



annd

Arab NGO Network for Development
شبكة المنظمات العربية غير الحكومية للتنمية

Lebanon's membership bid to European Bank for Reconstruction and Development:

Civil society should remain alert on the way forward

The European Bank for Reconstruction and Development (EBRD) was established in 1991, in response to the major changes in the political and economic context in Central and Eastern European countries. Its main aim is to “promote market economies that function well – where businesses are competitive, innovation is encouraged, household incomes reflect rising employment and productivity, and environmental and social conditions reflect peoples’ needs.”

The Bank's mandate was expanded to cover Southern and Eastern Mediterranean countries (SEMED), including Jordan, Tunisia, Egypt and Morocco, in follow up of the Arab Spring, through Deauville Partnership that was meant to support the region toward “free, democratic and tolerant societies”.

According to the EBRD, its aim in the region is to improve financing of the private sector, including small and medium-sized enterprises (SMEs), via direct investments in loans and equities, while providing support and expertise through policy dialogue, capacity building and other forms of technical assistance. ANND, through joint initiatives with Civil Society member organizations from SEMED countries raised concerns on EBRD engagement in the region since the first investments in 2012 calling principally that “the EBRD's support for the economy should be rooted in an economic model, where productive capacities, redistribution mechanisms, employment and wages take the forefront, thus promoting transition to a socially just, energy efficient, renewable-based economies”. Concerns on environmental, social and economic development were articulated by advocacy letters sent in relation to projects implemented in each of the countries of concern and through active participation of the groups in Annual meetings of the Bank.

Now in addition to these four countries, the Bank announced the official request of membership made by Lebanon. If approved in December, Lebanon then would be able to apply to become a recipient of EBRD funding and investment. A fact-finding mission on the legibility of Lebanon was undertaken last week headed by the Managing Director for SEMED.



annd

Arab NGO Network for Development
شبكة المنظمات العربية غير الحكومية للتنمية

CSOs should be prepared to monitor the future projects to be funded by EBRD. It is worth noting that ANND considers Lebanon's strategic decision towards EBRD membership as a crucial momentum to take a proactive role and to shed light on rights-based and development related concerns for EBRD's future engagement in the country. Accordingly, we would like to stress:

1. While Lebanon's bid for EBRD membership came together with the increasing pressure of Syrian refugees in the country, **the future investments that would be made in Lebanon by EBRD should assure to enhance productive sectors that refugees can contribute to.** As acknowledged by the EBRD in its Regional Economic Perspectives report by November 2015¹, "If refugees contribute productively to the labor market, their impact might be growth-positive, albeit challenging for certain cohorts of domestic workers, as labor competition rises. If, however, refugees do not productively contribute to labor market, they are likely to put a burden on public expenditure, while at the same time dent public revenues through a rise in informal employment."
2. SMEs support is at the center of **EBRD engagement in the region. As in other recipient countries, this support should contribute to economic diversification and revive productive capacity of Lebanon.** Support to SMEs should tackle key challenges faced by SMEs and increase their technological capacities, know-how, and manufacturing capacities. The SME support should be part of a comprehensive and sustainable development approach and be towards ensuring structural transformation in industry, aiming at moving them away from low value added manufacturing tasks and orienting them to the productive sectors with values added. Rather than aiming principally SMEs engagement in global value chains organized by transnational corporations, it should support them in developing national and regional production chains.
3. Energy is a crucial sector that the Bank invests in the region and can play a key role for EBRD's engagement in Lebanon as well. This would be a particular concern given Lebanon's potential on exploration of oil & gas resources that lies in the deep offshore of the Lebanese Exclusive Economic

¹ www.ebrd.com/documents/comms-and-bis/rep-final.pdf



annd

Arab NGO Network for Development
شبكة المنظمات العربية غير الحكومية للتنمية

- Zone. Yet, as in the other recipient countries of the region, **Bank's possible energy investments in Lebanon should accelerate the energy sector development to cope with the rapidly growing demand, essentially by means of renewables and energy efficiency.** Such investments should focus on decreasing dependence on oil and gas and improve environmental quality. In addition, for any energy related investments- and other projects in Lebanon, the EBRD should ensure transparency on all stages of the projects, undertaking rights-based impact assessments on social, economic and environmental levels.
4. In the region, EBRD is a keen promoter of public-private partnerships including energy, infrastructure, industry and agribusiness sectors. Nevertheless, regarding Lebanon, an assessment undertaken by ANND on PPP legislative framework reveal several steps to be undertaken to insure proper functioning, including adoption of a national plan that determines the amount of PPP investments needed depending on the national needs, imposing transparency mechanisms on the private sector partner and access to information, need of compensation mechanisms for victims and legislative administrative control. Therefore EBRD's future engagement in Lebanon should refrain a push for PPPs **without enough safeguards are put into place, especially in sectors which supply citizens with basic needs such as food could lead to higher prices of these basic services and harm the lives of citizens.**

Last but not least, the decision towards Lebanon membership and recipient country status will require the launch of a transparent, inclusive consultation process by EBRD, to ensure that concerns of all development actors including that of civil society are taken into consideration in related spaces including Technical Assessments, Country Reports, and sectoral Level consultations. Timely disclosure of information will be key in this regard.