

# INTERNATIONAL CONFERENCE FOR SUPPORT TO LEBANON - PARIS III

## FIRST PROGRESS REPORT



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FIRST PROGRESS REPORT



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# BACKGROUND



On January 25, 2007 the International Conference for Support to Lebanon "Paris III or Rafic Hariri" was hosted by President Jacques Chirac in Paris. The aim of the conference was to assist Lebanon garner the international community's support for implementing the reform program and for reconstruction, while alleviating the country's debt burden. Thirty six countries and seven regional and international institutions participated in the conference. Paris III demonstrated the great support Lebanon has in the international community as approximately \$7.6 billion was pledged by 38 states and institutions. This support represents more than one third the Lebanese Gross Domestic Product (GDP).<sup>1</sup>

Prime Minister Siniora presented his government's economic and social reform program which was adopted by the Lebanese Cabinet on January 4, 2007. He also discussed the government's efforts towards rehabilitation and reconstruction following the Israeli war on Lebanon during the summer of 2006, with the emergency help mobilized prior to and during the Stockholm Conference on August 31, 2006. For details regarding the reform program please refer to the document "Recovery, Reconstruction and Reform-International Conference for Support to Lebanon" on [www.finance.gov.lb](http://www.finance.gov.lb).

International financial institutions participating at the conference saluted the coherence of the reform program and its ambition to modernize the Lebanese economy and redress its fiscal and financial situation in the medium term. On the basis of this program, the IMF affirmed its willingness to conduct an Emergency Post-Conflict Assistance program (EPCA) which will help mobilize additional support to Lebanon.

The various delegations expressed their full support to the reform program adopted by the Lebanese Government. They noted that the success of the program hinges on financial support for the five coming years, starting with targeted and substantial assistance during 2007.

<sup>1</sup> The Lebanese delegation was headed by Prime Minister Siniora and included the Ministers of Finance, Economy and Trade, Social Affairs, Public Works, Telecom, Foreign Affairs and the Central Bank Governor.

# RESULTS OF CONFERENCE

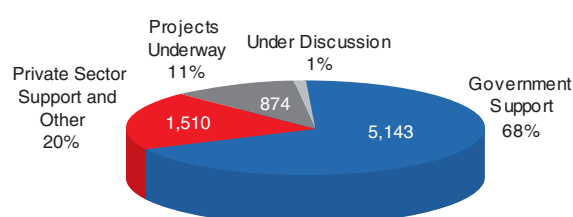
In charge of donor coordination, the Ministry of Finance held discussions with donors in order to gain a better understanding of the criteria and guidelines associated with their pledges and the programming of their funds. Based on the most updated records to date, \$7,609 million <sup>2</sup> was pledged at Paris III. In order to have a clearer view about the impact of the potential funding on debt sustainability, the pledges were divided into four main categories, namely

- (a) Government support
- (b) Private sector support and other
- (c) Projects underway
- (d) Funds currently being discussed.

The majority of aid (68 percent) is aimed at supporting Lebanon's reform efforts either for budgetary support or for project financing in the form of grants (23 percent of government support) and loans (77 percent of government support). The pledges are expected be realized over the years 2007 - 2011.

Both institutions and countries played an important role in the success of the Paris III Conference. Contributions from institutions represented over 53% of the total pledged. In addition, a regional review of the pledges reflects the wide support Lebanon has regionally and globally.

## Summary Distribution of Pledges (US\$, million)



Source: Collected data by March 22, 2007

**Table 1: Distribution of Pledges (US\$, million)**

	<i>Countries</i>	<i>Institutions</i>	<i>Total</i>	<i>In percent</i>
Arab Donors	\$1,462	\$1,250	\$2,712	36%
European Donors	\$1,171	\$1,734	\$2,906	38%
Other international <sup>3</sup>	\$941		\$941	12%
International Financial Institutions (IFIs) <sup>4</sup>		\$1,050	\$1,050	14%
<b>Total</b>	<b>\$3,574</b>	<b>\$4,034</b>	<b>\$7,609</b>	

Source: Collected data by March 22, 2007

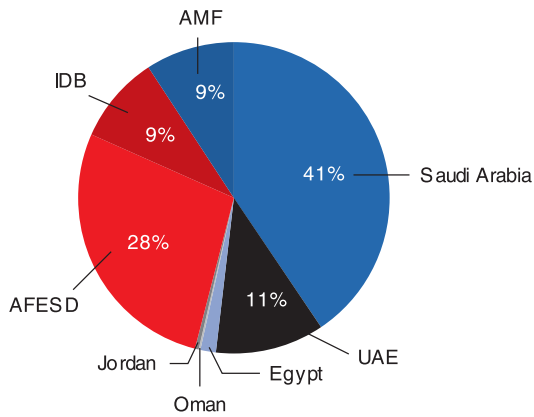
<sup>2</sup> Total amounts pledged in Paris III was estimated at \$7.8 billion but included a loan of \$195 million under both EIB and EC contribution.

<sup>3</sup> Other includes United States, Turkey, Canada, Australia, China, Japan, Brazil, Malaysia, South Korea

<sup>4</sup> IFI include the World Bank and IMF

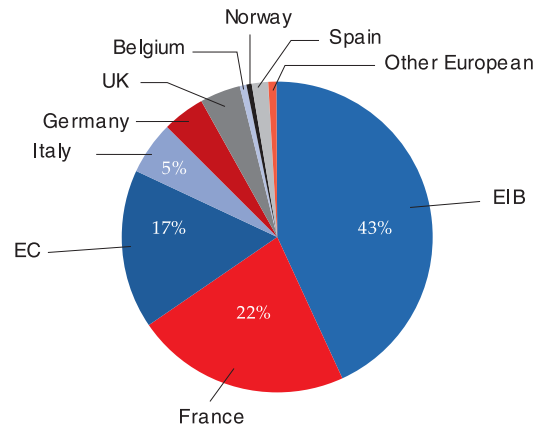
# RESULTS OF CONFERENCE

**Distribution of Arab Donations**  
Total \$2,712 million



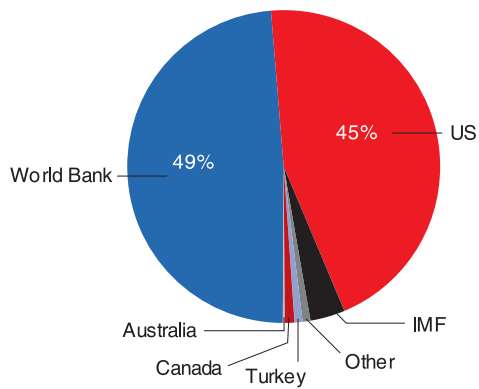
Source: Collected data by March 22, 2007

**Distribution of European Donations**  
Total \$2,906 million



Source: Collected data by March 22, 2007

**Distribution of Other & IFIs Donations**  
Total \$1,991 million



Source: Collected data by March 22, 2007

**Table 2: Pledges Greater Than \$10 million**

Country	Total	Projects Under-way	Private Sector Support	UN System/ UNIFIL/ NGOs	To BDL	Grant to Government		Loan to Government		Under Review	Sector
						Budgetary Support	Project financing	Budgetary Support	Project financing		
European Investment Bank	\$1,248	\$260	\$709						\$280		Power, Water, Ports, Roads
Saudi Arabia	\$1,100					\$100			\$1,000		
World Bank	\$975		\$275					\$300	\$400		Social, Power
United States	\$890		\$120	\$185		\$586					Security
Arab Fund for Economic & Social Development	\$750	\$300							\$450		Power, Admin reforms
France	\$650		\$163					\$488			
European Commission	\$486	\$139				\$282		\$65			
United Arab Emirates	\$300							\$300			
Islamic Development Bank	\$250	\$5					\$30		\$215		Social, Infrastructure
Arab Monetary Fund	\$250							\$250			
Italy	\$156						\$20		\$98	\$39	
Germany	\$134	\$43					\$91				Security, Education, Water
UK	\$115	\$80		\$35							
IMF	\$75				\$75						
Egypt	\$44								\$44		Power
Belgium	\$26		\$13				\$13				Reconstruction
Turkey	\$20						\$20				
Canada	\$15						\$15				Governance, Social
Norway	\$15			\$8			\$8				Environment, Humanitarian
Spain	\$52	\$47				\$2	\$2.5				
Oman	\$10					\$10					
Others *	\$47			\$4		\$1				\$43	
<b>Total</b>	<b>\$7,609</b>	<b>\$874</b>	<b>\$1,279</b>	<b>\$231</b>	<b>\$75</b>	<b>\$981</b>	<b>\$198</b>	<b>\$1,403</b>	<b>\$2,486</b>	<b>\$82</b>	

Source: Collected data by March 22, 2007

\* A report detailing "Others" is included in the appendix

# DETAILS OF PLEDGES

## A. Government Support

1. A total of \$2,383 million is estimated to be in budgetary support to the government.

**Budgetary support** comes in two forms:

(a) Loans: An estimated \$1,403 million are in the form of soft loans. Included in this category are donations from the World Bank (partial), France (partial), UAE, and the Arab Monetary Fund (partial), European Commission (partial).

(b) Grants: An estimated \$981 million is aid in the form of grants. These grants include cash support, in-kind contributions and technical assistance. Countries supporting Lebanon through grants for budgetary support include Saudi Arabia (partial), United States <sup>5</sup> (partial), European Commission (partial), Oman and Denmark.

2. \$2,684 million in aid is expected to be designated to project financing: A large percentage of **project financing** is expected to be in the form of loans. These loans are expected

to replace existing budgeted expenses or help restructure the economic sectors.

(a) Loans: A total of \$2,486 million in soft loans is expected to be used for project financing. Saudi Arabia's pledge of \$1,000 million for project financing is the largest contributor to this category. Other donors in this category include European Investment Bank (EIB), World Bank, Arab Fund for Economic and Social Development (AFESD), Islamic Development Bank (IDB), Italy and Egypt.

(b) Grants: \$196 million is expected to be received in grants for project financing.

Donors who have selected this method include the IDB (although a loan, interest rate is 1% making it almost a grant), Germany, Belgium, Turkey, Canada, Norway, and Spain.

3. \$75 million loan in **support to the Central Bank** representing the IMF's contribution under the EPCA program.

**Table 3: Summary of Government Support (US\$, million)**

	<i>Budgetary Support</i>	<i>Project Financing</i>	<i>BDL</i>	<i>Total</i>
Grants	981	198	-	1,179
Loans	1,403	2,486	75	3,964
Total	2,383	2,684	75	5,143

Source: Collected data by March 22, 2007

## B. Support to the Private Sector and Other

1. The Lebanese Government has been active in mobilizing funds to enhance economic growth. The government aims to reactivate growth by facilitate financing to the private sector through providing long term loans and subsidies to

reduce interest costs. These efforts by the government will be complemented with the assistance of a \$20 million grant from the IFC and \$20 million (€15 million) from the EC.

<sup>5</sup> Subject to congressional approval

2. \$1,279 million in aid is expected to be dedicated to the support of the private sector. These funds are mostly in the forms of soft loans which increase small and medium size companies' access to credit. Donors in such cases tend to form agreements with intermediaries (local financial institutions) to reach the final beneficiaries. Funding is available from EIB, World Bank, United States (through OPIC), France (through AFD), EC and Belgium.
3. \$231 million of aid is directed to non-governmental institutions and international organizations particularly to UNIFIL, UN Agencies and NGOs. These include support from the US (aimed at UNIFIL and subject to Congressional approval), UK, Norway, Denmark and Finland.

**Table 4: Summary of Support to the Private Sector & Other (US\$, million)**

	<i>Support to the Private Sector</i>	<i>UNIFIL / UN / NGOs</i>
Grants	-	231
Loans	1,279	-
Total	1,279	231

Source: Collected data by March 22, 2007

## C. Projects Underway

Some of the pledges included contributions discussed prior to the Paris III Conference particularly during the Stockholm Conference for Lebanon's Early Recovery. It is estimated that \$834 million pledged are for projects currently underway in their early stages. The Ministry of Finance estimates that \$230 million were pledged in the Stockholm Conference. Donors in this category include EIB, AFESD, EC, Islamic Development Bank, Germany, UK and Spain, all partially.

## DETAILS OF PLEDGES

### D. Pledges Under Discussion

Some countries and institutions are still in the process of determining the programming of their funds and may be sending missions to Lebanon to work with the Government on priorities. Additionally, some of the grants and loans are subject to congressional/ parliamentary approval from the donor country delaying the specifics of the aid.

### E. Sectoral Allocation

To date, donors have expressed interest in financing projects in the power, security, water and waste water, social, and transportation sectors as well as admin reforms and privatization. Sectoral financing could be used for projects to improve the sector or for ongoing reforms. Current information remains very preliminary as many of the donors are in the process of determining the uses of their funds and the interest is yet to be transformed into identified projects. The majority of this financing is in the form of soft loans.

1. Donors who have expressed interest in the power sector include EIB - with an estimated \$182 million, World Bank with an estimated \$100 million, AFESD (existing projects) and Egypt.
2. Donors interested in security include the United States, Germany, and Denmark.
3. The water and waste water sector is a focus of EIB (approximately \$60 million in new projects), IDB (estimated at \$90 million), and Germany.
4. Donors interested in the social sector include the World Bank - with current discussions estimating \$100 million to finance the government's social sector reform program and IDB with an estimated \$30 million in loans for schools and hospitals. Other donors focusing on the social sector include Italy, Germany (vocational training), Turkey, and Canada.
5. Donors interested in financing projects in the transportation sector include IDB and AFESD (existing projects).
6. Projects for administrative reform are expected to be financed with loans from AFESD (existing), grants from the EC in the framework of EC cooperation with Lebanon for the period 2007-2010, and Canada.
7. EIB indicated that they may allocated \$20 million for technical assistance with privatization.

After the completion of the Paris III conference, Prime Minister Siniora contacted all participants by telephone or in writing thanking them for their presence and support and requesting that they be in touch with the Ministry of Finance of Lebanon. The Minister of Finance resumed regular updates to donor countries, first by sending them a letter thanking them and outlining next steps and second by holding a meeting with local representatives to brief them on the institutional structure under consideration for implementing the reforms. Concurrently, the Ministry of Finance contacted donors to follow-up on the pledges and to better understand their intended allocation.

Some donor countries and institutions have sent missions to assess and discuss current needs with the Government:

1. The Government of Lebanon has entered into discussion with the International Monetary Fund to receive assistance in implementing the reform program through the IMF's Emergency Post-Conflict Assistance (EPCA). In addition to assisting with the reforms, the program aims at supporting the government's efforts at maintaining macroeconomic stability and reaching sustainable growth levels. An IMF area department mission visited Lebanon from February 12th - February 16th and reviewed the results of the Paris III conference as well as the end of year fiscal, monetary and real sector information. A second mission arrived in Lebanon on March 7th to discuss the details of the EPCA Program.
2. A technical mission from the European Investment Bank visited Lebanon to determine best uses of its loans the week of January 29th. Of particular interest were the power, water and waste water sectors.
3. Two missions from the World Bank visited Lebanon since the conference. The first mission, during the week of February 5th, was headed by Managing Director Mr. Juan Jose Daboub and held high level discussions with Lebanon regarding the government's reform program and possible options for the allocation of the Bank's pledge. The second mission, during the week of February 26th, discussed the programming of the pledge in more details particularly in the power and social sectors. A mission focused on the social sector started on March 16th to further review issues related to social safety nets, health and pension. Another mission focused on the power sector is expected to arrive in the first week of April.
4. The mission from UAE/Abu Dhabi Fund for Development, headed by its Acting Director General, Mr. Ahmed Baqer, signed a US\$ 300 million loan agreement for budgetary support with the Government of Lebanon. Further details are provided below in the section titled "Agreements Signed To Date".
5. The Italian delegation reviewed the programming of a Euro 30 million grant with various ministries and agencies. The mission was in Lebanon during the week of February 26th. A second mission was in Lebanon on March 6th to review the government's reform program.
6. The Islamic Development Bank mission visited Lebanon the week of February 26th and reviewed possible projects for financing.
7. Representatives from the Agence Française de Développement (AFD) met with the Minister of Finance on March 8th to discuss the loans being provided to the private sector through intermediary banks.

Upcoming missions include a delegation from the Arab Monetary Fund, European Commission, Arab Fund for Social and Economic Development, and the Agence Française de Développement (AFD).



## AGREEMENTS SIGNED TO DATE

The first agreement pertaining to the funds pledged at the Paris III conference was concluded. The loan agreement for budgetary support was signed on the 20th of February 2007 between the Lebanese and the Abu Dhabi Governments, as represented by the Lebanese Ministry of Finance and the Abu Dhabi Fund for Development. The agreement was approved by the Council of Ministers on February 20th 2007. The \$300 million loan has a 20 year maturity and 2.5 percent coupon. The funds will be used for repayment of foreign currency debt. More detailed information on that loan is available in the Appendix of this report.

# IMPLEMENTATION OF PROGRAM

The Lebanese Government set an overall structure to conduct and supervise the implementation of the reform program presented during the Paris III Conference. The structure envisages a Program Management Office (PMO) Chaired by the Prime Minister. The PMO will have the responsibility of the overall coordination of the implementation of the Economic Reform Program. It will direct the work of the various Inter-Ministerial Committees and permanent secretaries from relevant ministries. Therefore, the PMO operates as the Economic Reform Program secretariat within the Office of the President of the Council of Ministers. Regular reporting will be provided by this office to the Prime Minister. This reporting will include Key Performance Indicators that assess the efficiency, effectiveness, impact and sustainability of the reform initiatives. These reports will also be used to update donors on a regular basis (Program Management Office proposal attached).

PMO responsibilities include:

1. At the level of the coordination of Program Implementation, the PMO will:
  - (a) Provide leadership, coordination, and cohesion to the implementation and monitoring of the reform initiatives.
  - (b) Prepare the monthly meetings and submit semi-annual progress reports.
2. At the Technical Assistance Trust Fund Management level, the PMO will:
  - (a) Establish a dedicated, multi-donor financing mechanism to provide technical assistance (TA) to implement the priority structural reforms across sectors.
  - (b) Communicate the reform needs to donors and coordinate between government and donors to ensure that those needs are consistent with established national and sector priorities.

The PMO will coordinate with Inter - Ministerial Committees (IMCs). These committees will consist of Ministers whose Ministries/Agencies will be implementing the reform initiatives. The three Inter-Ministerial Committees - Social, Economic and Infrastructure and Privatization will be responsible for:

1. In its first meeting, each IMC will appoint its own Secretary (which will provide administrative support through own entity), and will finalize the allocation of initiatives to "Natural Owners" Some cross-ministerial initiatives could require setting-up cross-ministerial committees/teams.
2. Meet on a monthly basis to track progress of Paris III implementation.
3. Endorse/allocate resources requirements (technical assistance, financial) for initiatives falling within own mandate.
4. Resolve issues escalated from line Ministries/Public Institutions ("Natural Owners").
5. Re-calibrate/re-prioritize sector initiatives, as necessary.
6. Oversee co-ordination and integration within ongoing Government activities.
7. Report progress to Council of Ministers and escalate any unresolved issues.
8. In addition, IMC can engage external constituents to seek formal input on specific policy areas, such as current private sector or civil society associations, or Public-Private Partnerships (e.g. IDAL, Competitiveness Council, Council for Economic Affairs, etc.). These associations will act as consultative entities to IMCs.

## IMPLEMENTATION OF PROGRAM

At each ministry, a Monitoring and Support Units will be set-up to the line ministries as needed to provide capacity and technical know-how.

To ensure close coordination with the donor community, the Core Group that was established in 2005 and met more than five times to prepare for the conference and ensure its success, will be expanded to become a Consultative Group. Its role includes a continuous follow-up on the implementation of the reform program and reviewing the semi-annual progress reports.

In parallel, Lebanon is establishing a Donor Coordination Unit (DCU) at the Ministry of Finance, with a mandate to be the focal entity within government dedicated to mobilizing, coordinating, programming, monitoring and reporting on external assistance allocated to the reform program and to reconstruction. DCU will be composed of a dedicated team that will coordinate with international and regional multilateral and bilateral agencies and facilitate partnerships with national entities being public, private and NGOs. DCU will mobilize external assistance according to established government plans and priorities and will follow up on donor pledges and commitments with recipients and implementing entities to ensure proper disbursement and utilization of funds according to agreements reached with donors.

DCU will operate under the following principles:

1. Recognize the ownership and leadership of the government of Lebanon in the reconstruction, development and economic reform efforts aimed at rebuilding the country and setting it on a sustainable growth path.
2. Foster mutual accountability between the government and donors in the allocation and utilization of funds.

3. Recognize the need to build the capacity of national recipients and implementing entities to carry out agreed programs and investments transparently and efficiently and that the allocated funds are used for the purpose intended.
4. Recognize the role of the private sector and civil society organizations in achieving the country's reform and development efforts.
5. Foster effective donor coordination within the context of DCU as an aid management structure in order to reduce transaction/duplication costs, provide consistent policy advice on donor issues, and arrange common forums for dialogue.
6. Empower MOF's mandate as the country's principal external assistance focal entity.
7. Establish transparent financial management arrangements that allow for timely monitoring of disbursements as well as proper auditing and reporting.
8. Maintain full transparency in the process.

A transactional information system to monitor financial flows, with support from the World Bank, is currently being implemented at the Ministry and will be subject to independent audits. The DCU will closely work with the PMO at the Prime Minister's Office.



## APPENDICES

# DETAILED DIVISION OF GRANTS AND LOANS

(US\$ MILLION)

Country	Total	Projects Under-way	Private Sector Support	UN System/ UNIFIL/ NGOs	To BDL	Grant to Government		Loan to Government		Under Review	Sector
						Budgetary Support	Project financing	Budgetary Support	Project financing		
European Investment Bank	\$1,248	\$260	\$709						\$280		Power, Water, Ports, Roads
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IMF	\$75				\$75						
Egypt	\$44								\$44		Power
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Turkey	\$20						\$20				

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Norway	\$15			\$8			\$8				Environment, Humanitarian
Spain	\$52	\$47				\$2	\$2.5				
Oman	\$10					\$10					
Jordan	\$8									\$8	Housing
Greece	\$7									\$7	
Sweden	\$6									\$6	
Australia	\$5									\$5	
China	\$4									\$4	
Denmark	\$3.5			\$2.5		\$1.0					Security, Humanitarian
Ireland	\$3									\$3	
Japan	\$4									\$4	
Austria	\$1									\$1	
Cyprus	\$1									\$1	
Finland	\$1			\$1							
Brazil	\$1									\$1	
Malaysia	\$1									\$1	
South Korea	\$1									\$1	
Luxemburg	\$1									\$1	
Portugal	\$1									\$1	
Slovenia	\$0.13									\$0.13	
<b>Total</b>	<b>\$7,609</b>	<b>\$874</b>	<b>\$1,279</b>	<b>\$231</b>	<b>\$75</b>	<b>\$981</b>	<b>\$198</b>	<b>\$1,403</b>	<b>\$2,486</b>	<b>\$82</b>	

Source: Collected data by March 22, 2007

# LOAN AGREEMENT BETWEEN LEBANON AND ABU DHABI PARIS III - RAFIC HARIRI CONFERENCE

## *Brief Description*

### A. Background

In the context of the International Conference for Support to Lebanon "Paris III or Rafic Hariri" held on January 25th 2007 in Paris, UAE pledged its support to Lebanon through a \$300 million soft loan. The loan agreement for budgetary support was signed on the 20th of February 2007 between the Lebanese and the Abu Dhabi Governments, as represented by the Lebanese Ministry of Finance and the Abu Dhabi Fund for Development.



### B. Terms of the Loan

1. Size of the loan: \$300 million.
2. Coupon payments:
  - (a) 2.5 percent interest paid on amounts withdrawn and not repaid with interest accruing from the date of amount withdrawal.
  - (b) Payments are to be made semiannually (on April 30th & October 30th of each year).
  - (c) Interest payment basis 30/360 days.
3. Maturity and Repayment schedule: 20 years including a 5 year grace period for principal repayment. Repayment of principal will occur through semi-annual installments of \$10 million each, commencing on April 30th 2012 and ending on October 30, 2026.
4. Intended uses: Budgetary support/Debt repayment.
5. Early repayment: Lebanon has the option of partial or full early repayment - if all interest and fees on withdrawal amounts are fulfilled - by giving the fund a 45-day notice.

### C. Reporting

The Ministry of Finance will provide semi-annual reporting to the Abu Dhabi Fund. The documents to be sent to the Abu Dhabi Fund will be agreed upon at a later date.

# ECONOMIC REFORM 2007-2011 MATRIX MEASURES

<i>Fiscal Adjustment Program</i>	<i>Timing</i>
Reverse debt dynamics and place the debt-to-GDP ratio on a downward path by reducing interest payments, and creating strong incentive for private sector productive investment.	2007-2011
<i>I. Expenditure Measures</i>	
Rationalize primary Expenditures including through <ul style="list-style-type: none"> <li>(i) Revising the salary and benefits structure for some public officials.</li> <li>(i) Saving on transportation allowances through extending the working hours in the public sector from the 32 hours a week to at least 36.</li> <li>(iii) Reducing travel and communication expenses.</li> </ul>	2007-2011
Terminating the Council of the South and the Fund for the Displaced, as they fulfilled their mandate.	2009
Contain the wage bill in the medium term through reducing the size of the public sector by attrition and by limited hiring.	2007-2011
Reduce the budgetary cash transfer to Electricité Du Liban through the adoption of the Power Sector Reform Plan and the specific measures as outlined in Box 4 of the "Recovery Reconstruction and Reform" document.	2007-2011
Maintain the quality of infrastructure and invest in high-value projects, while reducing the cost of funding. To be achieved through a comprehensive review of the Public Investment Program, in view of increasing the share of foreign financed in light of the available stock of concessional loans.	2007-2011
<i>II. Revenue Measures</i>	
Settle the Seashore Violation issue and start collecting rent on infringed properties	2008
Increase the VAT rate from 10 percent to 12 in 2008. Increase the VAT rate from 12 percent to 15 in 2010. Collect the 5 percentage points additional VAT on water, electricity and telecommunication, over and above the 10 percent VAT currently collected by Municipalities. Adopt monthly VAT filing for large corporations for improved cash management.	2008 - 2010
Increase the tax on interest income from 5 percent to 7 percent.	2008
Introduce a Global Income Tax to replace the current scheduler income tax system.	2008 - 2010
Lift the cap on domestic car gasoline prices to allow for an immediate pass-through from international prices; to minimize rent-seeking behavior by those involved in the import and distribution of gasoline; and to recapture the revenue loss from gasoline excises. Increase gradually the excise tax rate to reach its pre-cap level of May 2004 (around LL 490/liter) as of 2011.	2007 - 2011
Strengthen the Built Property Tax administration through building a comprehensive database on built properties. This will be achieved through a synchronization of information systems between property tax database and Cadastre as a first step, and between property tax database and that of Municipalities at a later stage. Enhance revenue collection through improved communication with taxpayers and improved taxpayers' services.	2007 - 2011
Enhancement of revenue collection from public properties (namely from Casino Du Liban), through the application of the new terms (expand the Treasury's share from Casino's revenues) stipulated by the existing agreement.	2007 - 2011

# ECONOMIC REFORM 2007-2011

## MATRIX MEASURES

<i>Structural Reform Measures under the Reform Program</i>	<i>Timing</i>
<b><i>I. Structural Fiscal Measures</i></b>	
<b>A- Implement a full fledged public financial management reform that would include budget, treasury, accounting, legislative framework, and capacity building.</b>	2007-2011
Reform the Budget preparation process: Adopt a Top-Down approach. Prepare and implement a medium-term expenditure framework. Extend the Budget coverage; consolidate CDR spending and other extra budgetary entities within the Budget. Introduce Performance Budgeting.	2007-2011
Reform the Treasury Operations: Improve cash management. Proceed in the preparations of the introduction of a Treasury Single Account (TSA).	2007-2008
Build the Legislative Framework: Prepare the needed comprehensive legislative framework; a " Budget System Law " to encompass all the reform measures.	
Build Capacity Development: Build the capacity within the different directorates involved in the expenditure cycle.	2007-2011
Adopt a fiscal accountability law.	2008
<b>B- Revenue management and administrative reform toward a function-based structure with strong headquarters, fully automated business processes and risk based compliance programs</b>	
Reorganization of the Tax Administration: Reorganize revenue administration along a function based structure with strong headquarters. Reorganize regional tax offices along function based operations. Establish taxpayer services in satellite offices.	2007-2008
Set Up and reinforce new Departments: Expand Large Taxpayers' Office (LTO) coverage to include other taxes and fees (VAT and property tax, ...). Reinforce the large taxpayers' office (LTO) with new automated procedures. Establish a unit for medium taxpayers (MTO) and potentially develop a simplified scheme for the small taxpayers. Reinforce the newly established Tax roll department, which is in charge of updating the taxpayers' information database, and code taxpayers' identification numbers along a new business activity code. Finalize the development of the comprehensive database of employees through the registration of all private sector employees and the registration of all public sector employees for the wages and salary tax deduction at source (DASS); and extend the reformed operations to regional offices.	2007-2010
Modernize existing Legislation: Introduce the "Tax Procedure Code" that unifies and harmonizes the various tax procedures. Finalization of the draft law for introducing a Global Income Tax (GIT) to replace the current schedular income tax system, and work in progress for the development of related regulations and procedures. Update Stamp Fees Law to increase its fairness and facilitate its application.	2007 2008-2010
Introduce New services: Introduce electronic registration of taxpayers. Launch electronic filing (e-filing) and electronic payment (e-payment through commercial banks) Reliance on Mail services to simplify taxpayers filing obligations.	2007-2008

<i>Structural Reform Measures under the Reform Program</i>	<i>Timing</i>
<p>Modernize and Streamline operations:            Modernize and streamline operations, and automate of the various processes and procedures.            Put in place a new audit strategy based on risk selection criteria, new audit techniques and procedures, and develop an audit manual.            Integration of built property data systems between Land registry at Cadastre and Built Property Administration.</p>	
<p>Improve collections of receivables so as to reduce accumulation of revenue arrears.</p>	
<b><i>II. Debt Management:</i></b>	
<p>Develop a Formal Debt Management Strategy.</p>	2007-2008
<p>Improve Debt Reporting &amp; Transparency.</p>	2007-2008
<p>Formalize &amp; Enhance Coordination between MOF and Banque Du Liban and create a "Higher Council for Debt Management".</p>	2007
<p>Strengthen domestic debt management.</p>	2007-2011
<p>Establish an Integrated Debt management Unit at Ministry of Finance.</p>	2007-2008
<p>Develop secondary market liquidity in LL by introducing longer maturity instruments with a low frequency of auctions.</p>	2007
<b><i>III. Privatization Program</i></b>	
<i>Telecommunications Sector</i>	
<p>Establish telecommunications regulatory authority and appoint its Board.</p>	QI 2007
<i>Mobile Telecommunications</i>	
<p>Launch tender process to privatize mobile telecommunications.</p>	QI 2007
<p>Enact law to authorize the sale of the mobile sector's assets and relevant operating licenses.</p>	QII 2007
<p>Privatize the mobile telecom sector by selling licenses and existing networks.</p>	2007
<p>Place at least 20 percent of the shares of the new mobile companies on the Beirut Stock Exchange.</p>	2008
<i>Liban Telecom</i>	
<p>Finalize plans for merging fixed line operator Ogero and two Ministry of Telecommunications directorates in order to form Liban Telecom.</p>	QI 2007 QII 2007
<p>Commence the corporatization process of Liban Telecom.</p>	QIII 2007
<p>Finalize the corporatization process of Liban Telecom.</p>	2008
<p>Sell a stake of up to 40% of Liban Telecom to a strategic investor.</p>	
<i>Power Sector</i>	
<p>Retain consultants to assist with the restructuring of Electricité du Liban.</p>	QI 2007
<p>Commence the asset registration and the corporatization process of New EdL group of companies</p>	QII 2007
<p>Launch tender for management contracts for the Distribution sub-sector.</p>	QIII 2007
<p>Finalize the corporatization process of New EdL group of companies.</p>	QI 2008
<p>Privatize New EDL group of companies.</p>	2009
<i>Other Sectors</i>	
<p>Privatize MEA, Intra, Casino du Liban, Grains Silos, Government holdings in tobacco manufacturing and Tripoli and Zahrani refineries.</p>	2007-2008
<p>Privatize Beirut Airport and certain ports through concessions.</p>	2008

## ECONOMIC REFORM 2007-2011 - MATRIX MEASURES

<i>Structural Reform Measures under the Reform Program</i>	<i>Timing</i>
<i>IV. Social Sector Reforms</i>	
Reduce overlap in the provision of social services between ministries.	By end of Q4-2007
Formalize and activate the Inter-ministerial Committee for Social Policy supported by a Technical Secretariat.	By end of Q1-2007
Prepare a Social Development Strategy for Lebanon under the auspices of the Inter-ministerial Committee for Social Policy.	By end of Q4-2007
Process and analyze the results of the 2004 multi-purpose household survey in order to design targeting mechanisms and improve service delivery for the social safety nets. Design modern scientifically-based targeting mechanism.	By end of Q2-2007
Pilot a non-contributory social pension scheme for the poor elderly.	By end of Q2-2008
Review existing Social Safety Nets programs and prepare measures to remedy and expand according to the results of the 2004 multi-purpose household survey.	By end of Q1-2008
Assess the incidence of the existing subsidies, such as wheat, sugar, and tobacco, and consider alternative income support if warranted.	By end of Q2-2007
Implement three-year education reform strategy which aims at <ul style="list-style-type: none"> <li>(i) Achieving universal basic education.</li> <li>(ii) Reducing dropout and repetition rates at the basic education level.</li> <li>(iii) Strategic management of education facilities (such as consolidating public schools, use of school mapping).</li> <li>(iv) Improving efficiency and quality of teaching workforce (through voluntary early retirement scheme and teaching retraining program).</li> <li>(v) Introducing quality assurance at higher education level.</li> </ul>	2007-2009
Implement three-year health sector reform strategy which will <ul style="list-style-type: none"> <li>(i) Continue the health insurance reform aiming at harmonizing the coverage system and improving efficiency.</li> <li>(ii) Develop improved monitoring mechanisms aiming at ensuring a better MOH insurance.</li> <li>(iii) Sustain the Hospital accreditation system and expand it to cover the PHC system.</li> <li>(iv) Apply the contracting with health facilities based on performance evaluation, especially in the most deprived areas.</li> <li>(v) Establish a health card system aiming at promoting universal accessibility, improving monitoring and rationalizing expenditures on health services; and</li> <li>(vi) Strengthen the core public health functions of the MOH.</li> </ul>	2007-2009
Reduce overlap in the provision of social services between ministries.	By end of Q4-2007
<i>V. Social Security and Pension Reform. This reform will have three-fold impact: social, fiscal and economic growth enhancement, however the most direct one is social</i>	
Pass the draft law pending in parliament.	2007
Prepare the various implementation decrees and procedures necessary to set up the new pension scheme.	2007-2008
Close down the pension systems for civil servants and the military to new entrants with new civil servants joining the new fully funded defined contribution (FF-DC) system. Current contributors could move to the new system on a voluntary basis.	2008-2010
Revise the pension scheme for members of parliament to make it consistent with the rest of the public sector.	2007
Replace the lump sum payment in the three schemes with a pension.	2008

<i>Structural Reform Measures under the Reform Program</i>	<i>Timing</i>
<b>VI. Growth-Enhancing Structural Reforms</b>	
<b>A- Governance</b>	
Adopt a new procurement code to help bring the procurement procedures to international standards.	2007
Address corruption at the agency level starting with two important ministries by monitoring the operations of the various departments to ensure that they follow best practice in service delivery.	2007-2008
Adopt transparent, merit based and proper procedures for public sector recruitment.	2006-2010
<b>B- Improving the business environment</b>	
Provide tax incentives to affected enterprises.	2007
Reduce the time it takes to obtain a business license, and the cost of opening and closing a business.	2007
Simplify further the tax procedures and reduce the number of separate taxes and fees while preserving neutral fiscal impact.	2007
Expedite the clearance of imports, including by increasing automation at the port, lowering the contact with customs' officials, and increasing the use of risk assessment in inspection procedures.	2007-2008
Strengthen and shorten the time for enforcement of legal contracts.	2007-2010
Send to parliament a modern competition law.	2007
Establishing business development centers.	2007
Adopt the information Technology draft law.	2007
Send to parliament a draft insurance law to regulate the sector, galvanize the stock market and attract new investors.	2007
Expand the scope of Kafalat of encompass more economic sectors and raising the ceiling on guaranteed loans to LL 600 million.	2007
Send to parliament the law on standards, technical regulation and conformity assessment procedures.	2007
Send to parliament the law on international trade and licensing.	Mid-2007
Ratify the anti-dumping law.	2007 Done
<b>C- Capital Market reform</b>	
Enhancing the functioning of Beirut Stock Exchange (BSE), launching a new website, introducing E-trading and enhancing trading of shares of unlisted companies on BSE's trading floor.	2007
Development of Market Supervision & Regulation.	2007-2010
Enactment of Capital Market Law (currently in Parliament).	2007-2008
Establishment of a Capital Market Authority.	2007-2008

# ECONOMIC REFORM 2007-2011

## MATRIX MEASURES

### Economic Reform Program 2007-2011 / Matrix of measures

<i>Structural Reform Measures under the Reform Program</i>	<i>Timing</i>
<ol style="list-style-type: none"> <li>1. Setting up the organizational structure;</li> <li>2. Issuing detailed regulations under the Capital Markets Law by the Capital Market Authority;</li> <li>3. Transferring of regulatory responsibility for the BSE from MOF; transferring of regulatory responsibility for MIDCLEAR from BDL; transferring of regulatory responsibility for listing securities on stock exchanges from the BSE and transferring of regulatory responsibility for securities business from BDL;</li> <li>4. Addressing aspects of policy and capital market development such as privatization of the BSE;</li> <li>5. Develop an Official Stock Market Index.</li> </ol>	
Enactment of the dematerialization of securities law (currently before Parliament).	2007-2008
Enactment Securitized Lending Law. (currently before Parliament).	2007-2008
Enactment of the insider trading Law (currently before Parliament).	2007-2008
<b><i>VII- Program Oversight, Implementation and Monitoring</i></b>	
Establish an Oversight Committee (OC) from representatives of key government agencies and donors to oversee the implementation of the proposed reforms and to ensure proper monitoring of the various measures of the program. The Committee will be chaired by the Prime Minister and will have a technical secretariat at the MOF.	2007



For further information please contact:

**Ministry of Finance**

**UNDP Project**

**Tel:** +961-1-981 057/8

**Fax:** +961-1-981 059

**Email:** [infocenter@finance.gov.lb](mailto:infocenter@finance.gov.lb)

**Website:** [www.finance.gov.lb](http://www.finance.gov.lb)