

INTERNATIONAL CONFERENCE FOR SUPPORT TO LEBANON-PARIS III

5

FIFTH PROGRESS REPORT



REPUBLIC OF LEBANON
MINISTRY OF FINANCE



INTERNATIONAL CONFERENCE FOR SUPPORT
TO LEBANON-PARIS III



FIFTH PROGRESS REPORT

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The Fifth Progress Report provides an update on developments in the Government's Economic and Social Reform Program, presented at the International Conference for Support to Lebanon - Paris III in January 2007. The report describes the steps taken by each of the natural owners of the reform programs during the first quarter of 2008 and since the last progress report published in January 2008 (posted on "<http://www.finance.gov.lb>"). In addition, the report details progress achieved on resource mobilization and discussions with donors to match donor assistance with reform implementation requirements. This series of reports aims at ensuring transparency in reform implementation and aid mobilization and utilization.

Implementation of the Reform Program

The three Inter-Ministerial Committees: Economic, Infrastructure and Privatization held their fourth round of meetings on February 11, 15 and 29, 2008. The meetings were chaired by the President of the Council of Ministers and intended to follow-up on progress achieved in the implementation of the reform program over the six months between September 2007 and February 2008. This report takes stock of the short-term technical assistance requirements identified by the Ministries of: Social Affairs, Education and Higher Education, Finance, Economy and Trade, and the Office of the Minister for Administrative Reform, in addition to listing laws relating to particular reforms that are pending before the Parliament.

The main drivers of the reforms continue to be:

1. Social: In the face of declining social indicators, the Government has focused efforts towards lifting performance in the areas of social policy and social service delivery, while maintaining fiscal responsibility. With the aim of elaborating an efficient targeting mechanism, the base Proxy Means Testing (PMT) formula has been developed, the draft household application form designed, the draft operations manual completed and a team has been recruited at the Ministry of Social Affairs to follow-up on implementation. The Ministry of Public Health made progress with reforms aimed at (i) quality assurance and accreditation of primary health care services, (ii) hospital accreditation, (iii) utilization review and claims processing; (iv) performance contracting for hospital services; and (v) harmonization of the standards across the insurance sector. Tangible progress was achieved by the Ministry of Education and Higher Education in the development of a model three years budget framework, with performance indicators. In strengthening the governance and administration of the National Social Security Fund (NSSF), the first regional automated branch, namely the airport branch, was opened on March 26, 2008. Notable reforms of the health insurance branch were recorded as the following actions were undertaken in reforming the contracting and payment systems: i) setting a system of distribution of medications for chronic diseases directly by the Fund, ii) restricting contracting of hospitals to those accredited by the Ministry of Public Health, iii) initiation of rotation shift of medical controllers during official holidays, and iv) completion of a study to strengthen human resources at NSSF. To restore the financial equilibrium of the NSSF, while introducing incentives to better control utilization, quality and costs, the claims rules engine was developed and a preliminary actuarial analysis was finalized.

2. Economic: Whereas the political stalemate and concerns about the security situation have weighed on the economic outlook, the Government has intensified efforts successfully to increase the primary surplus as a result of increased revenues, tight expenditure measures and substantial budget reforms. Those were reflected in meeting all end December indicative targets under the program supported by the Emergency Post-Conflict Assistance (EPCA), as per preliminary conclusions by the International Monetary Fund (IMF) mission (February 21-29, 2008). Further attesting to the resilience of Lebanon's public finances in the face of numerous political shocks, Moody's Investors Service on March 25, 2008 changed the outlook on Lebanon's ratings from negative to stable. To encourage investment, the Ministry of Economy and Trade has concentrated on developing a marketing campaign for the set of new one-stop business registration procedures. This effort has included outreach efforts in close operation with Liban Post via distribution of brochures, as well as announcements via print and broadcast media. To modernize and upgrade the capabilities in the public sector, the review and update of the existing e-government strategy was completed along with the development of a high-level national action plan.

3. Infrastructure and Privatization: The Government pressed forward with infrastructure and privatization reforms in the power, telecommunications and transport sectors. In the power sector, the Government has focused on loss reduction, better management of existing facilities and resources, and improved electric energy supply reliability. In parallel, the Government has launched the process of corporatization of EDL, and has taken major steps to facilitate the entry of the private sector into the energy market via Independent Power Producer (IPP) projects that will enable the expansion of power generation capacity. In the telecommunications sector, following the appointment of the Telecom Regulatory Authority (TRA) and as per the Telecommunications Law 431, regulatory functions are in the process of being transferred from the Ministry of Telecommunications to the TRA. In the transport sector, detailed roadmap for the privatization of the Beirut Rafic Hariri International Airport was developed.

¹ Agreements with UN Agencies and civil society organization are reported on by donors to the Government but are not monitored by the Ministry of Finance.

Update on Pledges

Since the Paris III Conference, the Government has worked with the donor community on matching the needs of Lebanon with available funding from donors. By end March 2008, agreements signed between donors and the Lebanese public sector or financial intermediaries reached \$4,408 million, 59 percent of total pledges¹. Significant progress was achieved on the two main pillars of the reform program, namely debt reduction and private sector development, which represented 67 percent of the agreements signed. Project financing agreements, at 23 percent of the total signed, progressed as the combined result of existing projects with the Council of Development and Reconstruction and new programming as per the public investment program. The remaining 10 percent represented aid in-kind - 84 percent of in-kind pledges committed and implemented, and support through the Banque du Liban, all (\$120 million) committed and disbursed. With respect to aid channeled through the United Nations system and the civil society organizations (5 percent of total aid pledged to Lebanon), commitments for increased development cooperation marked steady progress.

Budget support agreements totaled \$1,390 million by end of March 2008. During the first quarter of 2008, the main development was the signature of a loan agreement with Agence Française de Développement on behalf of France for a total of €375 million. With this agreement, 77 percent of the pledged budget support is translated into concrete commitments. An additional \$500 million debt transaction led to the total amount of agreements signed being higher than that originally pledged at Paris III.

Donors worked with local intermediaries and as well with government agencies towards providing private sector support. By March 2008, 80 percent of the private sector pledges were realized into signed agreements. While some donors have continued negotiations to provide addition lines of credit, donors and the financial intermediaries progressed in disbursing the funds to the private sector.

The delivery of project finance has been considerably affected by the paralysis of Parliament. In addition to the implementation of the approved project pipeline, progress was mainly limited to the preparation of agreements and their implementation through grant project finance (not requiring Parliament approval). By the end of the first quarter, the Council for Development and Reconstruction had signed with the different donors agreements amounting to \$1,032 million.

Donors have continued to work with the United Nations agencies and programmes and with civil society organizations on development projects covering a wide range from local and community development to support for governance initiatives and environmental management.

Looking ahead

In the second quarter of 2008, the Lebanese Government will continue work on resource mobilization and implementation of the reforms. The IMF / World Bank Spring Meetings (Washington D.C., 12-13 April 2008) will be an opportunity for the Lebanese Delegation to meet with the various donors to make sure that the priority requirements of the funding strategy are met. The agenda will include, among other, discussions to ensure that technical assistance needs for implementing reforms are matched to available funding, such as the social sector loan from the World Bank and power sector technical assistance with the European Investment Bank. Meanwhile, the Government will continue the momentum generated in implementing the reforms. A main focus will be reforms aimed at strengthening social safety nets, and reforms of the health and education sectors, particularly in view of the increased cost of living. These reforms will be accompanied with measures aimed at maintaining sound financial and fiscal management.



A. INSTITUTIONAL STRUCTURE FOR IMPLEMENTING REFORMS

The institutional structure to coordinate and monitor the implementation of the socio-economic reform program has provided a solid foundation for maintaining the reform momentum and ensuring commitment to the reform agenda, notwithstanding difficulties emanating from the deadlocked political situation. The Government Reform Program Coordination Office (GRPCO), chaired by the President of the Council of Ministers and based at the Office of the President of the Council of Ministers, acts as catalyst in orchestrating the reform implementation and as a “macro-manager” driving institutions to be fully accountable for managing reforms in an effective and efficient manner.

The three Inter-Ministerial Committees (IMCs): Economic, Infrastructure and Privatization, and Social held their fourth round of meetings on February 11, 15 and 29, 2008. The meetings were chaired by the President of the Council of Ministers and intended to: i) follow-up on progress achieved in the implementation of the reform program over the six months: September 2007-January 2008, ii) monitor performance against targets communicated in the signed Commitment Documents², iii) resolve issues escalated from the natural owners, and iv) discuss and finalize short-term technical assistance and funding requirements.



Social IMC meeting on February 29, 2008

² As mentioned in the Paris III Fourth Progress Report, Commitment Documents include detailed work plans, milestones of key performers indicators in addition to funding and technical assis-

B. PROGRESS IN IMPLEMENTING THE REFORM PROGRAM

The main drivers of the focus of reform continue to be:

1. Social: In the face of declining social indicators, the Government has focused efforts towards lifting performance in the areas of social policy and social service delivery through strengthening social safety nets, and reforming the health and education sectors, the labor laws and the pension system, and at the same time maintaining fiscal responsibility.

2. Economic: Whereas the political stalemate and concerns about the security situation have weighed on the economic outlook, the Government has intensified efforts to increase the primary surplus through tight expenditure measures and enhanced revenues, substantial budget reforms, in addition to growth-enhancing reforms geared to improving the business climate and competitiveness.

3. Infrastructure and Privatization: To reduce financial vulnerability and improve economy-wide productivity and growth, the Government has pressed forward with infrastructure and privatization reforms in the telecommunications, power and transport sectors.

The following sections highlight the progress achieved in implementing the reforms during the first quarter of 2008 and key performance indicators that have registered tangible quantifiable improvement. It also includes the laws related to particular reforms that are pending before the Parliament. Furthermore, it includes short-term technical assistance requirements identified by the Ministries of: Social Affairs, Education and Higher Education, Finance, Economy and Trade, and the Office of the Minister for Administrative Reform.

tance requirements. Those documents were signed and submitted by each natural owner to the Prime Minister in November 2007; they are the basis upon which the IMCs monitor reform progress.

IMPLEMENTATION OF THE REFORM PROGRAM

1. THE SOCIAL REFORM PROGRAM

MINISTRY OF SOCIAL AFFAIRS (MOSA)

In the first quarter of 2008, the Ministry of Social Affairs progressed in the following programs and initiatives:

Restructuring the Ministry of Social Affairs

In the Inter-Ministerial Committee meeting of February 29, 2008, the Office of the Minister of State for Administrative Reform (OMSAR) and the Minister of Social Affairs joined efforts to initiate the reform and restructuring plan of the Ministry of Social Affairs. The reform entails shifting the scope of the Ministry of Social Affairs from a care provider to a development agency. OMSAR committed to provide the Ministry with the technical support needed for the elaboration of a new mandate that reflects the Ministry's new vision and for the development of the relevant organizational structure and organigram that support a modern and developmental mandate.

Enhancing the Management of the Social Sector

After collection and processing of data on duplication between the Ministries of Education, Public Health and Social Affairs, duplication appeared to be more prevalent in the delivery of primary health care services between the Ministry of Social Affairs and the Ministry of Public Health (MoPH). Two bilateral meetings were held between MoSA and MoPH whereby several options were discussed to improve cost effectiveness in the delivery of health services. The options are still under consideration as well as discussion for further development and detailed planning to be implemented. A major bottleneck for implementation at a speedier rate is the need for technical assistance, especially for organizational, social development, legal and management experts.

Within the context of creating a coordination mechanism for the implementation of local development projects, a mapping of the projects implemented by government institutions and/or major donors between 2001 and 2007 was produced with support from the Art Gold project (a UNDP / CDR project). To complement the mapping, a draft automated database that includes all local development projects was developed. The database will be hosted, managed and regu-

larly updated by MoSA. The Ministry is also exploring the possibility of creating an interactive mapping, with linkages on developmental needs and priorities in the different Lebanese regions, to be available on line for public use.

Developing New Targeting Mechanisms for Social Safety Net Programs

In follow-up on the elaboration of an efficient targeting mechanism to identify the most needy and vulnerable households, the Ministry continued the work on the Proxy Means Testing (PMT), with technical support from the World Bank. A draft operations manual as guiding tool was developed and technical and support staff were recruited as part of a unit / working team dedicated to operationalize the PMT. National roll out is expected to take place in the last quarter of 2008, starting in one region and gradually expanding to cover all Lebanon; however, resources still need to be mobilized for starting the national roll out.

Implementing Prioritized Safety Net Programs

Resources were mobilized from the UN Lebanon Recovery Fund to expand the delivery of proximity services to the disabled - one of recommended safety nets included in the Social Action Plan. Accordingly, the Rights and Access program has expanded the delivery of services to the holders of the disability card beginning of 2008 - with administrative support from UNDP.

The provision of free health care and hospitalization to the people with special needs is another safety net program committed to in the Social Action Plan. In the last quarter of 2007, the Ministry elaborated a complete assessment of alternatives for providing free health care/ hospitalization to the disabled and notably a proposal was made for the creation of a mutual fund for provision of hospitalization to people with special needs. The proposal was distributed to the Social IMC for comments and feedback.

Table 1. Short-Term Technical Assistance Requirements at The Ministry of Social Affairs

Reform Program/Initiative	Short term TA Requirements	Estimated Cost (\$)
Reviewing the mandate of the Ministry of Social Affairs	Experts (management, social development and legal)	57,500
	Workshop	10,000
Establishing targeting mechanism for Proxy-Means Testing	Equipment for Social Development Centers / MoSA (hardware and software)	1,266,500
	Training of social workers	50,400
	Information Campaign	115,000
	Printing of questionnaires and manuals	55,000
	Implementation of targeting	1,456,470

IMPLEMENTATION OF THE REFORM PROGRAM

MINISTRY OF PUBLIC HEALTH (MOPH)

Upgrading Primary Healthcare Services

The development and implementation of the primary healthcare (PHC) accreditation program, funded by the Italian Development Co-operation and implemented by the Faculty of Health Sciences at the University of Balamand, was finalized in December 2007. A draft accreditation tool was completed and tested on ten pilot centers in October and November 2007. Based on the findings of the field work, two

of the ten centers were provided with on-the-job training on its implementation, in Tripoli and Nabatiyeh from November 26 to 30, 2007. The training included the following themes: (a) The role of the PHC Center in the community, (b) The catchment areas of the PHC Center; and, (c) Organizational issues in the PHC Center.

Table 2. Key Performance Indicator (KPI)

KPI	Baseline (2006)	Target	Achieved (2007)
Number of Contracted Centers in the PHC network	85	125	117

The next steps for this project, as of March 2008 and through the PHC Accreditation Committee at the MoPH include: (i) reviewing the data collection tool that includes variables suggested to be used as indicators of quality assurance and performance improvement, (ii) providing a list of indicators of quality assurance and performance improvement, and (iii) reviewing the proposed action plan, subsequent to the development of the list of standards, on how to rollout and implement the accreditation process in light of the MoPH capacity and resources and the different levels of PHC centers.

Implementing and Institutionalizing a Public Hospital Accreditation Program

The Ministry of Public Health has continued the implementation and institutionalization of the hospital accreditation program, in collaboration with the French Haute Autorité de Santé (HAS) and the Ecole Supérieure des Affaires (ESA). The first round of field visits to 25 public hospitals was conducted between January and end of March 2008. These visits followed a collective training session for all quality coordinators in February 2008 to disseminate the self-assessment tool to all public hospitals. Field visits will continue till the month of June 2008 and will consist of a total of four days per hospital of on-the-job training and coaching on the implementation of accreditation standards and undertaking self-assessment. Public hospitals will then be audited by French experts based on the Lebanese accreditation standards between September and October 2008. In parallel, a draft bidding document was prepared by the French experts and presented to the MoPH in March 2008. It will allow the pre-qualification and selection of certified accreditation firms, which will be adopted by the MoPH as auditors as of 2009 in charge of the implementation of the accreditation program.

Rationalizing Health Expenditures

As part of the rationalization of health expenditures, the Ministry has utilized a grant, signed with the World Bank in October 2007, to introduce a utilization review function at the MoPH, to develop 30 hospital admission protocols, and to realign MoPH coverage towards more cost-effective health-care facilities. In this respect, a group of consultants has worked with the MoPH on the development of blueprints for the following two areas. The first area concerns defining the core requirements to develop effective utilization control mechanisms and to gather accurate and timely data. Once this process is in place, a range of programs can be introduced. The consultants' reports, submitted to the MoPH in January 2008, describe the methodology to develop systems to address major types of situations causing poor utilization. Operating and further developing utilization review programs require a certain degree of organizational change along with a suitable organization structure and job descriptions for key personnel. In this respect, the MoPH formed a Utilization Review Committee in March 2008 based on the consultants' recommendations. The second area concerns the preparation of a work plan for performance contracting with hospital providers that was submitted to the MoPH in March 2008. The implementation plan describes how the Ministry should select, calculate, analyze, and use performance indicators to modify its contracts with hospitals. The objective is for the Ministry to have performance contracts with the largest hospitals by 2009. Based on the recommendations, the MoPH established a Performance Contracting Indicators Committee, including consultants from the private sector, in order to implement the work plan defined in the consultants' reports.

Developing Common Insurance Standards, Procedures and Functions

The pilot testing of the visa billing system is still ongoing. Refinements are being introduced to the system through the new testing phase that started in St Joseph hospital as of February 2008. The capacity of the new system to support the utilization review function and the introduction of an assessment rules engine for hospital claims, have been assessed in collaboration with the World Bank consultants.

Furthermore, to make health expenditure data available for appropriate and targeted health policies, matrices for 2004-2005 National Health Accounts (NHA) are being finalized.

Developing and Operationalizing the National Expanded Program on Immunization

Under the reform effort to develop the National Expanded Program on Immunization (EPI), activities during the first quarter of 2008 included a two phase national campaign for immunization for measles and rubella. The first phase which was launched end of March 2008 will target children enrolled in schools and educational organizations. The second phase will be launched by end of April and will be executed through PHC centers, targeting pre-school and children not enrolled in any educational organizations. Follow-up of the "Reach Every District" (RED) approach was conducted in the five districts of Bint Jbeil, Baalbeck, Akkar, Minieh - Dennyeh and Hermel. The RED approach will be initiated in five new districts during the month of May 2008.

IMPLEMENTATION OF THE REFORM PROGRAM

Table 3. Key Performance Indicator (KPI)

KPI	Baseline (2006)	Target	Achieved (2007)
Initiation of the Reach Every District (RED) Approach	Not Initiated	4 districts	5 districts

Implementing the Pharmaceutical Reform

The Ministry of Public Health is still progressing on the implementation of the pharmaceutical reform by re-pricing all drugs registered between 2000 and 2006. The review of drugs in the first category was finalized by mid January 2008. In this respect, 1037 drugs files in this category were

reviewed. The average decrease in drug prices was 14 percent. For the second category (drugs registered between 1996 and 2000), 833 files were submitted during the first quarter of 2008 for review. End March, 116 files were reviewed. As a result, 49 drug prices stayed the same and 67 drug prices were decreased.

Table 4. Key Performance Indicator (KPI)

KPI	Baseline (2006)	Target	Achieved (2007)
Percentage of drug files reviewed in category 1	30 percent	100 percent	100 percent

MINISTRY OF EDUCATION AND HIGHER EDUCATION (MEHE)

Consolidating Policy, Planning and Resource Allocation

The education sector has witnessed significant change, resulting from the implementation of the three-year reform program adopted by the Ministry of Education and Higher Education. A number of initiatives were launched to consolidate policy, planning and resource allocation.

Among the priority programs is the establishment of an integrated Policy, Planning, Monitoring and Information Management Unit within the Ministry. The need for such a unit stems from the lack of institutional capacity and the necessity of shifting the current education system from an institutional approach of administrative control to performance-based management and evidence-based decision culture. The objectives of this unit are to develop long and medium educational plans, including strategic development plan, education forecast, program plan, and annual education budget plan. The consultant appointed for the establishment of the Policy, Planning, Monitoring and Information Management Unit within the Ministry already delivered the inception report and is working on developing training materials in synchronization with the work being done on training within the organizational development component.

The firm selected in September 2007 to undertake organizational restructuring and staff development at MEHE submitted the inception and action plan reports in December 2007 and finalized the evolution of the proposed structure. Work is on-going to develop the main functions pertaining to the proposed structure.

Good progress has been made on the development of a Model Medium Term Budget Framework with performance indicators, in close collaboration with the Ministry of Finance and the World Bank. This activity, launched in June 2007, is intended to prepare an "extended" budget request for 2009,

based on the Medium-Term Expenditure Framework, combining capital and recurrent budgets and adopting performance budgeting principles. The shadow budget will include forward estimates for the years 2009 through 2011 and key performance indicators aligned with expenditures in a program-based structure, which links the financing proposed to the achievement of education sector objectives; it will be submitted by in the second quarter of 2008, in parallel to the submission of the classical budget. A consultant was mobilized in October 2007 to assist in the translation of the ministry's strategic plans into a budget proposal within a medium-term framework. The inception and situation analysis reports were submitted on December 7, 2007, and the status report was submitted on February 15, 2008. A workshop on performance-based budgeting concepts and methodologies is planned to be held jointly by the Ministry of Finance and the Ministry of Education in April 2008.

The MEHE has been implementing the Education Management Information System (EMIS) at the ministry and the School Information System at schools. Technical specifications for providing and installing EMIS hardware were completed. The Requests for Proposals (RFP) were submitted and technical assistance is expected to be contracted by end of May. In terms of connectivity, the feasibility study for establishing a National Education Network was finalized. The MEHE and the Ministry of Telecommunications and OGERO signed a Memorandum of Understanding to establish the National Education Network. In the first phase, 200 schools and regional centers will be connected to MEHE headquarters by the end of the first quarter of 2008. Furthermore, the School Information System was installed in 250 secondary schools and teachers are being trained to use the software. The School Information System will become fully operational when 1500 schools will be linked to the EMIS through one main computer station, one end-user station and related accessories in each school. Towards this end, on September 19, 2007 a contract was signed with a company to supply MEHE with School Information System equipment for the 1500 schools; distribution of the equipment started in January 2008.

IMPLEMENTATION OF THE REFORM PROGRAM

Improving the Efficiency, Effectiveness and Competence Level of the Teaching Workforce

The efforts of MEHE to improve the efficiency, effectiveness and competence level of the teaching force go hand in hand with another priority program: the voluntary early retirement scheme. Indeed, a large number of aging and sick teachers at the primary level are not capable of teaching and negatively affect the quality of basic education. There is a need to improve the effectiveness and efficiency of the teacher workforce through introducing a voluntary early retirement program for teachers above 58 years, mainly those who do not hold a baccalaureate degree and/or who are sick.

MEHE successfully completed the Leadership Development Program, which involved 450 school principals (40 percent of public school principals), among whom forty selected master trainers completed the "Train the Trainers" program in Canada in October 2007. In order to maintain sustainability and development of this program for school principals, work is in progress to institutionalize the Leadership Development Program within MEHE and the Lebanese University.

As for the development of instructors development, fifteen regional resource centers were established throughout Lebanon for in-service training and 270 instructors were selected and trained to become Master Trainers. Twenty-four candidates are being trained by NGOs to provide support to students with special needs. Furthermore, MEHE selected a consultant to develop evaluation tools for the Instructors' Continuous Development Program. The needs assessment report on the development of evaluation tools was submitted in the first quarter of 2008. There has been good progress towards enhancing the assessment of academic achievement.

Table 5. Key Performance Indicators (KPIs)

KPI	Baseline (2006)	Target	Achieved (2007)
Percentage of Public School Principals who have undergone professional development program to improve competence	10 percent	67 percent	40 percent
Number of teachers who have undergone professional development	16,500	20,000	20,000

Enhancing the Quality of Education

One of MEHE's priority initiatives for enhancing the quality of education is the development of a Drop-out Prevention program. The high repetition rates in public schools, 20 percent in Cycles 1 and 2 and 24 percent in Cycle 3 lead to high drop-out levels in public schools, 28 percent in Cycle 3. As a large number of NGOs have provided assistance that partially addresses needs and as there is a lack of remedial tools and processes at the school level to provide at risk students with needed support, a more coherent approach needs to be developed. There is need to standardize and produce the required tools, to conduct situation and gap analysis, to supervise the preparation of learning materials, to develop and deliver a training of trainers program, to undergo review of the learning materials to decrease the students drop out rates, and to assist in developing harmonized tools and standards as reference for NGOs that are actively engaged or consider launching new initiatives. However, is contingent on the availability of funding.

Enhancing the Utilization of Educational Facilities

The Ministry of Education and Higher Education consolidated or closed 38 unviable schools. In addition, discussions are underway with the European Union on exploring potential financing and implementation options for the development of a GIS/ School Mapping system at MEHE; and, negotiations are ongoing with UNESCO to build up MEHE capacity for strategic planning, support, maintenance and procurement for all MEHE ICT infrastructures.

Table 6. Short-Term Technical Assistance Requirements at the Ministry of Education and Higher Education

Reform Program/Initiative	Short term TA Requirements	Estimated Cost (\$)
Developing and sustaining a strong and effective institutional capacity and competencies at the Ministry of Education to manage the education system, programs, projects and other educational investment initiatives	1 Policy and Planning Director	0.5 million per year
	1 Planning & Budgeting Senior Officer	
	1 Monitoring & Evaluation Senior Officer	
	1 Information Management Senior Officer	
	7 Officers and Assistant Officers	
Developing Drop-out Prevention Program	1 Team Leader	1 million
	4 Education Experts to conduct situation and gap analysis and supervise preparation of learning materials	
	12 Local Experts to develop learning materials	

IMPLEMENTATION OF THE REFORM PROGRAM

MINISTRY OF LABOR

The Ministry of Labor has focused on two programs for which it set detailed work plans: i) revising the labor laws to facilitate employment of temporary and seasonal workers and of youth labor and ii) enhancing capacity building and automation at the Ministry of Labor.

Revising the Labor Laws to Facilitate Employment

Revisions to the existing labor laws and the proposed changes to the procedures were submitted by a committee, assigned by the Minister of Labor, to the Consultative Council at the Ministry of Justice for review. Work is in progress to incorporate the Council's comments, after which the subject will be raised to the Council of Ministers.

Further, decree # 17561 dated September 18, 1964, to organize the work of foreign workers was adjusted and raised to the Government's Consultative Council, which reviewed and provided comments for the Ministry to incorporate. Subsequently, it will be submitted to the Council of Ministers for approval.

Enhancing the Capacity Building and Automation at the Ministry of Labor

The Ministry of Labor has worked on human capacity building and has prepared for the automation at the Ministry. To those ends, an assessment of the existing information system was conducted and the conditions and specifications for implementing the new system were identified; those included the necessary equipment, programs and training.

In addition, the Ministry developed the terms of reference and requests for proposals for the selection of experts specialized in developing automated systems for work permits and a database for automating the tasks of the Inspection and other administrative and investigation departments and unions. The proposal was submitted to the Civil Service Board.

NATIONAL SOCIAL SECURITY FUND (NSSF)

In the first quarter of 2008, the National Social Security Fund demonstrated progress in the implementation of the wide-ranging and comprehensive reform program, which includes: i) strengthening the NSSF governance and administration, ii) auditing the NSSF accounts, iii) improving the capacity of the NSSF to collect contributions, iv) controlling of administrative expenditures and health benefits, and v) ensuring the financial sustainability of the NSSF.

Strengthening the NSSF Governance and Administration

All IT applications required to implement the first phase of the Administrative and IT Master Plan were completed, including applications for contributions, beneficiaries, and health benefits.

Also, in the context of improving the registry system, and migrating the data to the new databases, a total of 230,000 records on the beneficiaries were entered into the database, which constitute around 18 percent of total expected records. It should be noted that these data used to be manually processed.

To further strengthen NSSF governance and administration, the first regional automated branch of the NSSF, the airport road branch, was opened on March 26, 2008. This branch is connected with the headquarters for individual claims processing. In this context, around thirteen regional branches are being automated, of which six are about to be fully operational.

Auditing the NSSF Accounts

The auditor, appointed in July 2007 to work on auditing the accounts of 2001-2005, submitted the inception report regarding the audit of 2001 accounts on January 8, 2008. The NSSF provided comments on February 27, 2008. Auditing the accounts of 2003 onwards is expected to take less time as contributions have been automated as of 2002.

Controlling Administrative Expenses and Health Benefits

Reforms of the health insurance branch included the following actions in reforming current contracting and payment systems: i) setting a system of distribution of chronic disease medications directly by the Fund, ii) restricting contracting of hospitals to those accredited by the Ministry of Public Health and as such stopping the contracts of 21 hospitals which did not meet accreditation conditions; the number of hospitals declined from 144 to 123; iii) initiation of rotational shifts of medical controllers during official holidays; and iv) completion of a study to strengthen human resources at the NSSF.

Ensuring the Financial Stability of the NSSF

The National Social Security Fund is making use of a World Bank grant to support the design and implementation of the following subset of reforms: i) the transformation of the end-of-service program into a fully-fledged defined-contribution pension system; ii) reforms of the health insurance branch to restore its financial equilibrium while introducing incentives to better control utilization, quality and costs; iii) changes in the Family Allowance Branch to provide affordable and better targeted transfers; iv) changes in business process and IT infrastructure to improve efficiency in management and support the wider reform programs.

With regard to claims management and utilization review, a series of activities to improve and fast-track electronic claims management and utilization control were identified and commenced, including the development of a claims rules engine, the enabling of the electronic submission of claims and utilization report module.

In the context of development of an actuarial model for the NSSF, a preliminary actuarial analysis was finalized, and work is underway to develop policy scenarios to restore the financial equilibrium of the health fund. Also, an actuarial expert was hired on a full-time basis, through the WB grant, to expand on the model inside the NSSF.

IMPLEMENTATION OF THE REFORM PROGRAM

2. THE ECONOMIC AND FISCAL REFORM PROGRAM

An International Monetary Fund mission visited Lebanon between February 21-29, 2008 to discuss the developments through end December 2007 under the program supported by the Emergency Post-Conflict Assistance (EPCA) and the outlook for 2008. The mission's preliminary assessment concluded that the authorities successfully met all end December indicative targets and succeeded: i) to shift into surplus the primary balance, excluding grants, which contributed to reduce the debt-to-GDP ratio to 165 percent, and ii) to maintain confidence in the domestic banking system, which translated into an acceleration in deposit growth and a slight increase in external reserves. It further concluded that growth and financial conditions were resilient to the prolonged political deadlock.

Meeting the primary balance and net debt targets for end-December 2007 with significant margins and the performance substantially exceeding targets reflected the Government's concentrated efforts to rationalize current expenditures and enhance revenue collection as highlighted in the Ministry of Finance's progress updates below.

MINISTRY OF FINANCE (MoF)

The Ministry of Finance has continued the implementation of the reform programme under the following six chapters: i) rationalizing expenditures, ii) enhancing revenues, iii) undertaking budget and financial management reform, iv) modernizing revenue administration towards a function-based structure, v) strengthening debt management, and vi) improving the business environment.

Further attesting to the efforts of the Government in facing the country's situational instability, Moody's Investors Service on March 25, 2008, changed the outlook on Lebanon's ratings from negative to stable. The change of outlook, according to Moody's report was justified by the impressive resilience of Lebanon's public finances in the face of numerous political shocks since Moody's assignment of a negative rating outlook in November 2006. This was also attributed to improvement in the health of the country's public finances during this period and the fact that the government's short-term funding needs are manageable.

Rationalizing Expenditures

The Ministry of Finance has continued to apply tight expenditure measures, including rationalization of current expenditures in order to improve efficiency and productivity of spending. In addition to continued efforts to contain the wage bill through putting the hiring freeze into effect, reducing official travel expenses and waste related to gasoline consumption, the Ministry of Finance developed in the first quarter of 2008 multi-year forecasts of spending under current policies and delivery of services in addition to sector ceilings for line ministries. As detailed below under the reform program of undertaking budget and financial management reforms, the latter are linked to reforming the budget preparation and have the following objectives: i) improving predictability, as spending ministries will be better able to plan their activities on the basis of medium term allocation, ii) enhancing transparency and accountability, as the Government's priorities and spending plans are clearly laid out for the next three years, and iii) improving sector management, as line ministries are requested to come up with cost-saving areas.

Enhancing Revenue Collection

The Government's commitment to enhance revenue collection yielded tangible results as revenues increased by 31 percent for the period January - February 2008 when compared to the same period of 2007. Tax revenues- increased by 10 percent, keeping in line with revenue enhancement witnessed throughout 2007, especially in income tax, value added tax and real estate fees by 8, 20 and 69 percent, respectively. The latter was due to synchronization of information systems between the two systems of the Land Registry at the Cadastre and the Built Property Tax Administration, which was completed in November 2007, after initial linkages were established on January 2007. Non-tax revenues increased, by 58 percent, mainly due to increased income from public properties, by 73 percent, attributed to higher transfers from the Telecom Budget Surplus and higher transfers from Casino du Liban. Increased revenues from Casino du Liban are due to the agreement between the Government and Casino Management whereby Treasury's share of Casino revenues increased from 30 to 40 percent as of 2007. Further, treasury receipts increased significantly by 163 percent due to the LL 148 billion grants received from the USAID pertaining to Paris III pledge.



Training given by the Institute of Finance

IMPLEMENTATION OF THE REFORM PROGRAM

Undertaking Budget and Financial Management Reform

The Ministry of Finance has made substantial progress in implementing a full-fledged public financial management reform aimed at forging linkages between policy, planning and budgeting. The top-down approach, which started through setting a global ceiling for the 2008 budget proposal and within a medium-term expenditure framework set in Budget 2008 Circular, was further consolidated, framed and expanded through three levels of developments, that will be finalized in the second quarter of 2008, to be communicated in Budget 2009 Circular: i) A Medium-Term Fiscal Framework, including a statement of the Government's fiscal policy objectives and a set of integrated medium-term macroeconomic and fiscal targets and projections; ii) A Medium-Term Expenditure Framework from which aggregate resources available, and hence the global ceiling, were identified, and iii) Hard Constraints or Expenditure Ceilings for line ministries in order to shift from a "needs" mentality to an "availability" mentality and to ensure that they fit the aggregate expenditure consistent with the macroeconomic framework.


Budget 2009 Circular will be issued in April 2008, and will include, in addition to the above, guidelines for the preparation of sector budgets within the budget ceilings set, in addition to recommendations to come up with potential cost saving areas. Line ministries will then be responsible for preparing their requests within the spending limits provided, and in accordance with the Government's priorities. They will also be requested to distinguish between: (i) the amounts necessary to continue current level of service, and (ii) proposals and costing for new policy measures.

In addition, intensive work with the Ministry of Education and Higher Education has enabled the development of a model Medium-Term Budget Framework (MTBF), as the Ministry's 2009 budget proposal will be prepared and submitted in the second quarter of 2008 within a three year framework with performance indicators. Results-oriented budgeting approach has been used to analyze what budget is required to deliver existing services and form a baseline to set

a credible budget request. The approach aims to break the hold of the traditional automatic budgeting approach. The Ministry of Finance intends to roll out the model MTBF developed across other line ministries and has identified the Ministry of Public Health to be the next pilot ministry for 2009. Further ministries will be selected depending on their readiness to volunteer in this exercise. The objective is to finalize the design of the new budget preparation technique on a shadow basis in the first stage and to promote the planning and performance culture among the spending agencies, awaiting for the appropriate circumstances to start effective implementation of the new budgeting mechanisms.

A World Bank team visited Lebanon between February 18 and 24, 2008 to prepare the Emergency Fiscal Management Reform Implementation Support Technical Assistance Project, which aims to raise the efficiency of public financial resources and improve aid effectiveness, by supporting a number of core interlinked improvements in the context of the broader fiscal and budgetary reform program of the Government. To those ends, the mission put emphasis on consolidating the progress already made by the Government in linking policy with the budget, placing the annual budget in a multi-year perspective and managing public debt, while fostering a gradual reorientation of the budgeting process toward the achievement of results on the ground. The mission identified four components to be supported through World Bank technical assistance: strengthening macro-fiscal policy analysis; improving budget planning and public expenditure management; strengthening debt and aid management; and provision of targeted training and other capacity building specifically connected to the other components of the project.

A follow-up mission on improving cash management was undertaken by the Middle East Technical Assistance Centre (METAC) in January 2008. The focus has been on hands-on capacity building for the Cash Management Unit staff, and outlining a program of action, which should be taken to commence a structured process leading to effective government cash management.



Modernizing the Revenue Administration towards a Function-based Structure

A main thrust of the fiscal reform of the Ministry of Finance was the creation of a modern and innovative tax administration able to anticipate and respond to external and internal changes through: i) efficient organization with function-based headquarters and operational offices, ii) business process reengineering and automation, iii) qualified and skilled human resources, iv) taxpayer service and "customer value" culture, v) continuous capacity building of distinctive competencies, and vi) full commitment to the modernization plan.

In the first quarter of 2008, plans were developed to move the follow-up collection function from Treasury to tax offices, to finalize transactions to be processed in satellite offices and related procedures and to launch satellite offices, starting with the most important sub-regions in terms of fiscal coverage.

Following the approval of the Global Income Tax by the Council of Ministers in November 2007, work in the first quarter of 2008 has been focused on developing the regulations, tax policies, forms, guides and business procedures and processes. The Global Income Tax, within the overall fiscal reform programme, will help the improvement of tax collection, increasing fairness and equity, redistribution of wealth, and investment promotion.

Further, the Revenue Directorate is developing the procedures and automated functions for the implementation of the Tax Procedure Code (TPC). The TPC addresses the following major issues: i) general administrative principles, ii) unification of tax procedures' implementation, and iii) definition of taxpayers' right and obligations.

The launching of e-services in the first quarter of 2008 constituted a major breakthrough for citizens, businesses and the administration. Benefits include: i) streamlining procedures in the tax administration, ii) ability to file anytime and anywhere, and iii) reduced transaction costs for businesses.

Within the context of putting in place a new audit strategy based on risk-selection criteria, new audit techniques and procedures and automated functions have been developed.

The above reform accomplishments have been quantified through increased revenue to the treasury (as highlighted under the program of enhancing revenues) and, importantly, higher overall customer satisfaction as manifested in higher levels of voluntary compliance, reduced number of disputes and lower processing and response times to transactions.

IMPLEMENTATION OF THE REFORM PROGRAM

Table 7. Key Performance Indicators (KPIs)

Higher Compliance Rate	Baseline (2006)	Target (expected 2007)	Achieved (2007)
Voluntary Compliance Rate			
Percent of filers	95%	96%	95%
Percent of payers	96%	97%	97%
Growth rate of the number of registered taxpayers	0.86%	1%	1.53%
Enforcement			
Percent of filers after follow-up	4.50%	10%	20%
Percent of payers after follow-up	13%	15%	10%
Rate of Discrepancies	34%	20%	17%

Improved Services	Baseline (2006)	Target (expected 2007)	Achieved (2007)
Transactions' processing time	3 days	2.5 days	2 days
Inquiries' processing time	1 day	1 day	Immediate to max 1 day
Ratio of satisfied taxpayers	Not available	35%	40%

Increased Revenues Collection	Baseline (2006)	Target (expected 2007)	Achieved (2007)
Growth rate of the amount recovered from the tax returns	8%	8%	9%
Rate of arrears	18%	10%	13%

Strengthening Debt Management

The Ministry of Finance also has focused efforts on strengthening the quality of public debt management and reducing the country's vulnerability to financial shocks. The Ministry is preparing a debt management strategy to serve as cornerstone for the government's debt management operations. The strategy will outline the preferred composition, and thereby risk exposure of the public debt in addition to updated measures to minimize these risks. The Ministry recognizes that transparency is essential for sound public debt management and continues to publish the Quarterly Debt Report targeting policy makers, investors and the public. In January 2008, the fourth Quarterly Debt Report was published³.

Improving the Business Environment

The Ministry undertook several measures to simplify tax control procedures; in particular a decision was undertaken to expand the acceptable limits for the depreciation rate of fixed assets. Within this context, the taxpayer was given more flexibility to choose within a range rather than set the maximum or minimum limits.

Furthermore the Ministry of Finance undertook the necessary measures to implement the one-stop shop registration initiated by the Ministry of Economy and Trade in collaboration with the IFC.

³ The Fourth Quarterly Debt Report can be found on the Ministry of Finance website: www.finance.gov.lb

Table 8. Laws and Amendments related to MoF Paris III Reform Program that are pending before the Parliament

Reform Program	Laws and/or Amendments	Date of Submission
Undertaking Budget and Financial Management Reform	Budget Proposal 2006	February 22, 2007
	Budget Proposal 2007	June 13, 2007
	Budget Proposal 2008	November 24, 2007
	Law# 13796 that would restore the Treasury Single Account	December 18, 2004
Undertaking Revenue Management and Administrative Reform	Tax Procedure Code	First Quarter of 2007
	Global Income Tax Draft Law	November 15, 2007
Modernizing Debt Management	Public Debt Department Draft Law	November 8, 2006
	Higher Council for Debt Management Draft Law	November 8, 2006
Reforming Capital Markets	Capital Market Draft Law	March 1, 2006

Table 9. Short-Term Technical Assistance Requirements at the Ministry of Finance

Reform Program	Short-Term TA Requirements	Description
Implementing a full-fledged public financial management reform	Budget Preparation	<ul style="list-style-type: none"> . Developing Medium-Term Expenditure Framework at spending agencies site . Implementation of performance budgeting in various ministries . Establishing training courses regarding preparing reforms for public expenditures and specifically performance budget
	Budget Execution and Accounting	<ul style="list-style-type: none"> . Updating budget classification from GFS 1996 to GFS 2001 and updating the charts of accounts accordingly . Implementing a gradual move to accrual accounting

IMPLEMENTATION OF THE REFORM PROGRAM

Reform Program	Short-Term TA Requirements	Description
Implementing a Full-fledged Public Financial Management Reform	Cash Management	<ul style="list-style-type: none"> . Oversight and implementation of cash management functions . Preparing the procedures and regulations for the application and the reactivation of the Treasury Single Account
	Audit (Internal and External)	<ul style="list-style-type: none"> . Strengthening the internal audit function inside the Ministry of Finance . Reviewing the external control techniques (with the Court of audit) towards the adoption of international practices
Modernizing the Revenue Administration Towards a Function-based Structure	Performance Management and Monitoring	. Identification of Key Performance Indicators by function, periodical reporting and monitoring
	Management Information System (MIS)	. Designing the relevant MIS for middle and high management
	Taxpayer Segmentation	. Identification of Large, Medium and Small taxpayers, and respective schemes
	Tax Procedure Code	. Preparing for the implementation of the Tax Procedure Codes according to best international practices
	Global Income Tax (GIT)	. Preparing for the implementation of Global Income Tax according to best international practices
	LTO and VAT overall management	. Coaching and assistance on better management

Reform Program	Short-Term TA Requirements	Description
Modernizing Debt Management	Strategy Set-Up and Implementation	<ul style="list-style-type: none"> . Preparing a medium term debt management strategy . Reviewing the existing and potentially new financial instruments that can facilitate the implementation of the medium term debt management strategy (including Islamic finance)
	Cost-Risk Analysis	<ul style="list-style-type: none"> . Developing scenario analysis models and other relevant tools for providing input to the debt management strategy development . Identifying relevant cost and risk indicators, and standardizing calculations
	Data and Debt Recording	<ul style="list-style-type: none"> . Reviewing the processes and procedures related to the debt recording and preparing a project plan for needed improvements . Development of software that can facilitate the capturing of debt data (cash flows) from DMFAS and the domestic debt recording system
	Reporting and Investor Relations	<ul style="list-style-type: none"> . Improving reports on debt and risks, and increasing frequency . Preparing brief weekly one-page reports on outstanding debt, risks, upcoming activities etc., for internal purposes . Developing debt management-specific web-site
	Legal Issues and Negotiations	Training in: <ul style="list-style-type: none"> . Eurobonds-documentation . Legal English . Negotiations
	Improving Debt Primary Market	<ul style="list-style-type: none"> . Modernization of domestic primary market issuance; study the primary dealers system and its applicability to Lebanon . Modernization of the current auction process . The elaboration of a benchmark portfolio in the context of risk management

IMPLEMENTATION OF THE REFORM PROGRAM

The Ministry of Economy and Trade (MoET)

The MoET engagement within the Paris-III framework has focused on implementing structural reform policies, mostly through the preparation of key laws and amendments for approval by the relevant governmental bodies. This engagement has been guided by Lebanon's reform needs to accede to the World Trade Organization. MoET staff activities have included legal and economic reviews, consultations with stakeholders, and leveraging local and/or international expertise for each identified area of reform. Other related activities have included upgrading the MoET resources, either through improving certain processes (e.g. business registration) or through recruiting and training staff (e.g. geographical indications specialists). By the end of the fourth quarter of 2007, most laws in the MoET reform program were prepared and submitted for approval by relevant bodies. Recently, the Council of Ministers approved the Implementing Decree for the Law of Protection of National Production (the Trade Remedies Law), which paves the way for an authority created by the law⁴ to handle cases of anti-dumping, countervailing measures and safeguards⁵.

Encouraging Investment

In first quarter of 2008, MoET has concentrated on developing a marketing campaign for the set of new one-stop business registration procedures. This effort has included close cooperation with LibanPost to outreach via distribution of brochures, as well as announcements via print and broadcast media.

Promoting and Strengthening Intellectual Property

Other activities have focused on promoting intellectual property protection, which is spearheaded by the Ministry's Intellectual Property Protection Office (IPPO), and involved pursuing reform of the national legal and legislative framework, and of enforcement and awareness promotion.

In general, the Ministry is re-committing its adherence to international treaties and agreements, in particular the set of legal norms overseen by the World Intellectual Property Organisation, through the drafting of new legislation, such as the Geographical Indications Law. The MoET has also undertaken to modernise existing laws so as to comply with international obligations. This latter category includes complete reforms of the Trademarks and Industrial Design Laws of 1924, as well as amendments to the Copyright Law of 1999.

Enforcement will stem from current initiatives to boost the MoET/IPPO's capacity and strengthening coordination with relevant governmental ministries and agencies, as well as the private sector. This will involve recruiting and training investigators and other staff with technical expertise as well as acquiring specialised equipment. In particular, the IPPO will start exploring ways to offer some of its public services on the Internet. This will feature a pilot project of allowing electronic submission of trademark applications. Improved internal coordination between IPPO and various MoET departments, will be required for secure and accurate processing, with the overall objective of reducing processing time for final certificate issuance. Donor technical assistance and other forms of support will ensure that the IPPO is equipped with advanced knowledge and technology.

New efforts to strengthen cooperation between the IPPO and Lebanese Higher Customs Council are also underway so as to streamline and digitise the IP verification systems currently in place. Expected benefits will be in the reduction of the time burden involved in clearing imported goods, as well as in the cutting down on waste through switching to a so-called paperless process.

A public awareness campaign has been launched, and will centre upon activities for this year's International IP Day in the second quarter, on 26 April. The campaign will focus on affected sectors, such as cable television, pharmaceuticals, music, and other areas. Strong buy-in has been expressed by the private sector, relevant ministries (such as Ministries of Public Health, Education, Culture, etc.), and civil society to promote the campaign's messages. A component of the campaign will also be used to highlight legal alternatives in these sectors, with details on accessibility and availability.

⁴ Article # 4 of Law dated 12 August 2006

⁵ Decree # 1204, dated 18 March 2008 shall enter into force on the day of its publication in the Official Gazette.

Table 10. Key Performance Indicator (KPI)

KPI	Baseline (2006)	Target	Achieved (2007)
Number of operational Business Development Center	0	4	4

Table 11. Laws and Amendments related to MoET Paris III Reform Program that are pending before the Parliament

Reform Program	Law and/or Amendments	Date of Submission
Encouraging Investment	. Business registration laws and amendments	September 28, 2007
	. Draft Amendments of some articles of the Commercial Law	2006 - 2008
	. Cancellation of Foreign Company registration fee, publication fee in Official gazette (budget law 2007 & 2008)	2006 & November 24, 2006
Promoting and Strengthening Intellectual Property	Amendments to the Copyrights Law	November 24, 2007
	Trademark Law	November 24, 2007
	Law to Adhere to Patent Cooperation Treaty	March 21, 2007
	Geographical Indications Law and relevant implementing decrees	July 27, 2007
	LEBEX Law	June 25, 2006
Improving the Business Environment	Competition Law	November 24, 2007
	Draft IT Law	Q IV 2005
	Draft Insurance law	July 27, 2007

IMPLEMENTATION OF THE REFORM PROGRAM

Table 12. Short-term Technical Assistance Requirements at the Ministry of Economy and Trade

Reform Program / Initiative	Short-term TA Requirements	Estimated Cost (\$)	Period/Duration
Establishing and building capacity of Business Development Centres	Short and long term experts to help create business development centre association	945,000	Q-II 2008
	Study tours for business development centre staff	270,000	Q-III 2008
	Short and long term experts to assist business development centre improve program delivery	162,000	Q-IV 2008
	Short and long term experts to deliver innovation management training	202,500	Q-II to Q-IV 2008
Adhering to the Patent Cooperation Treaty (PCT)	Staff Training*	TBD	Q-I 2009
	PCT Awareness workshop and seminar	TBD	Q-II to Q-IV 2008
	WIPO-compliant computer systems and WIPO expert to launch the system	10,000	Q-IV 2008
Enacting the Geographical Indications (GI) Law	GI's legal expert to draft implementation decree to be submitted to Council of State for approval (regulatory decree which needs the Council of State prior approval), then to the Council of Ministers for enactment.*	10,000	Q-IV 2008
	Staff Training		Q-II 2009
	GI Staff Equipment	10,000	Q-II 2009
Creating and activating National Committee on Trade and Transport Facilitation (NCTTF)	Short-term experts to assist NCTTF Secretariat to draft a three year Master Plan for Transport and Trade facilitation strategy and policies in Lebanon	200,000	Q-II to Q-III 2008
	National and regional experts for trade facilitation assessment (in the following areas: legal, administrative, training, awareness building, equipment, automation, software, networks)	150,000	Q-IV 2008 to Q-I 2009
	National and regional experts for sector studies (roads, multimodal transport, customs, administrative, security)	150,000	Q-IV 2008 to Q-III 2009

Reform Program / Initiative	Short-term TA Requirements	Estimated Cost (\$)	Period/Duration
Implementing the Competition Law	<ul style="list-style-type: none"> . Train potential Competition Council staff (Judiciary body, Technical Centre for Pricing Policies), through local and international training modules and study tours . Deliver awareness training modules to relevant private sector representatives (trade and industry associations, chambers of commerce, order of lawyers, etc.) . Mobilize international experts to further elaborate competition regulations (law and implementing decrees) 	250,000	Q-II 2008 to Q-IV 2009
Implementing the Law of Protection of National Production (Trade Remedies Law)	Train technical staff of Investigative Authority on trade remedies and implementation of law	500,000	Q-II to Q-IV 2008
Reviewing and enacting corporate governance and bankruptcy and foreclosure laws	Local legal experts to advise two standing committees	360,000	Q-II to Q-III 2008
	International legal experts to compare with international best practice	180,000	Q-IV 2008
	Legal consultant to hold stakeholder consultations (workshops and conferences), and draft and present legal changes to Council of Ministers and Parliament	110,000	Q-II 2008 to Q-II 2009

* Activity may be held only after approval of relevant law by Parliament

IMPLEMENTATION OF THE REFORM PROGRAM

Office of the Minister of State for Administrative Reform (OMSAR)

Promoting Governance and Transparency in the Public Sector

OMSAR has progressed on the project of addressing corruption in the administration, with the Ministry of Finance and the Ministry of Public Works and Transport as the first volunteer public entities. OMSAR drafted the terms of reference for the consultancy that will carry out the anti-corruption project and the Memorandum of Understanding for the project between OMSAR and the two candidate ministries. Both documents were transmitted to the concerned ministers for feedback. Simultaneously, a first meeting between OMSAR and the Minister of Finance took place in March during which several aspects of the project were highlighted and clarified. The source of funds for this project remains to be identified.

OMSAR is developing modalities for outsourcing tasks carried out by the public sector and already identified some of the tasks to be outsourced to the private sector in five Ministries (Economy and Trade, Social Affairs, Industry, Agriculture, and Public Works). A consultancy is required to develop the legal and institutional framework for outsourcing to become pervasive throughout the administration. The terms of reference for the outsourcing consultancy are in preparation and will be finalized by the end of April 2008.

Modernizing and Upgrading Capabilities in the Public Sector

OMSAR has worked on modernizing and upgrading capabilities in the public sector. A consultant was contracted with the support of the Arab Fund for Economic and Social Development for the implementation of the e-Government strategy. The consultant successfully completed the mission, which included the review and update of the existing e-government strategy and the development of a high-level national action plan. The report was submitted by the Minister of State for Administrative Reform to the Prime Minister on December 6, 2007.

As a follow-up on the e-government related projects, OMSAR has organized during March 2008 a workshop under the title "Single Window to Government" which was delivered by an international expert and was attended by around 35 public sector official and technical employees. As an outcome from this workshop, a work plan for the establishment of the e-government portal was developed. Accordingly, OMSAR is now seeking options to find a proper source of funding for this initiative.

OMSAR will receive during March 2008 a high level technical delegation from Malaysia to scope a national project and develop the technical specification for the adoption of a large scale program related to the Smart Card technology with an initial emphasis on the health sector.

In addition, the terms of reference for the e-readiness assessment are under preparation and will be finalized by end of April 2008. However, launching the bidding process for this project is subject to availability of funds.



Meeting on Administrative Reforms

Table 13. Laws and Amendments related to OMSAR Paris III Reform Program that are pending before the Parliament

Reform Program	Laws and/or Amendments	Date of Submission
Promoting Governance and Transparency in the Public Sector	. Draft Law for Public Procurement	October 2007
	. Draft Law for the Reorganization of the Public Procurement Administration	October 2007

Table 14. Short-term Technical Assistance Requirements at the Office of the Minister of State for Administrative Reform

Reform Program/Initiatives	Short-term TA Requirements
Developing Modalities for Outsourcing Relevant Public Sector Tasks to Private Sector	2 international experts to carry out the anti-corruption project (assessment and action plan development and implementation) at the two candidate ministries
	1 international expert to identify tasks and activities in service ministries to be outsourced to the private sector
	2 international experts to prepare the draft organizational decree and related documents for the certification authority together with appointed committee for this purpose
Updating E-government Strategy and Preparing an Action Plan	1 international experts to carry out the national e-readiness assessment in coordination with major stakeholders
	2 international experts to develop the government e-payment gateway action plan in coordination with major stakeholders
	4 international experts to finalize the ICT security and standards update
Implementing Training Plan for the Ministry of Public Health and other Institutions	1 expert to develop and implement training program for the Ministry of Public Health

IMPLEMENTATION OF THE REFORM PROGRAM

CENTRAL BANK

The Central Bank has focused in the first quarter of 2008 on i) maintaining the floor on BDL gross reserves, and ii) enhancing access to credit by businesses.

Maintaining the floor on BDL gross reserves

Within the context of maintaining the floor on BDL gross reserves, the figures to be submitted to the IMF were set according to specific templates developed by both parties within the EPCA program. The recent IMF EMPCA mission primarily concluded that the program targets on international reserves and government net borrowing from the BDL were met comfortably. With strong deposit inflows and in the absence of foreign exchange market pressures, gross external reserves of BDL rose to \$11.5 billion, better than expected and despite the shortfall in donor financing relative to the program expectations. As such, the government was able to reduce its reliance on net financing from the BdL significantly below program expectations."

Enhancing Access of Businesses to Credit

BdL has taken the following measures to enhance access of businesses to credit: i) interest subsidy schemes have been introduced to provide favourable conditions for leasing, ii) interest subsidy schemes have been extended to incubators, and iii) several programs have been launched to encourage banks to on-lend to MSE clients through risk-sharing facilities.

3. THE INFRASTRUCTURE AND PRIVATIZATION PROGRAM

Telecommunications Sector

The telecommunications sector spans the following reform programs: i) establishment of the telecom regulatory authority, ii) corporatization and privatization of Liban Telecom and iii) privatization of mobile telecommunications.

Establishment of the Telecom Regulatory Authority

Transfer of functions from MoT to TRA as per Law 431

Following the appointment of the TRA and as per Telecommunications Law 431, regulatory functions have to be transferred from the Ministry of Telecommunications (MOT) to TRA. The transfer of selected staff has been completed. Some documentation and information from MOT has yet to be transferred, such as the numbering assignment database, Radio Frequency (RF) planning and studies carried out to the benefit of MOT, as well as RF management equipment.

Broadband Licensing

TRA is currently executing a comprehensive strategy for the development of broadband that would allow Lebanon to leapfrog to state-of-the-art telecommunications technology and services, including fiber (FTTX) and wireless technologies. The objective is to create a dynamic, competitive telecommunications market that will serve as an engine for investment and growth for the Lebanese economy. TRA plans to issue two types of licenses:

- National Broadband Licenses (NBL) that will allow licensees to build any telecommunications infrastructure

using any technology for a core network (linking nodes in the main cities of Lebanon), metropolitan networks (covering Lebanon's towns and cities), and access networks. TRA plans to issue two NBLs in addition to the one granted to Liban Telecom.

- Broadband Access Licenses that will entitle their holders to build metropolitan and access networks connecting customers using any technology of their choice, and to offer customers the same telecommunications services as the National Broadband Licenses. Some of the Broadband Access Licenses would be made available with radio spectrum bands, enabling them to deploy wireless access technology. TRA does not intend to restrict the number of Broadband Access Licenses. However, the number of Broadband Access Licenses with spectrum allocations will be limited by interference risk and spectrum availability.

Corporatization and Privatization of Liban Telecom

As per the National Project of the Ministry of Telecommunications, the national operator has been proceeding to provide the broadband services in all main urban areas in Lebanon. The national operator is part of the IMEWE consortium, which is a submarine cable between India, the Middle East and West Europe. This will provide huge capacities for broadband internet services at very competitive prices. In addition, Lebanon will become a regional hub for this service (being the only country in the consortium in this region Syria, Jordan and Cyprus).

Due to the delays encountered in the appointment of the Liban Telecom (LT) board of Directors, tasks that are related to the establishment of the incumbent operator have been frozen. Kindly refer to the below table for details.

Table 15. Key initiatives undertaken and planned for Q2/08

Initiative	Status	Milestones
LT Broadband Services*	On Track	32,000 DSL Subscribers at the end of February 2008, and an expected number of 50,000 by second quarter of 2008
Appoint LT Board of Directors	Delayed	
Setup Program Management Office (PMO)		
Create LT organizational Structure	Not Started	Upon Board or PMO appointment
LT Asset Transfer Planning		
Development of LT Accounting Policies		

* Note: All broadband service infrastructure is owned by MoT / Ogero, where as the actual subscribers are divided among the private sector and MoT

IMPLEMENTATION OF THE REFORM PROGRAM

Privatization of the Mobile Operators

Since the launch of the tender process for the sale of the two existing state-owned mobile telecommunications operators in November 2007, several companies have expressed interest and accessed the virtual data room.

While the applications were due on the 1st of February with the live auction scheduled for the 21st of February, the Higher Council for Privatization (HCP), and the Telecommunications Regulatory Authority (TRA) jointly announced on January 23, 2008, the extension of the tender process timetable in light of the Council of Ministers Resolution n°62 dated January 18, 2008. This extension is expected to defer the application deadline and the auction date for three months, respectively, noting that further announcements regarding the timeline will be made as appropriate but no less than four weeks prior to the new application deadline.

Such extension is intended to accommodate ongoing due diligence requests from applicants and to take into consideration the delay in holding presidential elections.

Meanwhile, the data room remains open for the applicants to conduct their due diligence and the HCP and the TRA are continuing to receive questions raised by the applicants and publishing relevant answers on a regular basis.

Moreover, site visits were conducted by interested parties during the month of February, as part of their due diligence exercise.



Repair of a war-damaged bridge

Power Sector


Following Paris III, there has been a consensus that Lebanon's strategy in the power sector would focus on short-term and mid-term goals.

In the short term, the government is focusing on loss reduction, better management of existing facilities and resources, and improved electric energy supply reliability. In parallel, the government has launched the corporatization of EDL, and has taken major steps to facilitate the entry of the private sector into the energy market via Independent Power Producer (IPP) projects that also enable the expansion of power generation capacity. However, constraints such as high crude oil prices and political difficulties have negatively impacted EDL's ability to significantly improve bill collection and reduce illegal connections to the network.

In the medium term, the government aims to unbundle the sector and ultimately privatize it in accordance with Law 462 that was ratified in 2002.

Strengthening Sector Policy-Making Capacity

A World Bank funded contract has been awarded for a consultant to support the Ministry of Energy and Water (MEW) in strengthening its policymaking capacity. The work of the consultant commenced in September, 2007, and it has issued a first set of deliverables. The consultant has reviewed all studies undertaken on the sector in the past five years, and is currently formulating recommendations on the following key aspects: (i) fuel sourcing for existing and new power plants (in close coordination with the Master Plan that is being prepared), (ii) establishing the Energy Regulatory Agency (ERA), and (iii) adjusting electricity tariffs (structure, levels and sequencing).



A contract to formulate a least cost master plan for the generation and transmission of electricity has been awarded to Electricité de France (EDF) through a grant from Agence Française du Développement (AFD). The objective of the Master Plan is to identify the priority least-cost investment needs in generation and transmission to improve the quality and cost of supply, and meet future demand. The Master Plan will also cover the potential for renewable energy including wind, hydro and solar water heating. The initial recommendations for the generation segment were presented on February 17, 2008, and the recommendations for the transmission segment are expected by April 17, 2008. An integrated report will be submitted by July 17, 2008 for both generation and transmission. Finally, the World Bank issued a Public Expenditure Review (PER) in January 2008.

In order to facilitate the establishment of an Energy Regulatory Agency (ERA), the European Union (EU) has offered a €1.6 million grant within a twinning arrangement to build its capacity. The project is expected to start in October 2008, and its expected duration is two years.

Improving EDL's Operational Efficiency

A World Bank funded contract has been awarded for a consultant to support Electricité du Liban (EDL) in improving its operational and financial performance. The consultant launched its assignment in September, 2007, and has taken stock of the technical and financial performance of EDL and compiled detailed data on its business units and their performance.

To reinforce the capacity of its Finance Department, EDL has issued a Request for Proposals to attract local and international accounting firms for undertaking the tasks of organizing, modernizing, and improving the work practice at the accounting department of EDL. Four consultant proposals are currently under evaluation. An international auditor has started auditing EDL financial statements for 2002-2006.

To supervise the operation and maintenance works at the Beddawi and Zahrani power plants that are being carried out by an international utility, the government contracted an

international consultant. In addition, the government has solicited from an international utility a feasibility study on the rehabilitation of the Zouk power plant. The study recommends the immediate rehabilitation of this power plant to extend its lifetime by 5-8 years until more efficient substitute plants are constructed. In addition, EDL has launched a tender for the performance of a feasibility study on the rehabilitation of the Jieh power plant. Concurrently, work on identifying sources of funds for such rehabilitation projects is underway. Replacing gas-oil in the Beddawi and Zahrani power plants with natural gas remains a strategic option for Lebanon. The conversion of the Beddawi power plant to natural gas through the Arab Gas Pipeline has been rescheduled to the summer of 2008.

Works related to the establishment of a National Control Center (NCC) have been on track, and NCC is expected to be fully operational during 2008. On another track, the GoL has extensively followed up on the progress of completing the 220 kV transmission network. Most of the work has been executed and the network is expected to be fully operational before June 2008.

Corporatization and Privatization of EdL

A World Bank funded contract has been awarded for a consultant to support the Higher Council for Privatization (HCP) to corporatize and privatize EDL. The consultant started working in September 2007, and in January 2008 presented the suggested EDL restructuring strategy to the Prime Minister and the Higher Council for Privatization (HCP).

An essential step toward the corporatization is the identification and valuation of assets and liabilities owned or controlled by EDL, which would be transferred to the newly created corporations (as per Article 4 of the Electricity Law). HCP launched in January 2008 a Request For Proposals (RFP) for an accounting advisor to undertake the counting and valuation of EDL assets. HCP received the proposals on February 29th, and is currently evaluating them with the aim of selecting and appointing an advisor by April.

IMPLEMENTATION OF THE REFORM PROGRAM

Work on the involvement of the private sector to improve network management, billing and collection has progressed. The government has made a decision to divide EDL into two distribution areas. The government envisages the award of two contracts, one for network management and another for billing and collection. The tendering process for both contracts was launched in June 2007, and following bidders' request, the deadline for both has been postponed for the second time to mid April 2008.

The government is seeking to attract private investors through Independent Power Producer (IPP) schemes to build additional generating capacity. To this end, the government has retained the International Finance Corporation to manage the transaction to contract a private investor to build a 500 MW power plant at the site of the Beddawi power plant. The technical, accounting and legal consultants have conducted site visits and meetings with the relevant government agencies as part of their due diligence exercise. Their findings are expected to be presented to the HCP during the month of April 2008.

In addition, agreements have been reached with Electricité du Zahle (EDZ) and Lebanon Wind Power Company to build small scale power plants of around 60 MW. A Memorandum of Understanding (MOU) to facilitate the implementation of these projects was signed between the ministry and these companies, as well as with Jbeil and Aley electricity companies, in November 2007.

Transport Sector

Air Transport

Following the request of the Prime Minister and the Minister of Transport during the Infrastructure and Privatization IMC of July 5, 2007, a GR-PCO consultant developed a detailed roadmap for the privatization of the Beirut Rafic Hariri International airport (BRHIA). The consultant identified four key requirements that need to be addressed upfront to enable privatization.

These include: i) setting up the Civil Aviation Authority (CAA), the safety and economic regulator, ii) setting up Beirut Rafic Hariri International Airport Corporation (BRHIAC), the company fully responsible for running Beirut Airport, iii) ensuring coordination and conflict resolution mechanisms between government agencies, and iv) confirming the form of the privatization option and defining the process timeline, in addition to determining a transaction timing with favourable growth prospects and political situation.

As such, the privatization roadmap started with the establishment of the institutional structure before developing the privatization scheme. This will enable launching the privatization at the right timing, targeting selected operators, followed by a carefully planned transition.

Council for Development and Reconstruction (CDR)

Restructuring CDR's capacity to undertake investments

To strengthen the capacity of CDR's procurement, financial and project management, planning and legal functions, the lists of job vacancies and profiles were prepared and the process of filling the vacancies will be launched in April 2008 by the Council of Civil Servants. Furthermore, on another hand, the individual consultants were hired on contract basis (from foreign grants).

Developing Public Investment Program for 2008-2012

In collaboration with the Prime Minister's Office, the Ministry of Finance, and other concerned ministries and public institutions, the Council for Development and Reconstruction developed a Public Investment Program for the period 2008-2012. The plan determines: i) the priorities of the various sectors in accordance with the Government Reform Program, and ii) the constraints in terms of capital expenditures in local and foreign funds.

The Government has continued to work closely with the donor community on translating its pledges into commitments and disbursements; Table 16 presents a summary of pledges signed into commitments at end March 2008. Table 17 summarizes the amounts pledged at Paris III and their allocation based on discussions with donors¹. The classification has been modified from previous reports as the amounts that were pledged under “projects underway” have been distributed over the other (regular) categories, namely private sector support, support through UN Agencies, civil society organizations, and support through the public sector including in-kind contribution, support to BDL, project financing, budget support. The change in classification concerns \$867 million of projects that were committed or initiated prior to the conference. In addition, any duplication of pledges has been removed, thereby decreasing the total amount pledged to \$7,533 million.

By end March 2008, \$4,408 million were signed into agreements. The largest share consisted of budget support agreements representing 40 percent of the total. Seventy-seven percent of budget support has been committed, in addition to a debt exchange transaction of \$500 million that was not included in the pledges.

The second largest percentage of signed agreement is private sector support. By end March 2008, 80 percent of private sector support pledges were signed. With only \$291 million unallocated, the pace of signatures has slowed, however, donors continue to work with the financial intermediaries to ensure rapid disbursements.

Project support agreements totaled \$1,173 million and represent 23 percent of the total agreements signed. Project support, which received the highest amount of pledges, in the Paris III Conference has lagged behind the other categories. Various reasons explain this situation, including a large existing pipeline and delays due to the continued lack of parliamentary sessions.

Donors also continued to work directly with the United Nations agencies and programs and with civil society organizations to fulfill their commitments and to implement projects.

Table 16. Updated summary of signed agreement (US\$, million)

Type of Support	Signed
Budget support	1,780
BDL	120
Private Sector support	1,173
Project support	1,032
In-Kind	304
Total	4,408

Source: MOF collected data by March 31, 2008

The Emergency Post Conflict Program (EPCA) with the International Monetary Fund came to an end in December 2007. An IMF mission visited Lebanon in February 2008 to assess performance under the program up to the end of

2007. The assessment found the program on track and all targets were met. The IMF concluding report will be presented to the IMF Board of Directors in April 2008 and will be published in the next progress report.

¹ Appendix A provides a detailed breakdown of all pledges and intended uses

UPDATED RESULTS OF THE CONFERENCE

Table 17. Updated Paris III Pledges (Greater than \$10 million; in US\$ million)²

Country	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
European Investment Bank	1,248	709						20		520
Saudi Arabia	1,100						100			1,000
World Bank	975	275							300	400
United States	890	120	185	50	286		250			
Arab Fund for Economic & Social Development	750	85								665
France	650	163							488	
European Commission	486		10	4			39	368	65	
United Arab Emirates	300								300	
Islamic Development Bank	250							5		245
Arab Monetary Fund	250	100				43			107	
Italy	156		13	12				34		98
Germany	134							134		
International Monetary Fund	77					77				
Spain	53		37	11				5		
Egypt	44				44					
United Kingdom	35		35							
Belgium	26	12	6	3				4		
Turkey	20				20					
Canada	17		13					4		
Norway	15		2	12				1		
Oman	10						10			
Other*	47		16	4	11		1	2		
Total*	7,533	1,463	318	95	360	120	400	576	1,260	2,927

Source: MOF, CDR and Presidency of the Council of Ministers collected data by March 31, 2008

* \$13 million are still under review under "Others"; for a report detailing all pledges including "Others" refer to appendix B

² The same exchange rates have been used as previous progress reports to allow for comparison. In particular €1=\$1.3

A. UPDATE ON GOVERNMENT SUPPORT

Table 18. Updated summary of pledges for government support (US\$, million)

	Budget Support	Project Financing	BDL	In-kind	Total
Grants	400	576		360	1,336
Loans	1,260	2,927	120		4,307
Total	1,660	3,503	120	360	5,643

Source: MOF collected data by March 31, 2008

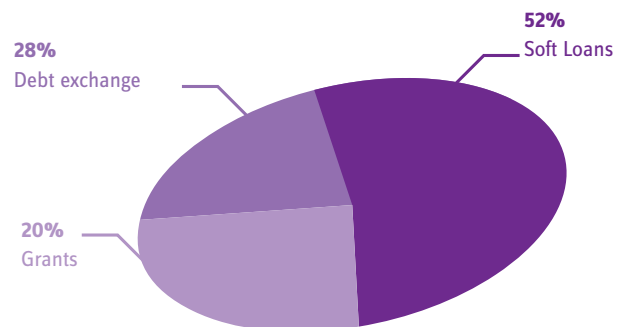
1. Budget Support

Budget support agreements signed reached a total of \$1,780 million at end March 2008. The agreements signed exceed the amount pledged in Paris III, taking into account the debt exchange transaction with Malaysia of \$500 million completed in July 2007 (detailed in Paris III - Third Progress Report), which was not included in the Paris III pledges. The majority of the budget support signed has been in the form of soft loans (Graph 1). Excluding the Malaysian transaction, agreements signed reached 77 percent of those pledged in Paris III. Including the Malaysian transaction and by end of March 2007, a total of \$1,390 million was received and used for debt reduction.

The remaining unsigned budget support pledges are:

- . World Bank (additional \$200 million): discussions are underway for \$75 million Reform Implementation Development Policy Loan (detailed below)
- . European Commission (€80 million) Macro-financial assistance; and,
- . Arab Monetary Fund (additional \$75 million)

Graph 1: Distribution of budget support signed (total \$1,780 million)



UPDATED RESULTS OF THE CONFERENCE

Table 19. Status in detail of budget support pledges (US\$, million)

Country	Grant Budget Support	Loan Budget Support	Signed	Received
Saudi Arabia	100		100	100
World Bank		300	100	100
United States	250		250	115
France		488	488	222
European Commission	39	65		
United Arab Emirates		300	300	300
Arab Monetary Fund		107	32	43
Oman	10		10	10
Malaysia	1			
Slovenia	0.13		0.13	0.13
Malaysia			500	500
Total	400	1,260	1,780	1,390

Source: MOF collected data by March 31, 2008

In the first quarter of 2008, the following developments occurred:

World Bank Group

A World Bank mission visited Lebanon between January 15 and 19, 2008 to review progress on the Reform Implementation Development Policy Loan I (RIDPL I), (signed on September 7 and received on September 29, 2007). The mission assessed progress achieved in energy reforms under the Emergency Power Sector Reform Capacity Reinforcement Project, discussed energy reform actions to be included under the second RIDPL, and finalized the Electricity Sector Public Expenditure Review.

A second World Bank mission was in Lebanon from January 21 to January 30 to review developments in the implementation of the social sector reforms and to discuss the second Reform Implementation Development Policy Loan of \$75 million to support reforms in the social sector in particular. The mission also assessed progress of the Emergency Social Protection Implementation Support Grant, signed on September 7, 2007.

United States

USAID - as the implementer of the budget support signed with the United States - has continued the payments of Lebanese debt and debt service to the World Bank. By end March 2008, a total of \$115 million was paid on behalf of Lebanon to the World Bank, \$111 million of which were in the first quarter of 2008. The payments are as follows:

Table 20. Summary of USAID debt reduction payments (US\$, million)

Date	Amount
1 December 2007	14.03
15 January 2008	7.14
23 January 2008	89.27
1 February 2008	0.14
15 February 2008	2.28
3 March 2008	1.92
Total	114.78

Source: MOF collected data by March 31, 2008

The payments were used to prepay three loans to the World Bank on behalf of Lebanon (equivalent to \$89 million) and to pay debt service with the remaining amounts as the debt and debt service to the World Bank become due. These payments are within the context of the Memorandum of Understanding on budget support of \$250 million (Paris III - Third Progress Report), signed on July 5, 2007; and the grant agreement as amended on December 13, 2007.

France

On February 21, 2008, the Lebanese Minister of Finance, Jihad Azour, and the Director General of the Agence Française de Développement (AFD), Jean Michel Severino, signed a €375 million loan agreement for debt reduction. The signing was done under the auspices of the French President, Nicolas Sarkozy, and the Lebanese Prime Minister, Fuad Siniora, and in the presence of the French Minister of Finance, Christine Lagarde. The loan agreement will be implemented in three tranches, the first of which, €150 million, was received on February 27, 2008. For details on the loan agreement, kindly refer to appendix B.

European Commission

Discussions between the Ministry of Finance and the European Commission are continuing in order to finalize and sign the Memorandum of Understanding, loan agreement and grant agreement for the European Commission Macro-Financial Assistance.



Signature of French loan agreement on February 21, 2008

UPDATED RESULTS OF THE CONFERENCE

2. Project Financing

The greatest share of pledges is allocated to project financing at \$3,503 million or 47 percent of total. Agreements to commit project finance continued to progress, particularly those concerning grant financing (for which Parliament approval is not required), and reached \$1,032 million by end March 2008. This latter figure includes \$337 million of loan agreements with the Arab Fund for Economic and Social Development, approved by the Council of Ministers but pending Parliament approval. As such, the implementation of the concerned projects can not commence.

In accordance with the priorities of the public investment program, the largest percentage of committed project finance benefits the water and waste water sector, followed by the road sector and 'other' infrastructure projects (graph 2).

Unallocated project finance totals \$2,471 million and includes pledges of Saudi Arabia (\$1,000 million), World Bank (\$400 million), European Investment Bank (EIB) (\$285 million), Arab Fund for Economic and Social Development (\$328 million), European Commission (\$270 million), Italy (\$118 million), and Germany (\$56 million). The majority of these funds (84 percent) is pledged as loans and, thus, will require Parliament approval once agreed to.

Graph 2: Distribution of signed project per sector

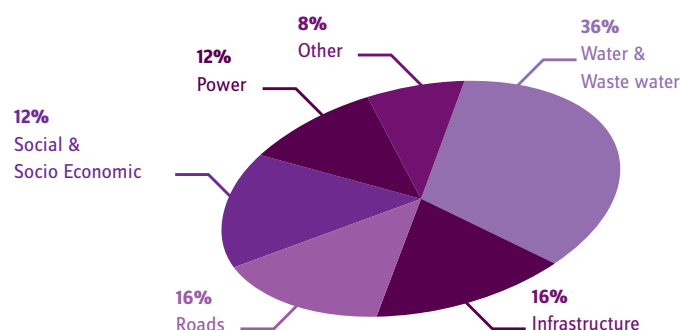


Table 21. Updated summary of project support (US\$, million)

Country	Grant Project Financing	Loan Project Financing	Signed
European Investment Bank	20	520	255
Saudi Arabia		1,000	
World Bank		400	
Arab Fund for Economic & Social Development		665	337
European Commission	368		98
Islamic Development Bank	5	245	250
Italy	34	98	13
Germany	134		78
Spain	5		
Belgium	4		
Canada	4		
Norway	1		1
Denmark	1		
Total	575	2,928	1,032

Source: MOF, CDR and Presidency of the Council of Ministers collected data by March 31, 2008

In the first quarter of 2008, the following progress was achieved:

European Investment Bank

A mission from EIB visited Lebanon in February 2008 to assess progress of the Lebanon portfolio of projects and to continue discussions with CDR regarding possible future projects, particularly in the water and wastewater and power sectors.

On-going projects with EIB funding amount to €196 million. By March 2008, disbursements for the Lebanese Highway project (€60 million) amounted to €12 million, and disbursements for the Tripoli Port project (€31 million) were €26.8 million. The other two projects, Tyre waste water treatment for €45 million and Greater Beirut waste water project for €60 million, are in the tendering process.

European Commission

On 22 January 2008, the European Commission donated IT equipment and software to the Central Administration of Statistics amounting to €545,000. This grant, which is part of the assistance provided under the EU-Lebanon Association Agreement, aims at improving the statistical data entry and treatment capacity of the Central Administration of Statistics.

An EC mission visited Lebanon in March 2008 and discussed with CDR and other concerned national authorities the programming of next year's budget. The European Commission is particularly interested in supporting reforms in the social sector.

Italy

Italy continued development cooperation activities in Lebanon. In December 2007, Italy transferred €10 million to CDR to complete the projects agreed to: Baabda Hospital (€2.5 million); Dennieh aqueduct (€5.5 million) and "National Targeting System for Social Safety Nets" and "Assistance and Treatment of intellectual impairments (mental and physical) in schools", the latter two are programs with Ministry of Social Affairs.

A mission from Italy visited Lebanon in January 2008 to review progress on on-going activities and to discuss programming of the remaining allocated funds (€10 million grant and €75 million soft loan). Italy is interested in continuing the cooperation with CDR on water, water management, and waste water treatment plants.

Belgium

A mission was in Lebanon in January 2008 to continue discussions with CDR regarding rehabilitation and provision of equipment to the public hospital in Tebnin.

Norway

On 12 December 2007, the Government of Norway transferred \$1 million to the account of the High Relief Committee for a project to address issues related to the oil spill caused by the July 2006 war.

Germany

In February, 2008 CDR, in collaboration with the Ministry of Environment, launched an "environment fund" financed by €4.5 million grant from Germany. The grant is part of the €24 million framework agreement signed with CDR on December 8, 2008.

UPDATED RESULTS OF THE CONFERENCE

3. In-Kind Contributions

Of the in-kind support pledged to the public sector in Paris III (\$320 million), \$304 million was committed by end of March 2008. The majority of this support (80 percent) came in the form of supplies and training to the military forces which was implemented in 2007. Signed projects with China and Egypt are underway, while in-kind support from Turkey and Greece are under discussion between the donors and CDR.

On February 1, the People's Republic of China and CDR signed a grant agreement for Yuan 30 million (\$4 million). Yuan 5 million of the grant will be dedicated to provide in-kind support to implement a Confucius Institute project; the balance will be agreed upon between the two governments.

The project signed with Egypt to provide in-kind support for the power sector has progressed. The agreement with Egypt concerned the construction by Egyptian company Petrojet of three fuel tanks and two water tanks at the Jieh power plant. The building of one fuel tank and one water tank commenced in November 2007 and is expected to be completed by end April 2008. The supplementary works were contracted. Upon completion, these two tanks are expected to resolve the main issues at the Jiyeh Power plant. The building of the remaining two fuel tanks and one water tank will commence as soon as the supplementary works are contracted. Tenders for the supplementary works have been issued, but the contracts have not yet been awarded.

Table 18. In-Kind contributions (US\$, million)

Country	In-kind	Status
United States	286	Received
Egypt	44	Partially signed (\$15 million) and underway
Turkey	20	Under discussion
Greece	7	Under discussion
China	4	Signed
Total	360	

Source: MOF, CDR and Presidency of the Council of Ministers collected data by March 31, 2008

4. Support to the Central Bank

The Central Bank received a total of \$120 million consisting of \$77 million from the International Monetary Fund (April 2007) for balance of payments support and \$43 million from the Arab Monetary Fund (December 2007) for risk management and mitigation, and accounting system design.



Signature of agreement between CDR and China on February 1, 2008

B. SUPPORT TO THE PRIVATE SECTOR

Private sector support agreements totaled \$1,173 million by end of March 2008, 80 percent of the total amount pledged in Paris III. With the exception of three loan agreements, donors have worked with local financial intermediaries to provide credit to small and medium enterprises. The three loan agreements with government institutions are: two

EIB agreement signed with CDR and implemented by Banque du Liban, one for €60 million and another for €100 million, and one Arab Fund for Economic and Social Development loan agreement signed the Council of Development and Reconstruction for \$85 million.

Table 19. Summary of Private Sector Support (\$US, million)

Country	Pledged	Signed
European Investment Bank	709	515
World Bank	275	235
United States	120	120
Arab Fund for Economic & Social Development	85	85
France	163	111
Arab Monetary Fund	100	107
Belgium	12	
Total	1,463	1,173

Source: MOF collected data by March 31, 2008

Since end December 2007, private sector support progressed as follows:

- . Loan provided by the European Investment Bank and managed by Banque du Liban: EIB transferred the first tranche of €15 million to BdL on February 22, 2008, and a second tranche of €20 million on March 17, 2008. In turn, these funds were disbursed directly to approved applications. The remaining €25 million is expected to be transferred to BdL in two further tranches, to be completed by end of May 2008.
- . The European Investment Bank signed five private sector support agreements totaling €195 million in December 2007. In addition to the €60 million agreement with Byblos Bank reported in the Paris III - Fourth Progress Report (published in January 2008), EIB also signed agreements with: Banque Libano-Française on 21 December 2007 for €20 million; Fransabank on 21 December 2007 for €30 million, Bankmed on 27 December 2007 for €25 million, and Bank Audi on 27 December 2007 for €60 million.
- . The Agence Française de Développement (AFD) continued disbursement of its loans to the private sector. By end March 2008, AFD had approved loans for a total of €30 million. The main beneficiary sectors are trade, industry and health.
- . The Arab Monetary Fund, through the Arab Trade Financing Program, continued providing the Lebanese banks with credit for the private sector. In addition to the \$107 million signed by end of 2007 (which fulfilled the Paris III pledge), AMF signed an agreement for a credit line of \$25 million with Byblos Bank on March 16, 2008 to be used to finance trade operations.

UPDATED RESULTS OF THE CONFERENCE

C. SUPPORT THROUGH THE UNITED NATIONS

Support channeled through the United Nations agencies is expected to amount to \$317 million. Sixty percent of this support (\$185 million from the US and \$5 million from the UK) is support to the UNIFIL. The Nahr el-Bared camps were the

second focus of support through the United Nations at 24 percent of these pledges (\$75 million) including those from EU, Italy, Spain, UK, Belgium, Norway, Australia, Denmark, Japan, and Austria.

Table 20. Updated summary of support through UN (\$US, million)

Country	Amount Pledged
United States	185
European Commission	10
Italy	13
Spain	37
United Kingdom	35
Belgium	6
Canada	13
Norway	3
Australia	5
Sweden	5
Denmark	2.0
Japan	2
Austria	1
Finland	1
Cyprus	0.7
Total	318

Source: MOF collected data by March 31, 2008

Since the last progress report, the following donors have reported:

. Italy transferred a total of €10 million for projects through United Nations Agencies in particular ILO for vocational training (€2 million), FAO for an agriculture observatory (€3 million), UNRWA for the Nahr el Bared Camp (€2 million), UNDP for support of Lebanese municipalities neighboring Nahr el Bared camp (€1.3 million), UNFPA for a project on domestic violence (€0.7 million) and UNMAS for demining (1 million).

. Norway fulfilled its pledge to Lebanon in 2007 through transferring NOK 15,700,000 (\$3 million) to UNRWA and the office of the UN Secretary General's Personal Representative for Lebanon.

D. SUPPORT THROUGH CIVIL SOCIETY ORGANIZATIONS

Support channeled through the Civil Society Organizations is expected to amount to \$95 million.

Table 21. Updated summary of support through CSOs

Country	CSOs
United States	50
European Commission	4
Italy	12
Spain	11
Belgium	3
Norway	11
Sweden	1
Denmark	0.5
Japan	2
Total	95

Source: MOF collected data by March 31, 2008

Since the last progress report, the following donors have reported:

- . Italy transferred €9 million through the Italian Embassy's ROSS "Emergency Initiative for Rehabilitation, Occupation, Services and Development"
- . Norway transferred \$11 million to various civil society organizations, including the Norwegian Coastal Administration and Mines Advisory Group. Norway has focused on mine related issues and projects and oil spill cleanup.

E. UNDER REVIEW

\$13 million is still under review by donors and the programming is yet to be finalized. The donors concerned are Jordan, Ireland, Brazil, Luxemburg, and Portugal. Support is expected to be in the form of grants.





APPENDIX

APPENDIX A

Country	Total	Private Sector	UN System UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
European Investment Bank	1,248	709						20		520
Saudi Arabia	1,100						100			1,000
World Bank	975	275							300	400
United States	890	120	185	50	286		250			

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Intended Uses of Funds
	<p>a) Project financing: €196 million in existing projects (Tripoli Port Project - €31 million, Tyre waste water treatment - €45 million, Lebanese Highway projects - €60 million, Greater Beirut waste water project €60 million)</p> <p>b) Project financing: €200 million expected to be spent on €66 million for waste water and €140 million in the power sector</p> <p>c) Private sector support: \$709 million (€545 million); €60 million signed with CDR and approved by Parliament; €100 million signed with CDR on November 29, 2007 (subsidized with EC €15 million grant signed on August 30, 2007) for providing credit to the private sector (subject to Parliament approval). Invested €12.5 million (€7.5 million Byblos Venture, €5 million in Bader). Signed agreements for: €60 million Byblos Bank on 20 December 2007; Banque Libano-Française on 21 December 2007 for €20 million; Fransabank on 21 December 2007 for €30 million, Bankmed on 27 December 2007 for €25 million, and Bank Audi on 27 December 2007 for €60 million. Mission was in Lebanon during the week of 18 February 2008</p> <p>d) Technical Assistance: \$19.5 million (€15 million) may be used for implementing privatization</p>
	<p>a) Budget support: \$100 million grant received on 11 April 2007. Funds were used to repay \$76 million in Eurobond interest, \$9 million for foreign loans, \$15 million for Treasury bills interest in LL.</p> <p>b) Project financing: \$1,000 million. Possible financing for power sector, cost overruns and indirect budgetary support</p>
	<p>a) Budget support: \$100 million Reform Implementation Development Policy Loan (RIDPL) was received on September 29, 2007; a second RIDPL is under discussion</p> <p>b) Private sector support through IFC: signed \$235 million with local banks: BLOM Bank (\$50 million), Fransabank (\$25 million) and Credit Libanais (\$15 million); Trade Finance agreements totaling \$100 million: Bank Libano-Française (\$20 million), Bank of Beirut (\$40 million), and Fransabank (\$40 million); Risk sharing facility with Bank of Beirut of up to \$25 million; An investment of \$20 million was made in a retail institution (ADMIC)</p>
	<p>a) Private sector: \$120 million through OPIC & Citigroup. i) Citigroup and The Overseas Private Investment Corporation (OPIC), extended \$20 million and \$50 million 15-year term loan facilities to Banque Libano-Française SAL (Lebanon) and Byblos Bank. These funds will be used for small and medium-sized enterprises (SMEs), real estate and consumer finance. (ii) An agreement for a \$50 million facility has been reached with an undisclosed financial institution</p> <p>b) UNIFIL: \$184.5 million</p> <p>c) Armed forces & Internal Security Forces: Total \$285.5 million; \$270 million in training and equipment received</p> <p>d) Budget support: total \$250 million, MOU signed on July 5, 2007. Grant agreement for \$75 million signed on August 31, 2007; grant agreement for \$50 million signed on December 14, 2007; amounts received: \$14 million on December 1, 2007; \$7.1 million on Jan 15, 2008; \$89.2 million on Jan 24; \$139,252 on Feb 1; \$2.3 million on Feb 15; \$1.9 million on March 3</p> <p>e) Development aid through USAID: \$50 million</p>

APPENDIX A

Country	Total	Private Sector	UN System UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Arab Fund for Economic & Social Development	750	85								665
France	650	163							488	
European Commission	486		10	4			39	368	65	
United Arab Emirates	300								300	

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Intended Uses of Funds
	<p>a) Private sector support = KWD 25 million pending Parliament approval</p> <p>b) Projects Underway: Electricity Sector = KWD 35 million; Damaged Infrastructure = KWD 30 million; support for admin reforms = KWD 9 million; water & waste water = KWD 25 million. Pending Parliament approval. Covering previous projects cost overruns under discussion.</p>
	<p>a) Private sector support: €125 million. Signed €85 million with local intermediaries: AFD has signed agreements with Byblos Bank for €25 million, Société General de Banque au Liban (SGBL) for €10 million, Fransabank for €10 million, Libano-Francaise for €15 million, Banque Audi for €25 million totaling €85 million (\$111 million).</p> <p>b) Budget support: €375 million loan in three tranches. On December 7, 2007 the National Assembly approved Amendment #61, which provides the French Government guarantee for the loan. Loan agreement was signed on Feb 21, and first tranche of €150 million was received on Feb 27, 2008</p>
	<p>a) Budget support: €80 million package for Macro-Financial Assistance: €50 million loans and €20-30 million grant to offset the interest payments. The €80 million package was approved by EU Parliament on 12 December 2007.</p> <p>b) Recovery (Grants pledged in Stockholm): €107 million</p> <p>c) Grants in the framework of EC cooperation with Lebanon for the period 2007-2010: total €187 million. On 26/9/2007 signed with PCM €10 million for technical assistance for support to socio-economic and political reforms; On 30/8/2007 signed with CDR €15 million facilitating access to finance by subsidizing EIB's loan to DBL, "Enterprise support facility with the EIB". On 2/8/2007 signed with CDR €18 million for Support for the Economic Recovery and reconstruction of Lebanon. On 23/7/2007 signed with CDR and OMSAR €18 million (for local development, reconstruction and repair of infrastructure. On 2/7/2007 signed with CDR €10 million Reconstruction Assistance Facility. On 10/12/2007 signed with Ministry of Interior €4 Million for Security and Rule of Law, i.e. technical assistance to the ISF for police training. On 22 January 2008, €545,000 was signed with the Central Administration of Statistics</p> <p>d) UN Agencies: €1 Million with UNDP for technical assistance to the LMAC, to be followed by 3 Million with NGOs for demining. €3 million with UNRWA for EU university scholarship fund for Palestine refugees in Lebanon. €4 Million with UNRWA for improvement of camp in November</p>
	<p>Budget support: \$300 million. Signed loan agreement. \$300 million received in three tranches each \$100 million on December 24, November 7, and November 29, 2007</p>

APPENDIX A

Country	Total	Private Sector	UN System UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Islamic Development Bank	250							5		245
Arab Monetary Fund	250	100				43			107	
Italy	156		13	12				34		98

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Intended Uses of Funds
	<p>a) Project lending: \$30 million is in a soft loan for social sector projects and \$215 million at a higher interest rate to be determined for each project. Sectors covered:</p> <ul style="list-style-type: none"> - Waste and waste water sector - Total \$90 million (\$70 million for greater Beirut and \$20 million for Akkar) - Infrastructure: Total \$23 million (Saida \$15 million and Beirut \$8 million) - Health: Total \$32 million (a new hospital in Tyr for \$10 million, and rehabilitation of other hospitals for \$22 million) - Schools - Total \$5 million for building schools in areas where this is a need - Rehabilitation of roads - approximately \$80 million - Contingencies \$5 million <p>b) \$5 million is a grant (\$1.2 million was spent on relief) and the remaining may be spent on feasibility studies</p>
	<p>a) Budget support: \$107 million loan linked to fiscal reforms. Mission was in Lebanon in November 15 - 20, 2007. Signed agreement with MOF for \$32 million budget support loan on December 26, 2007</p> <p>b) \$43 million support for reforms at BDL particularly risk mitigation and accounting system. Signed on December 26, 2007</p> <p>c) Private sector support: \$100 million support through the Arab Trade Financing Program. \$132 million signed: In April 2007, The Arab Trade Financing Program (ATFP) signed credit line agreements with Credit Libanais s.a.l., Fransabank s.a.l., BankMed s.a.l. and Banque Libano-Francaise s.a.l. for a total of \$57 million. This agreement aims to help finance foreign trade deals. On 16 March 2007, ATFP signed an agreement with Byblos Bank for \$25 million.</p>
	<p>a) Project financing: €10 million grant for the Lebanese Government for three projects: the rehabilitation of Baabda Hospital, the construction of a water distributionsystem in Danniyeh and a project for children with learning disabilities in schools implemented by the Ministry of Social Affairs. Received by CDR on December 18, 2007. Soft loan of €75 million for non-productive sectors such as social, agriculture €15 million grant expected in 2008</p> <p>b) UN Agencies: €10 million grant including ILO for vocational training (€2 million), FAO for an observatory and assistance to marketing and production in agriculture (€3 million), UNRWA for recovery of the Nahr el Bared camp (€2 million), UNDP for support to the Lebanese municipalities neighboring Nahr el Bared camp affected by the conflict (€1.3 million), UNFPA for a project on domestic violence (€0.7 million) and UNMAS for demining (€1 million)</p> <p>c) Civil Society: €9 million grants for projects proposed to the Italian Embassy by NGOs under the ROSS Program "Emergency Initiative for Rehabilitation, Occupation, Services and Development" €1 million grant for technical assistance</p>

APPENDIX A

Country	Total	Private Sector	UN System UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Germany	134							134		
International Monetary Fund	77					77				
Spain	53		37	11				5		
Egypt	44				44					
United Kingdom	35		35							
Belgium	26	12	6	3				4		
Turkey	20				20					
Canada	17		13					4		
Norway	15		2	11				1		
Oman	10						10			
Jordan	8									

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Intended Uses of Funds
	<p>Main sectors: vocational training, water and waste water and the environmental sectors: Signed with CDR:</p> <ul style="list-style-type: none"> - €3 million for the rehabilitation of vocational schools in the South and Bekaa (through KFW) - €2 million for emergency water projects (through KFW) - €3 million for equipment of vocational schools in the South (through GTZ) - €5 million to support projects in the water sector and vocational training (through GTZ) - €4.5 million fund for the environmnet (through GTZ) - €0.5 million for studies in the water and vocational sectors - €10 million for projects in the water and waste water sector and related electrical works in the South, Bekaa, Dahia through CDR, the Council for the South and several municipalities - €12 million for creating a central waste water project in the North benefiting the residents of the Nahr el-Bared and Baddawi camps - €2 million for cost overruns to complete the building of two schools - Also included, €16 million project for waste water collector for Greater Beirut started in 2006
	Balance of payments support received on April 4, 2007
	<p>Total pledged €40 million:</p> <ul style="list-style-type: none"> a) UN Agencies and CSOs: total of €36.34 million (UNDP, UNICEF, IRC, UNRWA and Spanish NGOs) b) Project support: €1.76 million for technical assistance, €1.9 million for project financing
	Signed agreement with PCM on \$14.6 million as an in-kind grant to rehabilitate the Jiyeh Power plant (execution by Petrojet)
	<p>Contribution to European Commission: \$80 million UNRWA in Lebanon: \$30 million Implementation of UNSCR1701/UNIFIL: \$5 million</p>
	<ul style="list-style-type: none"> a) Private sector support: €10 million export credit yet to be formalized; b) UN Agencies: UNDP: €3 million for Art Gold programme; €0.275 political reform; UNRWA: €0.5 million; Tribunal €0.02 c) Project Financing: €3 million grant to rehabilitate Tebnin public hospital (equipment and services), €4 million in 2008 d) CSOs: Belgian Red Cross €1 million, International Organization for Migration €1.5 million
	In-kind contribution: hospital for war injured. On October 27, 2007, in-kind grant was approval by the Council of Ministers
	Programming to be finalized
	<ul style="list-style-type: none"> a) CSOs: Norwegian NGOs: NOK 59,502,117; The Norwegian Coastal Administration: NOK 7,723,327; Foreign NGOs (Mines Advisory Group): NOK 7,500,000; Others = NOK 2,450,000. b) UN agencies: (UNRWA and UN Secretary General Personal Representative for Lebanon): NOK 15,700,000 c) High Relief Council for oil spill: NOK 5,401,700; Transferred \$1 million to HRC for dealing with the oil spill on 12 December 2007
	Budget support: \$10 million for debt reduction on received on December 5, 2007
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APPENDIX A

Country	Total	Private Sector	UN System UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Greece	7				7					
Sweden	6		5	1						
Australia	5		5							
China	4				4					
Denmark	3.5		2.0	0.5				1		
Ireland	3									
Japan	4		2	2						
Austria	1		1							
Finland	1		1							
Brazil	1									
Malaysia	1						1			
South Korea	1							1		
Luxemburg	1									
Portugal	1									
Cyprus	0.65		0.7							
Slovenia	0.13						0.13			
Malaysia										
Total	7,533	1,463	318	95	360	120	400	576	1,260	2,927

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Intended Uses of Funds
	In-kind contribution: In discussions with CDR regarding supplying medical equipment for health centers; projects related to energy efficiency; and pedestrian bridges
	a) UN agencies: SEK 8 million to the UNDP-project for Peace-building and Reconciliation; SEK 23 million to UNDP-projects for the Municipalities - all over Lebanon, including the North b) CSOs: SEK 5 million to the Swedish Rescue Agencies-projects in Lebanon; SEK 4 million to Swedish NGO's working in Lebanon (e.g. Swedish Save the Children and Diakonia)
	UN agencies: WHO \$ 1,5 million, UNICEF \$ 1,5 million, UNRWA \$ 1 million, UNMAS \$ 1million
	China has expressed interest in supplying equipment and implementing various projects including a "Confucius Center", that will provide cultural activities
	a) UN Agencies: \$1 million grant to UNMAS disbursed in February 2007 to support the clearance of unexploded ammunition in South Lebanon; \$1 million in grant to UNRWA disbursed in February 2007 to support UNRWA camps for Palestine refugees in Lebanon b) CSOs: \$500.000 in grant to the Danish Refugee Council (NGO) disbursed in February 2007 to protection and promotion of livelihood in South Lebanon c) Project support: support to implementation of UNSCR 1701, including border management (in cooperation with Germany)
3	
	a) UN Agencies: \$1 million to UNRWA, \$1 million to UNMAS b) CSOs: \$1.3 million for 3 Japanese NGOs, \$0.67 for Lebanese NGOs,
	a) UN Agencies: €700,000 via UNDP for small business and farming units; €300,000 via UNRWA
	UN-HABITAT
1	
	Housing
	Signed agreement for construction of 2 schools (in Tibnin and Britel) after the July War
1	
1	
	UN Agencies: UN Habitat €170,000 for "Good Governance for Enhanced Post-War Reconstruction: An integrated Approach to respond to Recovery in Southern Lebanon"
	Received support on October 30, 2007
	Debt restructuring agreement for \$ 500 million which was discussed in Paris III (although not included in pledges). The restructuring was conducted in July 2007
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APPENDIX B

LOAN AGREEMENT BETWEEN LEBANON AND FRANCE

BRIEF DESCRIPTION

I. BACKGROUND

In the context of the International Conference for Support to Lebanon "Paris III", or Rafic Hariri" held in Paris on 25 January 2007, France pledged to support Lebanon through loans totaling of €500 million. The French Government allocated €375 million for debt reduction and €125 million for promoting growth through providing credit to the private sector. Both types of support are implemented by Agence Française de Développement (AFD), on behalf of the French Government. AFD has worked with local intermediaries since the Paris III Conference on making the €125 million credit available to the private sector, as reported in the Paris III quarterly progress reports (available on www.finance.gov.lb). The €375 million debt reduction loan was signed on February 21, 2008 and is detailed in this note.

II. SIGNATURE OF THE LOAN

The budget support loan was approved by the French Parliament in December 2007. On December 7, the French National Assembly approved Amendment #61, which provides the French government guarantee for the €375 million Paris III budget support loan and gives Agence Française de Développement the mandate to negotiate and sign the loan agreement with the Lebanese Government. Subsequently, the Senate approved the amendment as article 87 of "LOI n° 2007-1824 du 25 décembre 2007 de finances rectificative pour 2007".

The Lebanese Council of Ministers by decree number 54 mandated the Minister of Finance to negotiate and sign the loan agreement with AFD on January 18, 2008.

Under the auspices of the French President, Nicolas Sarkozy and the Lebanese Prime Minister, Fuad Siniora, the loan agreement was signed by the Minister of Finance, Jihad Azour, on behalf of Lebanon and Director General, Jean Michel Severino, on behalf of AFD on February 21, 2008 in the presence of the French Minister of Finance Christine Lagarde.

III. TERMS OF THE LOAN

Size of the loan: The loan agreement makes available €375 million, to be disbursed in three tranches based on the implementation of the reform program. The first tranche amounts to €150 million and was received on February 27, 2008. The second and third disbursements payments amount to €125 million expected later in 2008 and €100 million expected in 2009.

Coupon payments:

Each tranche has a fixed interest rate set at the time of the disbursement. The interest rate is based on the Euribor (Euro Interbank Offered Rate) + 0.30%

The interest rate on the first tranche (€150 million) was set on February 22, 2008 at 4.67 percent per annum

Interest payments are to be made semi-annually on November 30 and May 31 of each year

Interest payment basis is 30/360 days

Maturity and Repayment schedule: The loan has a 15 year maturity with a 3 year grace period for principal payments. Repayment of principal will occur through semi-annual installments on November 30 and May 31 of each year. The first principal repayment is due on 31 May 2011 and the last is on 30 November 2022.

Intended uses: Debt repayment

IV. REPORTING

The Ministry of Finance will provide semi-annual reporting to the AFD similar to reporting established and provided to the AFD after the Paris II Conference.



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