	<b>690,352</b>	<b>690,352</b>	<b>690,352</b>	
<b>Activity 2:</b> Support community development initiatives in under-served regions of Lebanon	<b>Activity 2:</b> Support community development initiatives in under-served regions of Lebanon	x	x									x	x	5,700	5,700	5,700	5,700	
		x	x										x	x	136,000	136,000	136,000	136,000
		x	x										x	x	293,000	293,000	293,000	293,000
		x	x										x	x	42,532	42,532	42,532	42,532
		x	x										x	x	9,880	9,880	9,880	9,880
		x	x										x	x	12,160	12,160	12,160	12,160
														5,472	5,472	5,472	5,472	





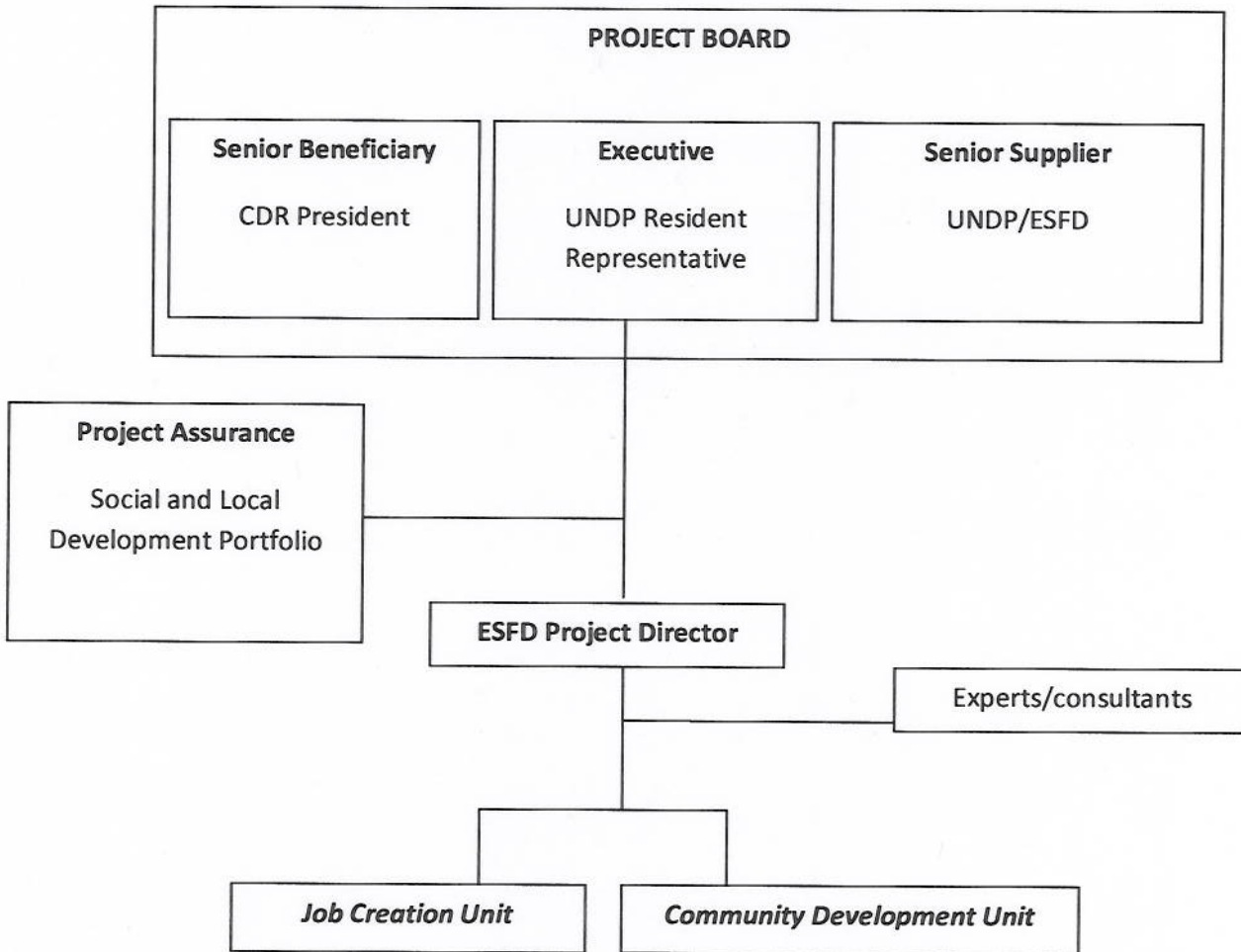
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## V. MANAGEMENT ARRANGEMENTS

1. The Project will be implemented under the UNDP Support National Implementation Modality (NIM), whereby CDR/ESFD will be the implementing partner and UNDP will act as Responsible Party. However, UNDP will not be held responsible for the quality and performance of activities which are funded and ruled by financial and other agreements made prior to this Project Document.
2. UNDP will continue to ensure high-quality technical and financial implementation of the project and will be only be responsible for monitoring and ensuring proper use of allocated funds to the assigned activities as per the project annual work plans, timely reporting of implementation progress as well as undertaking of mandatory and non-mandatory evaluations for each of their respective components.
3. **UNDP's rules and regulations will apply to all new ESFD overhead procurement and HR activities. UNDP will take in charge ESFD's overhead cost. All current TORs of full time ESFD staff who previously undertook competitive process for selection will be adjusted to UNDP salary scale and will be issued UNDP Service Contracts. The recruitment process will be closely overseen by the UNDP HR Unit according to comprehensive UNDP rules and regulations concerning job-matching, salary scale and Service Contract issuance and other required procedures.**

UNDP management of ESFD's HR and overhead procurement needs will enhance potential to mobilize external funds from a diverse range of donors. UNDP benefits from a trust built at the global and national levels being the UN's global network for development, applying strict rules and regulations both programmatically and operationally.
4. UNDP will also support ESFD to become an independent institution as per the first ESFD financing agreement that established it
5. This project document is an additional agreement for the ESFD and does not amend, nor replace nor delete any legal documents that govern the ESFD legal status.
6. **Fund arrangements with financial institutions will not be affected by this agreement between UNDP and CDR/ESFD. New programmatic activities with new donors will be encouraged to be mobilized through this project to fall under the UNDP overhead procurement rules and regulations.**
7. **The Project Board** will be responsible for making by consensus, management decisions and recommendations for this project including approval of project plans, budgets and revisions. In order to ensure UNDP's ultimate accountability, Project Board decisions should be made in accordance to standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. In case a consensus cannot be reached within the Board, final decision shall rest with the UNDP Programme Manager.
8. **Project Assurance:** In what relates to this project document, the UNDP Social and Local Development Programme is responsible for project assurance
9. **Project Director (ESFD Project Director):** In what relates to this project document, the Project Director is responsible for day-to-day management and decision-making for the project. The Project Director's prime responsibility is to ensure that the project produces the results (outputs) specified in the project document, to the required standard of quality and within the specified constraints of time and cost.
10. The duration of this project document is for four years, and could be extended or renewed by mutual written agreement. However, it stops being effective, automatically, when ESFD is established as an autonomous legal entity.
11. In case the partnership between CDR/ESFD and UNDP expressed in this project document ends for whatever reason, the mandates related to this project document are automatically transferred to current (previous to this agreement) status.

**ORGANISATION STRUCTURE RELATED TO THIS PROJECT**





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## VI. MONITORING FRAMEWORK AND EVALUATION

Day-to-day monitoring of implementation progress will be the responsibility of the Project Director who will inform the UNDP and CDR of any delays or difficulties faced during implementation so that the appropriate support or corrective measures can be adopted in a timely and remedial fashion.

Periodic monitoring of implementation progress will be undertaken by UNDP and CDR so that the appropriate support will be provided through regular meetings with the project team, or more frequently as deemed necessary. This will allow parties to take stock and to troubleshoot any problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities. Details of the monitoring requirements are as follows:

### i. Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- A project lessons-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organisation, and to facilitate the preparation of the Lessons Learned Report at the end of the project.
- An Issue Log shall be activated in Atlas and updated by the Project Director to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis, a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a Project Progress Reports (PPR) shall be submitted by the Project Director to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- A Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

### ii. Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Director.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.



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## VII. LEGAL CONTEXT

This project document shall be the instrument referred to as "Project Documents or other instruments" in Article 1 of the Standard Basic Assistance Agreement between the Government of Lebanon and the United Nations Development Programme, signed by the parties on 10 February 1960. The host-country executing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the Government cooperating agency described in that Agreement.

The following types of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he or she is assured that the other signatories of the project document have no objection to the proposed changes:

- Revisions in, or addition of, any of the annexes of the project document;
- Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and
- Mandatory annual revisions, which re-phase the delivery of, agreed project inputs or reflect increased expert or other costs due to inflation, or take into account cooperating agency expenditure flexibility.

## VIII. QUALITY MANAGEMENT FOR PROJECT OUTPUT RESULTS

<b>OUTPUT 1. Economic and Social Fund for Development supported in enhancing employment opportunities and conducting community development activities</b>		
<b>Activity 1 Results:</b>	Increase job creation in under-served regions of Lebanon	Start Date: January 2011 End Date: December 2014
<b>Purpose</b>	<i>To enhance job opportunities in the disadvantaged areas of Lebanon through the provision of credit to small and medium enterprises and capacity development to individual entrepreneurs</i>	
<b>Description</b>	<ul style="list-style-type: none"> <li>- Identify SMEs in under-served regions of Lebanon</li> <li>- Provide support and develop un-banked business owners in poor areas into bankable clients</li> <li>- Provide access to credit to SMEs</li> </ul>	
<b>Quality Criteria</b> <i>How/With what indicators the quality of the activity result will be measured?</i>	<b>Quality Method</b> <i>Means of verification. What method will be used to determine if quality criteria has been met?</i>	<b>Date of Assessment</b> <i>When will the assessment of quality be performed?</i>
<ul style="list-style-type: none"> <li>- Number of SMEs financed</li> <li>- Number of new jobs created in under-served regions</li> <li>- Number of SMEs received business support for financial inclusion</li> </ul>	<ul style="list-style-type: none"> <li>- Review of progress report</li> <li>- Field visits</li> </ul>	Throughout the project
<b>Activity 2 Results:</b>	Support community development initiatives in under-served regions of Lebanon	Start Date: January 2011 End Date: December 2014
<b>Purpose</b>	<i>To improve social and economic living conditions of low-income groups in the disadvantaged areas of Lebanon</i>	
<b>Description</b>	<ul style="list-style-type: none"> <li>- Assist in the identification of local development projects in various communities across Lebanon with prevailing levels of poverty with a focus on the agricultural sector (production and processing), local infrastructure and social service projects</li> </ul>	

	- Support the implementation of selected local development projects with the local stakeholders	
<b>Quality Criteria</b>  <i>How/With what indicators the quality of the activity result will be measured?</i>	<b>Quality Method</b>  <i>Means of verification. What method will be used to determine if quality criteria has been met?</i>	<b>Date of Assessment</b>  <i>When will the assessment of quality be performed?</i>
<ul style="list-style-type: none"> <li>- Number of individuals benefited from project interventions</li> <li>- Number of community development projects implemented</li> </ul>	<ul style="list-style-type: none"> <li>- Review of progress report</li> <li>- Field visits</li> </ul>	Throughout the project



**IX. RISK ANALYSIS**

#	Description	Date Identified	Type	Impact & Probability (1= low, 5=high)	Countermeasures / Management response	Owner	Submitted, updated by	Last Update	Status
1	Political instability at national and local levels	Throughout the project	Political	National or local political changes or tension can delay implementing several activities P=3 I=5	Close collaboration between CDR President, stakeholders and UNDP				
2	Low willingness to cooperate amongst stakeholders	Throughout the project	Operational	This can delay the implementation of some activities P=3 I=4	Clear mechanism of engagement and collaboration, close support from the project team				
3	Difficulty to achieve results related to project activities.	End of the project	Technical	This may affect the perceived impact of the project in the community P=2 I=3	Continued engagement with the local stakeholders and ensure sustainability and long term commitment				

4	Difficulties in ensuring proper implementation of activities carried out by ESFD that are not financed by this project and which do not follow UNDP's rules and regulations	Through out the project	Operational	This can impact negatively on ESFD's activities and collaboration between ESFD and UNDP  P=2 I=5	Continued coordination between ESFD and UNDP and continuous UNDP monitoring				
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