

FINAL VERSION, 11<sup>th</sup> of July 2014

**Programme Document**  
**for**  
**the Oil for Development (OfD) Programme Phase 2**  
**in Lebanon**

<b>Cooperating institutions in Lebanon</b>	Lebanese Petroleum Administration (PA), Ministry of Energy and Water (MoEW), Ministry of Finance (MoF), Ministry of Environment (MoE)
<b>Cooperating institutions in Norway</b>	Ministry of Petroleum and Energy, Ministry of Climate and Environment and Ministry of Finance; in addition to Norwegian Petroleum Directorate, Norwegian Environment Agency, Norwegian Petroleum Safety Authority and Norwegian Coastal Administration
<b>Programme duration</b>	2014 - 2017

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## **1. INTRODUCTION**

Through the Oil for Development (OfD) programme, Norway has been providing petroleum related development assistance to Lebanon since 2006 (phase 1). In phase 1, the objective was to support the Lebanese government in developing a legal framework for the petroleum sector and build capacity in the relevant public institutions for managing petroleum resources. In particular, the programme was focusing on planning a licensing process and preparing existing and new petroleum data for promotion purposes, build capacity related to environmental issues concerning petroleum activities, including impact assessments. The last activity was conducted in April 2012.

The main results of phase 1 included, among others, the development of the following legal framework: Petroleum Policy ratified by the Council of Ministers (CoM) in 2007; Offshore Petroleum Resources Law (OPRL) approved in 2010; and Petroleum Activities Regulations (PAR) approved in 2013. In addition, related documentation to the Exploration and Production Agreement (EPA) such as a Joint Operating Agreement (JOA) and the Accounting and Financial Procedure (AFP) was prepared. Furthermore, the programme has improved capacity and competence (administratively, legally and technically) in key stakeholders such as the CoM, the Ministry of Energy and Water (MoEW), the Ministry of Environment (MoE), the Ministry of Finance (MoF) and other institutions that will be both directly and indirectly involved in the future management of the petroleum resources. Moreover, the programme has provided assistance in developing the institutional framework for the Petroleum Administration (PA), resulting in a Decree from the CoM in 2012 detailing its internal bylaws and opening for the establishment of the Board of Directors. Finally, the programme contributed to the process of undertaking the Strategic Environmental Assessment (SEA) regarding the petroleum sector.

The Lebanese government, represented by the MoEW, submitted a formal request for further assistance through the OfD programme to the Norwegian Embassy in Beirut in November 2011. Following the appointment of the PA Board in December 2012, a second request was submitted in February 2013.

## **2. STATUS AND CHALLENGES IN THE PETROLEUM SECTOR**

The petroleum sector in Lebanon is at an early stage. There are currently no exploration or production activities. However, recently collected seismic data indicate a potential for petroleum resources. Also the gas discoveries made in the Eastern Mediterranean region bring a good indication of the prospectiveness of the Lebanese Continental Shelf as it constitutes a major part of the Levant basin. Proven gas discoveries to date in the Eastern Mediterranean amount to approximately 40 trillion cubic feet.

The majority of the petroleum regulatory framework is in place. The PA, with a Board of Directors, is formally established and operating as a regulatory authority with a special coordinating role in the petroleum sector. The PA is the main cooperating partner of the international petroleum companies engaged in Lebanon. The competence in petroleum management in the government institutions, such as the PA, MoF and MoE, need strengthening to ensure sustainable management of the resources. The sector is quickly developing from a preparation to an implementation phase.

The Lebanese government initiated its first prequalification round for the first Lebanese offshore licensing round in February 2013. The prequalification round is completed, and 46 companies from 23 countries were prequalified. The licensing round was launched on 2 May 2013, with a deadline for submitting tenders in January 2014. The award of exploration licenses was expected in March 2014, and it was recently postponed to August 2014.

There are numerous challenges and needs in the petroleum sector in both the short and medium term. These include, but are not limited to the following:

- Managing petroleum resources, with focus on the completion of the first offshore licensing round in accordance with international best practice;
- Securing petroleum sector adherence to national regulations and international best practice regarding health, safety and the environment;
- Preparing medium and long-term policies and strategies to develop the petroleum sector in the country including policies for the sale or exploitation of the produced petroleum;
- Elaborating the roles and responsibilities of the involved institutions in the sector, including identification of overlap;
- Establishing the authority and professional integrity of the PA as the regulatory authority in the petroleum sector;
- Developing capacity and competence in petroleum management in the PA and key stakeholder institutions such as the MoEW, MoF and the MoE;
- Enhancing accountability and transparency in the management of the petroleum resources;
- Ensuring proper supervision of petroleum operations and facilitation of efficient procedures for any decisions regarding development and production;
- Implementing measures and procedures to monitor and audit cost petroleum (recoverable costs), profit petroleum, royalty and cash flow attributable to Right Holders;
- Auditing and following-up requests and inquiries from operators or Right Holders from economic and financial viewpoints;
- Ensuring data management and fiscal metering in line with international best practice;
- Establishing efficient communication and cooperation between the involved government institutions, and with national stakeholders including civil society and media;
- Supporting the national educational sector in order to provide the national skills needed to develop the petroleum sector;
- Establishing a sustainable revenue management system to ensure efficient and sustainable use of the potential petroleum revenues.

Although all the challenges mentioned above are all of importance, it is recognized that the OfD programme phase 2 (hereafter the Programme) may only address a limited number of them. The focus in the Programme will be on the exploration and development for the early production phase.

### 3. GOAL HIERARCHY

#### 3.1 Goal

*The goal of the Programme in Lebanon is to ensure the sustainable management of petroleum resources which safeguards the needs for present and future generations in Lebanon.*

Sustainable management of petroleum resources includes an efficient public administration for the upstream petroleum sector, with roles and responsibilities clearly defined, institutions capable of planning, promoting and monitoring petroleum exploration and production activities in an accountable manner, and managing State interests and revenues in a sustainable way to the benefit of the economy and people of Lebanon.

Selected indicators for measuring progress at impact level:

Indicator	Baseline June 2014	Source
GDP per capita per year (current USD)	9 705 USD (2012)	World Bank
Index of Economic Freedom rank	96 of 178 (2013)	Heritage Foundation
Ease of doing business rank	111 of 189 (2013)	World Bank
Human Development Index rank	72 of 186 (2013)	United Nations Development Programme

Corruption Perception Index rank	127 of 177 (2013)	Transparency International
World Governance Indicators	Percentile Rank (2013)	World Bank
1. Voice and accountability	1. 34,6	
2. Political stability	2. 6,3	
3. Government effectiveness	3. 43,1	
4. Regulatory quality	4. 47,4	
5. Rule of law	5. 27,5	
6. Control of corruption	6. 21,5	
Gender Gap Index rank	123 of 133 (2013)	World Economic Forum
World Press Freedom Index rank	106 of 180 (2013)	Reporters Without Borders
Proven petroleum reserves	Seismic data indicate potential, but currently no discoveries	Lebanese Government

### 3.2 Outcomes

The abovementioned goal will be achieved through the following Programme outcomes:

- Outcome 1: Lebanon establish a strategic, legal and fiscal framework for managing the petroleum sector
- Outcome 2: The government entities carry out their assigned roles and responsibilities in accordance with the strategic, legal and fiscal framework in the petroleum sector
- Outcome 3: Accountability and transparency in the petroleum sector is strong

The outputs to be produced in the Programme are further described in Chapter 4. Proposed activities and related timelines and budgets will be developed in annual work plans.

## 4. PROGRAMME DESCRIPTION

### 4.1 Outcome 1: Lebanon establish a strategic, legal and fiscal framework for managing the petroleum sector

#### Justification

To ensure a sound and sustainable management of the petroleum sector, the PA seeks the technical support of Norwegian institutions to develop the managerial and technical capacities of Lebanese Governmental institutions, covering a wide spectrum of activities required to manage the sector. This includes developing the appropriate strategies and frameworks outlined below, in particular the legal, institutional, financial, petroleum-technical, safety and environmental aspects.

Currently, there have been no petroleum discoveries. Therefore, the development of strategies and plans for the sector must reflect the petroleum potential and the related uncertainties. The development of different scenarios may be prudent to facilitate decision-making.

There is a need for establishing strategies to further develop the petroleum sector and supporting sectors (such as the petroleum services and infrastructure, petroleum refining and related industries, academic and research institutions, etc.), in addition to strategies for resource management, gas commercialization and marketing. In relation to health, safety and environmental issues in the petroleum sector, current legislation is incomplete and has to be updated and complimented with sector specific regulations, guidelines and standards.

Revenue management in the petroleum sector presents a critical issue that needs to be well defined and elaborated to ensure that revenues are being collected and utilized in the most efficient and sustainable manner. Given the vast experience of Norway in sustainable petroleum revenue management, Lebanon would like to learn about the Norwegian experience, international best practices and principles for governance and how they could be applied in the case of Lebanon. Further specific legal assistance and support in establishing an institutional and operational framework for a potential Sovereign Wealth Fund is a priority only in the longer term, and as such is not part of the Programme.

## Baseline

In terms of resource management, Lebanon has undertaken the main requirements to establish the upstream petroleum sector and has successfully launched the first offshore licensing round. With the support of the OfD programme phase 1, the Offshore Petroleum Resources Law (Law 132/2010) was prepared and ratified, in addition to the Petroleum Activities Regulations (PAR) which includes a series of application decrees. However, national strategic plans outlining the development of the petroleum sector and its impact on the national economy do not exist.

Related to environmental management, the Strategic Environmental Assessment (SEA) was prepared in 2011/2012. In 2013, a roundtable was organized to discuss the environmental requirements for developing the petroleum sector where participants highlighted the importance of strengthening environmental governance to mitigate environmental risks associated with oil and gas activities. However, the decrees related to SEAs and EIAs have not been operationalized. Regulations and guidelines concerning health, safety and environment (HSE) are currently insufficient. An adequate system for emergency preparedness is not in place. Some environmental baseline data exists, but it is not collected and analysed in a holistic manner with regards to petroleum resource management.

In the area of revenue management, a new petroleum taxation law has been prepared and submitted to Parliamentary blocks for review. The Ministry of Finance did not submit yet the taxation law related to petroleum activities. Furthermore, the Offshore Petroleum Resource Law (OPRL) stipulates the establishment of a Sovereign Wealth Fund (SWF) to manage the potential revenues from sales of oil and gas, also comprising the royalties and the profit petroleum. However, the analysis of different modalities/options for revenue management and their potential impact on the economy has not been sufficiently developed and discussed.

Although the currently existing policies and legislation provide the general provisions for roles and responsibilities in the petroleum sector, detailed procedures for cooperation and descriptions of the interfaces between the PA, MoEW, MoF and MoE in particular are not in place. There are also certain gaps and overlaps in areas of responsibilities between the institutions that need further clarification.

Indicators for measuring progress at outcome level:

<b>Outcome 1:</b> Lebanon establish a strategic, legal and fiscal framework for managing the petroleum sector	<ul style="list-style-type: none"> <li>Number of Programme outputs developed and delivered in accordance with annual work plans</li> </ul>
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S/N	Key outputs
4.1.1	National short, medium and long-term plans for developing the upstream petroleum sector based on scenarios formulated
4.1.2	A stakeholder mapping study identifying gaps and overlaps in roles and responsibilities in the petroleum administration is completed, including recommendations and action plans

<b>4.1.3</b>	Procedures for cooperation between the PA and the MoEW, MoF and the MoE in place
<b>4.1.4</b>	A plan for gender mainstreaming in the petroleum sector developed
<b>4.1.5</b>	Health, Safety and Environmental (HSE) policies, regulations, standards and guidelines developed and applied
<b>4.1.6</b>	An adequate system for emergency preparedness and response developed
<b>4.1.7</b>	A system for building needed HSE data developed
<b>4.1.8</b>	Options, international best practices and experiences to manage the expected revenues of the petroleum sector analysed and documented
<b>4.1.9</b>	Appropriate management, accounting and auditing mechanisms that meet international standards established
<b>4.1.10</b>	An appropriate supervisory framework for monitoring and supervising petroleum exploration and production programmes developed

## **4.2 Outcome 2: The government entities carry out their assigned roles and responsibilities in accordance with the strategic, legal and fiscal framework in the petroleum sector**

### **Justification**

There is an identified need to develop capacity and competence in the PA and relevant ministries (in particular but not limited to the MoEW, MoF and the MoE) in order to be able to implement and apply the legal framework for the sector in a prudent manner. Technical support to enhance the capacity of the staff in the PA and related governmental institutions is needed to cover the required tasks related to the following areas of expertise: management of human resources, management of contracts, supervision and legal follow up, financial control and auditing and assessments of geology and geophysics. In addition, there is a need to develop specialised petroleum technical skills, skills in petroleum-economics, data management and ICT, skills in HSE and quality management, and finally skills in negotiation and communication.

In addition, the PA is a newly established institution and needs to develop its organizational structure, policies and plans to be able to manage the first licensing round efficiently on the short term, and develop further to ensure sustainable management of the sector in the long-term. It is seen as crucial that the PA develops sufficient competence and capacity to ensure its professional integrity as the regulatory authority in the petroleum sector. This is particularly urgent given the early stages of petroleum sector development and the ongoing offshore licensing round, which may set the standard for the way forward.

Similarly, the MoEW, MoF and MoE (and other ministries as applicable) need technical support to develop and strengthen appropriate institutional capacities and procedures specifically targeted at the petroleum sector, in addition to strengthening competence in petroleum management in general.

### **Baseline**

The PA was established in December 2012 and currently consists of a Board of Directors of six persons, in addition to a few technical and support staff recently recruited. The PA Establishment Decree outlines the basic organizational structure and mandate of its six departments currently in place. This decree needs to be elaborated further to define the organizational and management procedures needed to align the institutional functions with the best international practices in this field. A sufficiently developed quality management system is not yet in place. Competence in contract negotiations and monitoring need to be further developed. Efforts to establish a data management system and capacity to implement it have been initiated, but need to be further improved.

The PA is currently recruiting its staff. Other Governmental institutions including the MoF, MoE in addition to the Ministries of Labour, Public Works and Transport, Interior and Municipalities need to develop their technical and staffing capacities to undertake their mandates relevant to the petroleum sector. Three persons of the Board in the PA have been involved in phase 1 of the OfD programme and two of them have participated in Petrad's 8 weeks course in Stavanger.

At the MoF, a petroleum committee has been formally established, consisting of nine appointed members including the Director General who is heading the committee. One of these has been involved in phase 1 of the OfD programme, and two of them have participated at Petrad's 8 weeks course in Stavanger.

At the MoE, there is currently no dedicated unit for petroleum. One person has participated in phase 1 of the programme, as well as in Petrad's 8 weeks course in Stavanger and in several of the International Association for Impact Assessments (IAIA) conferences. Competence and capacity in the fields of environmental monitoring and audits in the petroleum sector, including in the field of EIAs, HSE and inspections, are currently not sufficient.

Indicators for measuring progress at outcome level:

<b>Outcome 2:</b> The government entities carry out their assigned roles and responsibilities in accordance with the strategic and legal framework in the petroleum sector	<ul style="list-style-type: none"> <li>• Number of contracts and agreements successfully negotiated</li> <li>• Number of Plans for Development and Operation reviewed and approved</li> <li>• Number of petroleum related incidents with negative impact on the environment</li> <li>• Number of petroleum related Environmental Impact Assessments reviewed</li> <li>• Petroleum revenues captured by the state</li> </ul>
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S/N	Key outputs
4.2.1	PA quality management system developed and capacity to implement it strengthened
4.2.2	Technical support and training in contract management including the EPA and other contracts provided and internal guidelines developed
4.2.3	Plans and systems for resource mapping, management and supervision in line with international best practices developed and training to implement it provided. System for publishing data regularly online developed, with due consideration of applicable rules for confidentiality.
4.2.4	Designing the data center architecture, and providing the appropriate rules, methods and techniques in order to build a professional archiving structure
4.2.5	Ethical guidelines/code of conduct/integrity principles for the PA developed and published online
4.2.6	Financial control and auditing systems developed and training to implement them provided, and technical support for cost control delivered
4.2.7	Enhancing the capacity for assessing, auditing, monitoring, collecting and reporting oil and gas revenues
4.2.8	Training related to environmental assessments reviews and monitoring in the oil and gas sector provided
4.2.9	Training in enforcing HSE procedures, reviewing HSE plans and conducting audits/inspections delivered
4.2.10	Training in emergency preparedness and response (including oil spill contingency plans) provided.
4.2.11	Training in negotiation skills provided (in relation to EPAs as well as legal, commercial, and finan-



	cial aspects) and internal guidelines developed
<b>4.2.12</b>	Technical assistance to the MoF for taxation and auditing of oil and gas companies.
<b>4.2.13</b>	Training in petroleum resource management for key staff in the PA, MoEW, MoE, MoF and other related governmental institutions delivered. Training needs identified and action plan developed

### **4.3 Outcome 3: Accountability and transparency in the petroleum sector is strong**

#### **Justification**

Ensuring adequate levels of transparency and a strong focus on accountability are main ingredients in ensuring sustainable management of the petroleum resources, which safeguards the needs of present and future generations. Accountability and transparency are key factors to ensure the success of the first offshore licensing round and the development of the petroleum sector in Lebanon. Transparency would allow national actors in the accountability chain to be able to hold the government accountable for the management of the national resources. Transparency is also an important factor in preventing corruption.

The main target group of activities under Outcome 3 includes decision makers, civil society organizations, media, as well as public control institutions including the Parliament. Given the complex managerial and technical requirements of the sector, the PA is required to provide the knowledge and information to the national stakeholders to enable them to follow the process and monitor its progress. The PA and related government institutions will benefit from a more informed and fact-based public discussion. The PA Board of Directors is setting the grounds to establish a fully transparent process covering all the operations of the PA. Technical support and sharing of lessons learned from other countries that passed through a similar process would help achieve the objective of accountability.

Relevant activities to be considered to become part of the Programme include, among others, customized training courses, joint conferences and delegation visits to Norway. Well-informed and educated stakeholders in the sector who can participate in the debate and provide constructive input to the development of the Lebanese petroleum sector contribute to continuous improvement in the management of the resources. However, one should also keep a certain distance in order to allow the civil society actors and media to perform their watchdog role.

#### **Baseline**

Petroleum exploration and production activities constitute a new sector to the Lebanese government, politicians, parliamentarians, civil society, and media. The petroleum sector is attracting a lot of attention and there are high expectations that the sector will enhance the economic and social status of the country. Sound management of the potential revenues from the petroleum sector constitute a major concern to the public at large, including civil society organizations and national media. Although the PA has adopted a fully transparent and accountable process during the prequalification process and the first licensing round, the public is still not fully aware of the process, and raises some questions in relation to these matters. The Corruption Perceptions Index of Transparency International ranks Lebanon at 127 of 177 countries. The index is based on how corrupt a country's public sector is perceived to be. The PA has initiated the process of joining the Extractive Industry Transparency Initiative (EITI). Lebanon may consider other similar initiatives at later stages.

The national media shows high interest in reporting on the petroleum related activities taking place in Lebanon. The technical knowledge of the sector varies among journalists and reporters, however there is an explicit need for increasing their knowledge and enhancing their capacity in order to

enable them to monitor and report on the petroleum sector in the country.

Civil society organizations and research centres are very active in Lebanon and they recently started to cover the petroleum sector. The PA has started to engage with civil society organizations, NGOs, and research centres to establish joint programmes and undertake common activities to share knowledge and experiences to support the development of the sector. In that respect, the PA has signed an MoU with the Lebanese Centre for Policy Studies (LCPS) to undertake a series of roundtables engaging a number of NGOs and experts. The PA has also initiated discussions and activities with International Alert, Revenue Watch Institute, Publish What You Pay, and several local NGOs. These activities will be financed outside the Programme.

Finally, it should be mentioned that the Norwegian Embassy in Beirut will provide direct support to selected civil society actors outside the Programme. Necessary coordination and exchange of information will be required with the initiatives taken by the PA.

Indicators for measuring progress at outcome level:

<b>Outcome 3:</b> Accountability and transparency in the petroleum sector is strong	<ul style="list-style-type: none"> <li>• EITI compliance in oil and gas achieved</li> <li>• Number of public consultations conducted</li> <li>• Civil society organisations, media and public oversight institutions have the space and competence to hold the government accountable</li> <li>• Ranking in Transparency International Corruption Perception Index improved</li> </ul>
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S/N	Key outputs
4.3.1	Procedures on access to information developed and published on the website of the PA
4.3.2	Procedures for public consultation of stakeholders in the development of strategies, plans and legal framework and for sharing data and regular reporting is developed and published online
4.3.3	Communication strategy for the PA and related tools developed and relevant training provided
4.3.4	Training on good governance, transparency and anti-corruption issues relevant to the petroleum sector for decision makers (such as politicians, parliamentarians) provided
4.3.5	Training on petroleum resource management for civil society actors (including non-governmental organisations) provided
4.3.6	Training on petroleum resource management for national media provided
4.3.7	A simple, comprehensive guide to the petroleum sector governance structure and a summary of key legislation developed and published online.

#### 4.4 Areas of cooperation not included in the Programme and guidelines for relations with Norwegian petroleum industry

The Programme will not include cooperation in the following areas:

- Petroleum downstream issues, e.g. considerations related to any refineries;
- Commercial issues, e.g. advice related to specific negotiations, such as Licences and Plans for Development. General advice regarding petroleum governance issues which are handled by these governance instruments may, however, be discussed prior to the negotiations;
- Issues related to onshore activities that are relevant for, but not an integrated part of the offshore petroleum activities, such as harbours, quays and the like.
- Issues related to disputed borders;

- Issues, such as licensing rounds, issuance of permits or licenses or agreements, related to areas that might be regarded as disputed; and
- The expenditure side of Lebanon's state budget.

Finally, the Programme shall be in accordance with the OfD programme guidelines on the involvement and relations with the Norwegian petroleum industry. Below a quotation from the OfD Programme Guide:

- The OfD programme is based on the partner country's demands and needs, and provides objective and professional advice;
- Any involvement in the OfD programme by personnel currently employed by Norwegian petroleum industry shall be brought to the attention of the OfD Secretariat for approval;
- The OfD programme shall not be used to promote commercial interests. The Norwegian Embassy involved in the OfD programme shall therefore observe a clear delineation between its role in the programme and in promoting Norwegian commercial interests.
- Any information from the partner country which is considered confidential by the partner country authorities shall also be treated as confidential by all participants in the implementation of the OfD Programme.

## 5. BUDGET

The estimated total budget for the Programme in Lebanon is NOK 30 million for the period 2014 – 2017. The annual budget estimates are broken down according to the three outcomes:

Amounts in NOK 1000

	2014	2015	2016	2017	Sum
<b>Outcome 1</b>	1 750	2 800	3 200	1 900	9 650
<b>Outcome 2</b>	1 750	4 500	4 000	1 600	11 850
<b>Outcome 3</b>	1 000	2 000	2 100	1 000	6 100
<b>Programme administration</b>	500	700	700	500	2 400
<b>Sum</b>	<b>5 000</b>	<b>10 000</b>	<b>10 000</b>	<b>5 000</b>	<b>30 000</b>

Comments to the table:

- The Programme duration is three years (August 2014 to August 2017).
- The Grant of NOK 30 million is provided in the form of technical assistance from Norwegian cooperating partners.
- The first year, 2014, will consist of only 6-7 months of activities to be invoiced and disbursed, assuming quarterly invoicing in arrears (and signing of agreement in June/July). Activities undertaken in October-December 2014 will thus be invoiced in January 2015. The budget figures in the table are based on foreseen actual disbursements in the relevant periods.
- "Programme administration" is expenses (mainly hours spent) connected to programme co-ordination and administration by the Norwegian ministries and directorates involved.
- Reallocation between outcomes will be fully possible by mutual consent between the programme partners, within a given year as well as in total.
- Unused funds budgeted for one year can normally be transferred to the subsequent year.

## 6. PROGRAMME MANAGEMENT

### 6.1 Agreements

The Programme will be based on two agreements:

1. A **programme agreement** between the Ministry of Foreign Affairs of Lebanon and the Norwegian Agency for Development Cooperation (Norad); and
2. An **institutional cooperation agreement** between the PA, with attached signed Endorsement letters from the MoEW, MoE and the MoF in Lebanon, and the Norwegian Petroleum Directorate (NPD), the Norwegian Environment Agency (NEA) and the Petroleum Safety Authority (PSA) respectively in Norway.

In the programme agreement, the Ministry of Foreign Affairs in Lebanon will delegate the responsibility of Implementing Agency to the PA (in view of its special coordinating role in the petroleum sector). There may be direct communication between the line ministries and directorates in the two countries in the implementation of programme activities. The Institutional Cooperation agreement should define responsibilities.

Although not signatories to the institutional cooperation agreement, the Norwegian Ministry of Petroleum and Energy, the Norwegian Ministry of Climate and Environment and the Norwegian Ministry of Finance will, as appropriate, take part and ensure the quality in the activities related to the Programme. Furthermore, the Norwegian Coastal Administration may be engaged in programme activities as a supplier to the NEA. Petrad may also be involved in providing customized training courses as a supplier to any of the Norwegian agreement partners.

### 6.2 Programme organization

Lebanon is at an early stage of development of its petroleum resources and the recently established Petroleum Administration has been provided with a special coordinating role in the sector, in close cooperation with the relevant Lebanese Governmental institutions including the MoEW, MoF and MoE. Thus, the Programme will be coordinated by the PA, which will ensure the appropriate involvement and continuous cooperation with the MoEW, MoF and MoE. These Ministries will be asked to nominate focal points who will liaise with the PA on all matters related to the Programme to ensure a smooth cooperation and implementation of the activities as set in the Programme work plans. Development of procedures for cooperation between the PA and the MoEW, MoF and the MoE is part of the Programme.

The majority of programme activities will require the participation of more than one institution in order to build a common understanding of roles and responsibilities of the institutions in Lebanon. The selection of participants to Programme activities will be coordinated and agreed-upon by the institutional cooperation partners in the Programme.

The Programme will be governed through Annual Meetings between the Parties to the Programme Agreement, where progress and financial reports, work plans and budgets are discussed and approved. The Annual Meeting will be called and chaired by Lebanon in dialogue with Norad. Each of the Parties may include others to participate as observers or as advisors to their delegations.

Main issues discussed and points of view expressed as well as any decisions made shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by the PA and be submitted to Norad for comments no later than two weeks after the Annual Meeting.

Concerning invoices and disbursements, each Norwegian party to the Institutional Cooperation Agreement submit their invoices quarterly in arrears to the PA, who certifies them on behalf of

Lebanon and instructs Norad to disburse directly to the respective Norwegian institution. Work conducted by the Norwegian Ministries and other actors (such as consultants) will be invoiced by the respective directorates parties to the Institutional Cooperation Agreement. The Outputs must be well defined in terms of target, budget and responsibility on the Lebanese and Norwegian sides in the Annual Work Plans. Furthermore, all invoices must be detailed and related to the relevant Output number.

Local expenses related to the implementation of the Programme, such as local consultants, printing of materials, venue and meals during training, will be borne by the Norwegian supplier and included in their invoice as long as these form part of the inputs of a Norwegian supplier. If the input is outside the scope of the Norwegian supplier, however, the expenses will be borne by the Lebanese institution in charge, normally the PA, and not charged to the Programme. Finally, meals during training and meetings will normally be provided for the participants, so no individual per diems will be paid by the Programme.

### **6.3 Coordination with other development partners**

Norad has established a global bilateral agreement with the International Monetary Fund (IMF) in order to strengthen the Norwegian capacity to provide assistance related to the revenue management component in the OfD programme globally. The Lebanese Ministry of Finance has submitted a formal request for cooperation to the IMF with reference to the Programme, requesting assistance in the fields of tax policy, revenue management and legal aspects. IMF will be the main provider of technical assistance to Lebanon in the fields of revenue management component in the Programme, and it will be financed by Norad outside the Institutional Cooperation Agreement. The PA will coordinate closely with the nominated focal point at the MOF in the planning and implementation of these activities.

In addition, the following initiatives should be mentioned:

- A dialogue is currently ongoing to establish cooperation between the PA and the World Bank in the petroleum sector related to issues such as the Extractive Industry Transparency Initiative (EITI), various legal assistance as well as organisational development. The scope of work is not yet fully determined.
- The United Nations Development Program (UNDP) is in the process of establishing a project with the PA related to Corporate Social Responsibility in the petroleum sector.
- The United Nations Development Program (UNDP) is currently implementing a project with the PA entitled Sustainable Oil and Gas Development in Lebanon (SODEL).
- The European Union (EU) is currently implementing a project with the Ministry of Environment in the fields of environmental governance, including focus at inspection/enforcement, administrative capacity, fiscal reform and policy planning. Certain activities will cover the petroleum sector.

The Lebanese institutions must ensure coordination of these activities with the Programme in order to minimize overlap and duplication and maximize synergies in Programme implementation. The PA will inform Norway of new initiatives with potential impact/affecting the Programme, if possible by sharing signed agreements.

## **7. GENDER**

The petroleum sector brings a large potential for creating job opportunities and ameliorating the national economy. Accordingly, the society as a whole needs to be engaged actively in developing this sector. The OfD programme is well positioned to share the Norwegian experience in this area and support the PA and related Ministries in achieving the objective of gender equality.

The PA is a new institution that is gender sensitive and committed to achieving gender equality. The PA will strive to encourage women to engage in petroleum related jobs, within the PA or relevant Ministries, with companies to be awarded petroleum rights, and with service companies. A plan for gender mainstreaming is included under Outcome 1.

The training activities in the Programme will target both genders, and the participation of women in training activities will be reported in the Annual Meetings. Additional activities, such as the development of a gender policy and action plan for the PA and related ministries in gender mainstreaming, will be included in the Programme.

## 8. EXIT STRATEGY

Through dialogue between Lebanese and Norwegian implementing partners in the Programme, an explicit exit strategy shall be developed, documented and presented at the second Annual Meeting. The exit strategy shall include criteria determining a potential exit (planned and non-planned) and how the process shall be undertaken.

## 9. RISK MANAGEMENT

Below is an overview of risk factors that may hinder the achievement of the intended results of the Programme, divided into external and internal risk factors. The table also outlines the proposed mitigating actions.

External risk factors	Mitigating actions
<ul style="list-style-type: none"> <li>Regional tension and conflict</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continuous monitoring of the security situation and planning by scenarios. Dialogue with Norwegian Embassy.</li> </ul>
<ul style="list-style-type: none"> <li>Political stalemate at the level of CoM</li> </ul>	<ul style="list-style-type: none"> <li>➤ Programme design reduces dependence on progress at the political level to achieve outputs</li> </ul>
<ul style="list-style-type: none"> <li>Political interference to block development of petroleum exploration due to perceived control by opponents</li> </ul>	<ul style="list-style-type: none"> <li>➤ Focus on transparency to reduce the suspicions of such control</li> <li>➤ Clear, written guidelines for cooperation in the Programme outlined in Programme Document</li> </ul>
<ul style="list-style-type: none"> <li>Involvement with sensitive (political or sectarian) issues</li> </ul>	<ul style="list-style-type: none"> <li>➤ Clear definition in Programme Document of the scope of involvement and nature of activities included in the Programme</li> <li>➤ High level of awareness on activities that may project a sectarian bias</li> <li>➤ Cautious engagement with very politically controversial issues</li> <li>➤ Further strengthening of the transparency and accountability in the sector part of the Programme</li> </ul>
<ul style="list-style-type: none"> <li>Selection of actors involved in the Programme perceived to be biased</li> <li>Involvement of Norway seen as biased</li> </ul>	<ul style="list-style-type: none"> <li>➤ High level of awareness about potential perception of bias in the planning and implementation of Programme activities</li> </ul>
Internal risk factors	Mitigating actions
<ul style="list-style-type: none"> <li>Delay in recruitment and turnover of personnel resulting in losing competence</li> <li>Personal rather than institutional capacity building</li> </ul>	<ul style="list-style-type: none"> <li>➤ Exceptional approval from CoM to speed up and modernize recruitment process</li> <li>➤ Clear institutional focus of Programme</li> </ul>

<ul style="list-style-type: none"> <li>• Inadequate performance of key partners in the Programme</li> <li>• Insufficient coordination and cooperation between stakeholders</li> <li>• Limited authority and relevance of the PA due to conflict with other governmental stakeholders</li> <li>• Duplication with other donors</li> </ul>	<ul style="list-style-type: none"> <li>➤ Main targeted institutions have a certain proven capacity and level of knowledge</li> <li>➤ Clarification of roles and responsibilities under Programme detailed in Programme Document</li> <li>➤ Clarification of guidelines on cooperation and transparency between the PA and other governmental stakeholders part of the Programme</li> <li>➤ Targeted design of programme and clear information-sharing routines in the Programme</li> </ul>
<ul style="list-style-type: none"> <li>• Inappropriate external interference with the PA affecting ability to function and jeopardizing reputation</li> <li>• Internal tensions within the PA affecting ability to function and jeopardizing reputation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Communication strategy, outreach and transparency by PA part of the Programme</li> <li>➤ Development of code of conduct for PA in order to reduce risk of misunderstanding part of the Programme</li> </ul>