



REPUBLIC OF LEBANON
MINISTRY OF FINANCE



Third Donor Meeting

Implementation of the Reform Program

October 4, 2007



Presentation Outline

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Background & Recent Developments

2

Reform Program Implementation

3

Follow-up on Paris III Pledges

4

Technical Assistance



The year 2007 was one of the most difficult periods in Lebanon's recent history



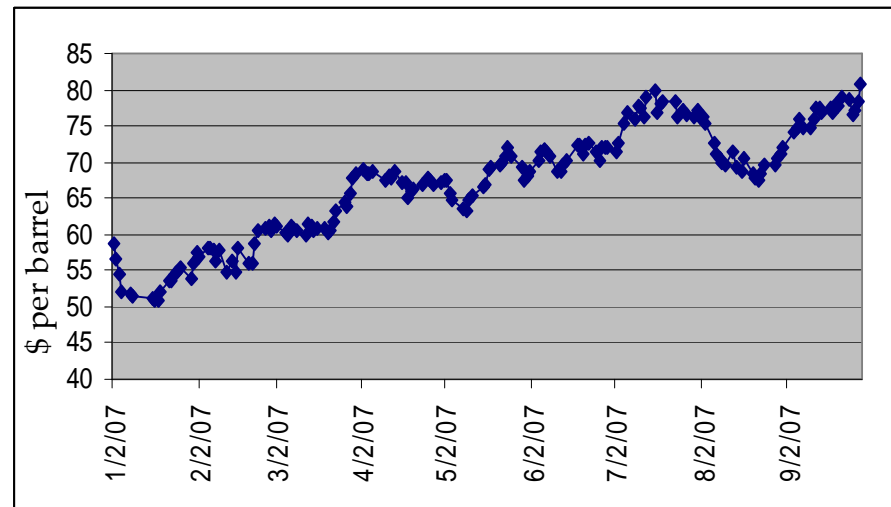
Background & Recent Developments

Political Environment:

- Continued political stalemate
- Parliament Remained Closed
- Assassination of MPs Antoine Ghanem on September 19
- Nahr el-Bared fighting for more than 3 months (May 20 – Sept 2)

Economic Environment:

- Turbulent international financial markets
- Surge in oil prices (Jan 2: \$58.9 – Sep 28: \$80.6 per barrel)





IMF Article IV & EPCA missions: Positive Assessment



Despite the environment, fiscal and monetary situation were contained. The IMF mission finding reflected that with the following main conclusions:

- ✓ The economic situation continues to be overshadowed by the political stalemate
- ✓ Lebanon is **on track** under the EPCA program during the **first two quarters**
- ✓ All **end-June quantitative targets** were met with large margins and **end-June monitorable actions were achieved**
- ✓ The authorities are well placed to meet the end-year targets



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Donor Coordination and Technical Assistance



Steering the Socio-Economic Reform Forward: *Success Story*

INSTITUTIONAL STRUCTURE
coordinate and monitor the implementation of reforms

Program Coordination Office at the PCM

Social, Economic, Privatization & Infrastructure IMCs supported by administrative secretariats for each cluster

15 Natural Owners (ministries & public institutions)

Monitoring and Support unit at each participating ministry

Government's drive towards:

- ✓ Strong Ownership
- ✓ Shared Responsibility
- ✓ Inclusiveness
- ✓ Transparency
- ✓ Accountability
- ✓ Sustainability



Government is Maintaining Reform Momentum



The Natural Owners

- Finalized **program charters** and **detailed work plans with key performance indicators**
- Finalized and submitted **resource plans (funding and technical assistance requirements)** to the concerned IMCs
- Completed **Paris III Commitment Document**
- Began **monthly progress reporting** to the IMCs.

The IMCs

- IMCs continue to **meet up on a monthly basis**
 - Second IMCs meetings held: *July 3-5*
 - Third IMCs meetings held: *August 22-24*
- **Finalized** the process of **allocating Paris III reform initiatives**
- **Endorsed** the natural owners' program charters, work and resource plans.



A National Effort to Improve Social Conditions



Ministry of Social Affairs

- **Duplicated programs and services** between MoSA, MoPH and MEHE *identified*; bilateral meetings *underway*
- **Mapping of Local Development Projects** *completed*; establishing the corresponding **automated database** *underway*
- **Work plan for implementing the pilot Proxy Means Testing** *completed*; implementation *underway*

Ministry of Public Health

- **Program budgeting for MOPH** developed & part of the 2008 budget proposal.
- Number of **contracted centers in the PHC network** *increased* from 85 to 117.
- Introduction of **utilization review function**, development of **30 hospital admission protocols** and realigning coverage towards more cost-effective healthcare facilities *underway*

Ministry of Education

- **Development of a 3-year budget within a medium term framework** *launched*; a decree to establish a committee for preparing a shadow budget *issued in August 2007*.
- A Decree for **consolidation of 30 unviable schools** *issued in August 2007*
- 1st phase of **Exam Management System (EMS) and Question Bank System (QBS)** *completed & successfully tested on the 2nd session of official exams in September 2007*



..with bold Social Interventions



Ministry Labor

- Revision of labor laws *started in August 2007.*
- Capacity building and automation at the Ministry of Labor *started in August 2007.*

...even tackling the GIANT The National Social Security Fund (NSSF)

The design and implementation of:

- **Electronic claims processing and utilization control systems**
- **Registry of plan members and collection of contributions**
- **Actuarial valuation** of the health insurance branch
- Estimation of **government arrears** with the NSSF and the design of refinancing plan
- At least **3 reform options of the health insurance branch** including assessment of welfare and fiscal impacts.

- ✓ Expanding the coverage of the social insurance system
- ✓ Strengthening NSSF governance and administration
- ✓ Improving NSSF financial stability
- ✓ Strengthening income protection policies



Economic Reforms ensuring cohesion between social and fiscal policies...



Ministry of Finance

- **Budget 2008 proposal will be presented next week to Cabinet, in light of Medium Term Expenditure Framework; planned budget spending is 2.4% lower than Budget 2007 Proposal**
- **Reorganization of tax administration with new services to customers and E.taxation**
- **First specialized quarterly report on Lebanon's debt and debt markets published in *September 2007***
- **Cash Management Unit established at the Ministry in *August 2007***
- **New Tax Audit Manual and procedures prepared in *August 2007***
- **New "Tax procedure Code" submitted to Parliament; Design of implementation regulations *by October 2007***
- **Draft Law for introducing a Global Income Tax (GIT) completed**



...and maintaining momentum for growth enhancing reforms

Ministry Economy and Trade

- **Business registration procedures** formalized in a Memorandum of Understanding with Liban Post *in September 2007*.
- Key laws for promoting the **Lebanese Intellectual Property** regime *under review*; Investigative Authority *created*.
- National Committee on Trade and Transport Facilitation (NCTTF) *activated in July 2007*.
- Draft Law establishing the Competition Council completed in *August 2007*.

OMSAR

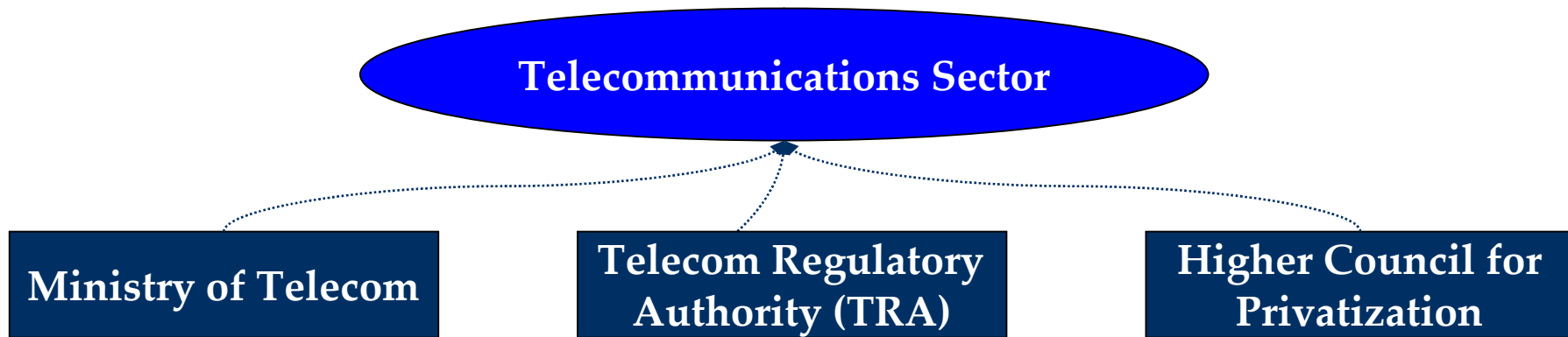
- Draft law for **public procurement** and for reorganization of public procurement administration *finalized in September 2007*.
- Modalities for **outsourcing public sector tasks** to the private sector *identified in 5 ministries in August 2007*.
- Action plan for **implementation of e-Government strategy** *underway*.

BDL

- **Maintaining floor on BDL gross reserves** *(ongoing)*.
- Decision # 9641 issued by BDL Governor to **regulate private credit bureaus** *(June 29th, 2007)*.
- **Interest Subsidy Schemes** *introduced* to provide favorable conditions for leasing.
- **Interest Subsidy Schemes** *extended* to incubators.
- Several programs *launched* to **encourage banks to on-lend to SME clients** through risk-sharing facilities.



A Privatization and Infrastructure Program to improve competition & service delivery



- Transfer of **regulatory functions** from the Ministry of Telecommunications to the TRA *progressed*; **TRA budget approved**; **TRA staffing regulations submitted** to the Council of Ministers.
- **Corporatization of Liban Telecom (LT) underway**: the LT organizational structure, corporate governance model and target profile for the Board of Directors and Executive Management Board members *defined*.
- **Privatization of mobile operators progressed**; the **related financial, technical and legal due diligence in final stages**; **Information Memorandum and Request for Applications submitted to Council of Ministers for approval next week and to launch the bidding.**



... increase investment and spur economic growth

Power Sector

Ministry of Energy and Water (MEW)

Electricité du Liban (EDL)

Higher Council for Privatization (HCP)

- International consultants appointed to MEW, EDL and HCP to assist in the restructuring of EDL
- Execution of **power sector Master Plan** (work started as of *September 2007*)
- Publication of EDL's 2001 audited accounts online
- Appointment of international auditor to audit EDL financial statements for 2002-2006
- Launch of tendering process for **metering and distribution projects** in *June 2007*
- IPP Launched, with IFC as advisor to HCP for the **development of additional generation capacity** and selling existing power plants, through Independent Power Producers, *June 2007*

CDR

- **Public Investment Plan Guidelines** *prepared*

Ministry of Transport

- **Transport sector privatization roadmap** *developed within scope of current legislation* (*July 2007*)



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Update on Pledges:

\$4,426 million in agreements by year-end



\$3,434 million signed or received to date

- \$1,327 million agreements for budget support & BoP
- \$752 million agreements in private sector support
- \$1,070 million in project financing
- \$285 million for in-kind support

\$992 additional agreement expected by year end

- \$817 million for budgetary support
- \$175 million for private sector support



Budget support:

\$1,327 million signed & \$777 million received



	April - June	July - Sept	Oct - Dec Expected
Signed	<ul style="list-style-type: none"> ➤ Saudi Arabia - \$100 million grant ➤ IMF - \$77 million loan* ➤ UAE - \$300 million loan 	<ul style="list-style-type: none"> ➤ US - \$250 million grant ➤ Malaysia - \$500 million debt replacement ➤ WB - \$100 million loan 	<ul style="list-style-type: none"> ➤ EC - €50 million loan & €30 million grant ➤ France - €375 million loan ➤ AMF - \$150 million loan ➤ WB - \$75 million loan
Received	<ul style="list-style-type: none"> ➤ Saudi Arabia - \$100 million grant ➤ IMF - \$77 million loan 	<ul style="list-style-type: none"> ➤ Malaysia - \$500 million debt replacement ➤ WB - \$100 million loan 	<ul style="list-style-type: none"> ➤ US - \$75 million grant ➤ UAE - \$300 million loan ➤ WB - \$75 million loan ➤ EC - €25 million loan & €15 million grant

Source: MOF

* Loan from IMF is for balance of payments support



Private Sector Support: \$752 million *signed and \$175 million being negotiated*



Country	Total Pledged	Signed to Date	Additional Expected by Year End	Total Expected by Year End
European Investment Bank	\$709	\$94	\$130	\$224
World Bank Group	\$275	\$235	\$45	\$280
United States	\$120	\$120		\$120
Arab Fund for Economic & Social Development	\$85	\$85		\$85
France	\$163	\$111		\$111
Arab Monetary Fund	\$100	\$107		\$107
Belgium	\$13			
Total	\$1,464	\$752	\$175	\$927

In US\$ million
Source: MOF



Project Financing:

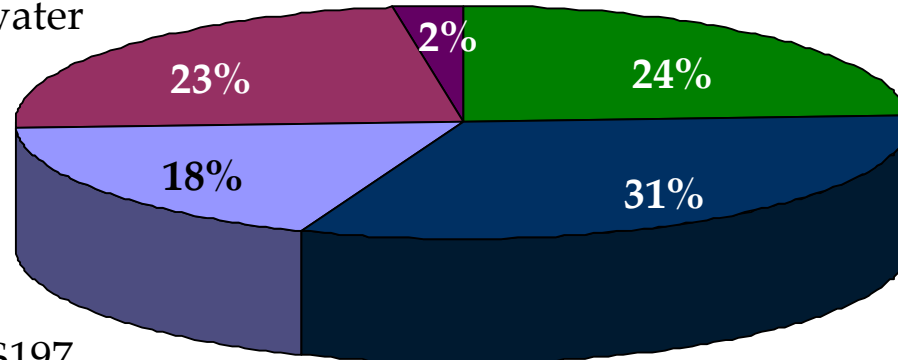
\$1,070 million Signed to date



IDB: \$250 million
(Social sector: education, health; infrastructure: roads, water & waste water)

Germany: Signed \$26 million in agreement (water & waste water, environment and education)

EIB: Signed \$260 million (waste water, port and roads)



EC: Signed \$197 million in agreement (recovery, admin reform, municipalities, scholarship fund, facilitating credit & demining)

AFESD: Signed \$337 million in agreement (power, infrastructure, admin reforms and water & waste water)



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Donor Coordination

- **PCM/GRPCO:** Coordination of reform programme
- **MoF Donor Coordination Unit:** internal capacity development on-going; aid information management system at design stage (early 2008)
- Internal coordination: **Working Group on Aid Management** established
- Govt.-donor coordination: **Partnership Committee** to guide and oversee external assistance, being established



Reform Programme and Technical Assistance



- Reform programme implementation hinges on acquisition of knowledge through TA
- TA in support of government-owned and government-led effort for national capacity development
- TA in support of reform as national priority – policy and programme development, legal and regulatory frameworks, institutional development and its underpinnings, human resources development



TA Needs: Ministry of Economy and Trade



PROGRAMME	INITIATIVE	SHORT-TERM	MEDIUM-TERM
Promote and strengthen intellectual property	Accelerate the enactment of the amendments to Copyright Law drafted by MoET	-	100,000
Further facilitate trade and enhance trade competitiveness	Activate and implement National Committee on Trade and Transport facilitation	-	525,000
	Launch programme of public awareness raising about export market opportunities aimed at private sector	-	150,000
Enact laws to improve business environment	Send to Parliament modern Competition Law	-	1,250,000
	Implement the Law of Protection of National Protection	-	500,000
	Adopt the Information Technology Law	-	1,000,000
Strengthen commercial legal framework aimed at encouraging investment	Review and enact corporate governance laws and liquidation/bankruptcy laws and procedures	-	650,000

Short term: August 2007- August 2008

Medium/long-term: post August 2008



TA Needs: Office of the Minister of State for Admin Reform



PROGRAMME	INITIATIVE	SHORT-TERM	MEDIUM-TERM
Promote governance and transparency in the public sector	Modernize procurement code to bring procurement procedures to international standards	-	80,000
	Address corruption at the agency level starting with two important ministries	40,000	2,000,000
	Adopt transparent merit-based procedures for non-grade 1 public sector recruitment	-	300,000
Modernize & upgrade capabilities in the public sector	Develop modalities for outsourcing relevant public sector tasks to private sector	210,000	-
	Prepare action plan for implementation of the e-government strategy	770,000	520,000
	Develop human resources and HR policies for the public sector	-	50,000
	Implement training plan for the Ministry of Health and other institutions, by developing training programme in information technologies	50,000	400,000

Short term: August 2007- August 2008

Medium/long-term: post August 2008



TA Needs: Ministry of Social Affairs



PROGRAMME	INITIATIVE	SHORT-TERM	MEDIUM-TERM
Restructure MoSA	Review mandate and programs of MoSA	30,500	6,000
	Develop new organizational structure for MoSA	23,000	6,000
	Undertake process re-engineering and automation of MoSA	-	3,275,000
Develop new targeting mechanism for implementing social safety nets programme	Establish targeting mechanism (through proxy means testing) for implementing safety net programmes (piloting and national rollout)	457,930	1,218,940
	Review and identify safety net programmes	14,000	-
	Develop detailed procedures, implementation plans, and evaluation mechanisms for social safety net programs	25,000	-
	Implement free healthcare/hospitalization for holders of the disability card (Law 220)	12,000	-

Short term: August 2007- August 2008

Medium/long-term: post August 2008



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TA Needs: Ministry of Education and Higher Education



PROGRAMME	INITIATIVE	SHORT-TERM	MEDIUM-TERM
Consolidate policy, planning, and resource allocation	Develop capacity to M&E the national education strategy and education sector reform initiatives	500,000	
Enhance quality of education	Develop and institutionalize drop-out prevention programme and unify and standardize psychosocial assistance	2,500,000	-
	Monitor quality of education in all public schools	-	1,000,000
Enhance the utilization of education facilities	Upgrade physical requirements of schools (school mapping and facility management – GIS)		2,000,000

Short term: August 2007- August 2008

Medium/long-term: post August 2008



TA Needs: National Social Security Fund



PROGRAMME	INITIATIVE	SHORT-TERM	MEDIUM-TERM
Reform of the administration of the NSSF	To contract four consultants for the information system, actuarial and statistics, reorganization of accounting, financial and economic administration	120,000	-
Audit of the accounts of the NSSF and its accounting procedures, modernize and reform them	Audit of the accounts of 2001 to 2005 by an international audit firm	380,000	-
Control of administrative expenditures and health benefits	Initiate rotation system of doctors on official holidays to control hospital admissions	40,000	-
	Establish a committee for the control of open heart surgery, catheterization and stents	40,000	-

Short term: August 2007- August 2008

Medium/long-term: post August 2008



Summary of TA Requirements (Millions of US\$)



Entity	Short-term	Medium-term	Total
MoET	-	4.1	4.1
OMSAR	1.1	3.4	4.5
MOSA	0.6	4.5	5.1
MEHE	3.0	3.0	6.0
NSSF	0.6	-	0.6
TOTAL	5.2	15.0	20.2

Short term: August 2007- August 2008
Medium/long-term: post August 2008



Management of TA



- TA for Reform Programme is coordinated by PCM GRPCO; funding is coordinated by MoF
- Government entity identifies TA requirements, with support of M&S Unit and GRPCO
- TA requirements submitted by line ministry to concerned IMC for review and decision

- Identification of interested donors and mobilization of resources jointly by MoF and concerned entity, in consultation with GRPCO.
- Line ministry or public entity submits draft grant agreement, through GRPCO cc MoF, to Council of Ministers for approval
- Grant agreement to be executed by beneficiary institution

Funding Modalities, Implementation Channels

- Present funding: Project finance for TA projects (ad hoc)
- **Objective:** Pooled funding (programme, sector/theme, TF)
Under consideration: Multi-donor Trust Fund for Capacity Development
- UN Relief and Recovery Fund, refocused on reform (with government oversight)
- Preferred implementation channel:
Government execution or
Government execution with donor supervision



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Multi-Donor Trust Fund for Capacity Development



- Partnership between the Government and donors
Overarching goal: to achieve a more efficient, equitable, transparent and accountable use of public resources and to ensure that donor contributions are effective in contributing to set Lebanon on a path of sustainable growth
- Multi-donor financing mechanism to support the Govt. to plan, put in place and implement key structural reforms
- Support the development of human resources, systems and procedures necessary to improve performance
- To finance a set of predetermined reform activities as well as discrete requests
- Governance jointly by government and donors; management by government (MoF)
- Flexibility of procedures used (donor or international)
- TF reporting as a means of systematic and coordinated M&E of progress in reforms
- Use of resources to be subject of external audit



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