

INTERNATIONAL CONFERENCE FOR SUPPORT TO LEBANON-PARIS III **ELEVENTH PROGRESS REPORT**



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REPUBLIC OF LEBANON
MINISTRY OF FINANCE

INTERNATIONAL CONFERENCE
FOR SUPPORT TO LEBANON-PARIS III
ELEVENTH PROGRESS REPORT

31 DECEMBER 2009





This report was prepared as a collaborative effort, managed by the Ministry of Finance in cooperation with the Government Reform Program Coordination Office at the Presidency of the Council of Ministers (GR-PCO/ PCM) and the Council for Development and Reconstruction (CDR), with input from the various natural owners of the Paris III Reform Program.

Explanation of the Figures in the Report

“Pledged” in this report refers to pledges made by donors at the Paris III International Conference of January 2007. “Signed” (or committed) and “Received” (or disbursed by donors) refers to implementation of the Paris III pledges and as well commitments and disbursements made concerning post-Paris III allocations in further support to the implementation of the Paris III reform program. In this manner, a more complete picture is given of donor support for reform and development in Lebanon. Developments to this effect occurred in the budget support and private sector support categories in particular. Details are provided in the relevant sections below.



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EXECUTIVE SUMMARY

The Eleventh Progress Report on the International Conference for Support to Lebanon reviews the implementation of the Lebanese Government's economic and social reform program in 2009.

Despite the political difficulties, confidence and economic activity were maintained in 2009, thereby creating a positive climate for economic performance and progress in reform implementation across a number of ministries. As the new government intensifies the implementation of its policy agenda, key elements of the reform program are expected to be approved and implemented.

Social Cluster: *The Ministry of Education and Higher Education* implemented an Education Management Information System (EMIS) and created a new Education Sector Development secretariat. In terms of the education program, the decree on compulsory education for ages 6 to 15 was drafted and is awaiting the new minister's approval. With financial support from the Kingdom of Saudi Arabia and for the second consecutive year, the Ministry provided free textbooks to public schools and eliminated registration fees. With a view to improving the quality of the education system, preschool and first cycle curricula were reviewed, the Question Bank System used in examinations was revised, and tests were conducted in 36 schools to enhance the quality of textbooks issued.

The Ministry of Social Affairs completed the final draft law for restructuring the Ministry and endorsed new procedures for implementing local development initiatives. With a view to formulating a comprehensive social strategy, the Ministry initiated the elaboration of the strategy by compiling existing sector and thematic strategies, elaborating a vision statement, holding discussions with stakeholders and starting the consensus-building process. The pilot testing for the establishment of a targeting mechanism for implementing social safety net programs was implemented in three regions.

The National Social Security Fund strengthened its administration by automating all branches as part of its Master Plan. The NSSF also improved the capacity to collect contributions by appointing, in June 2009, 42 auditors, who will work in the field surveying companies, and as well four lawyers, who will monitor companies not paying their dues.

The Ministry of Public Health pursued reforms in the health sector with noticeable progress on various fronts: the package of services of the Primary Health Centers was revised and enhanced for 120 catchment areas, the healthcare card initiative was completed for 80 centers, and a Primary Health Center accreditation program was developed and implemented in 80 centers. Other achievements included

the reform of the pharmaceutical sector. Around 1937 drugs were reviewed, and the price of 862 drugs was decreased on average by 16.76 percent.

Economic Cluster: *The Ministry of Finance* achieved notable progress in the reform of the administration and management of revenues: the introduction of e-services for taxpayers and the handling of tax payments and built property tax transactions through LibanPost were put into effect. The Tax Procedure Code regulations were approved by the Council of Ministers in July 2009 and are being implemented. With respect to debt management, the Ministry completed a draft of the Memorandum of Understanding for establishing the Public Debt Management High Committee, to be entrusted with improving coordination between the Ministry and the central bank, and strengthened the debt statistics function and reporting by standardizing the computation of the weighted average interest rates. The Ministry developed secondary market liquidity in Lebanese pounds by introducing the auctioning of 60-month Treasury bills on a bi-weekly basis in July 2009. To facilitate trade, the Ministry automated the manifests and customs declarations in all border crossings, the Rafic Hariri International Airport, and ports, except Beirut Port (to be completed by April 2010).

Key achievements for the *Ministry of Economy and Trade* include the strengthening of the Intellectual Property Protection Office and the launch of a series of intellectual property awareness-raising trainings and activities for officials from the armed forces, customs, concerned ministries, and the private sector as well as lawyers. Regarding improving the business environment, the Ministry finalized two draft laws, the Standardization draft law and the Technical Regulations and Conformity Assessment draft law, which are to be submitted to the CoM for approval. Other important laws for doing business await Parliament ratification. As for non-Paris III initiatives, the Ministry put in place various activities to promote awareness on quality issues and provided assistance to enterprises to receive international quality accreditation, including establishing a quality system legal

infrastructure, and promoting the implementation of ISO standards in 38 industrial and services, private and public sector institutions.

With regard to *administrative* reform led by the Minister of State for Administrative Reform, the Public Procurement and the Public Procurement Administration draft laws were reviewed by the Presidency of the Council of Ministers, and are pending the signature by the new Minister of State for Administrative Reform. There was notable progress with respect to the approval of funding for three key projects to streamline the Lebanese administration: (1) the standardization of government forms, (2) the standardization of government websites and (3) the simplification of administrative procedures.

The *Central Bank* successfully met the IMF targets under the EPCA II program, which ended June 2009, notably for the gross reserves, which reached USD 28 billion at end June 2009, exceeding the required floor by a substantial margin. A final draft of the financial markets law was approved by the Public Administration and Justice Committee and will be submitted for ratification by the new Parliament.

Infrastructure Cluster: In the *energy* sector, the conversion of both turbines at the Beddawi plant to enable them to run on natural gas was completed and the first batch of Egyptian gas arrived in early September 2009; these milestones will result in improving the operational efficiency of the electricity sector. In the telecom sector, the *Telecom Regulatory Authority* issued several final regulations in the Official Gazette: (a) Significant Market Power Regulation, (b) Type Approval Regulation, (c) Quality of Service and Key Performance Indicators Regulation and (d) Interconnection Regulation. The economic impact of broadband liberalization was reviewed and the broadband licensing plan that was submitted to the Minister of Telecommunications is being finalized.

Resource Mobilization: By end December 2009, \$5.9 billion representing 78 percent of the Paris III pledges were signed into agreement, compared to 71 percent at the end of 2008. The balance of pledges to be entered into agreement includes pledges by Saudi Arabia, World Bank Group, European Investment Bank, Arab Fund for Economic and Social Development and European Commission. The amendment to the agreement with France to extend by one year the deadline for disbursement of the remaining two tranches (Euro 225 million) was signed in 2009. The European Commission approved at the end of 2009 the extension by one year of the availability period of the second tranche of the Macro-Financial Assistance (Euro 40 million). Disbursements under both

these agreements are conditioned upon reforms, including in the power and telecommunication sectors.

Disbursements increased to 50 percent (\$3,698 million) of total pledges at end December 2009 compared to 41 percent at the end of 2008, representing an increase of \$576 million. The increase in disbursements was mainly for private sector support (\$244 million), project finance (\$168 million), and budget support (\$119 million). Disbursements on budget support included \$50 million payment of the third tranche of the USAID grant agreement, Euro 25 million loan on the European Commission's Macro-Financial Assistance, and \$32 million loan from the Arab Monetary Fund. The remaining undisbursed budget support funds (\$525 million) are conditioned on progress in reform implementation, in particular in the power and telecommunications sectors.

With regard to project financing support, commitments increased by 32 percent in 2009 to reach \$1,382 million compared to \$1,047 million at December 31, 2008 due to a number of agreements between Lebanon, on the one hand, and European Investment Bank, World Bank, Germany and the European Commission, on the other. Notwithstanding this increase, project financing is lagging in terms of signings and disbursements due to slow ratification by Parliament, as well as delays impacting negatively the pace of reform implementation.

Looking forward: Lebanon's new government reaffirmed its commitment to the reform program in the ministerial declaration with the objective of addressing structural deficiencies in the economy, unleashing the full growth potential of the country, and improving the livelihoods of the Lebanese people. In the immediate term, the ratification by Parliament of project loans and accumulated draft laws that are essential to the success of the government's reform agenda will be a high priority for the Government. In close collaboration with the GR PCO and CDR, the Ministry of Finance will continue to work with the donor community on resource mobilization. With a view to speeding up the disbursement of the remaining donor commitments for budget support, the Government will endeavor to fulfill the reforms within set deadlines. With respect to project support, the focus will be on expediting the approval of loan agreements by Parliament and the implementation of the signed and ratified loans, and also preparing new loan agreements for projects in accordance with national priorities. Increased attention will be paid in the short term to the formulation of agreed sector strategies while building the planning capacity of the Lebanese administration.



IMPLEMENTATION OF THE REFORM PROGRAM

A. SOCIAL REFORM PROGRAM

Ministry of Education and Higher Education (MEHE)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES

Programs	Key achievements in 2009
Program 1: Consolidating policy, planning and resource allocation	
<ul style="list-style-type: none">• A framework for the education strategy was sent to the Council of Ministers for approval• Priorities and action plans for the general education sector were finalized for a 5 year period and approved by all directorates within the MEHE and the Education Center for Research & Development (ECRD)• An Education Sector Development Secretariat (ESDS) was established as part of MEHE• An Education Management Information System (EMIS) was fully implemented at the MEHE and bids were launched for the provision of data for School Information System (SIS)	
Program 2: Achieve universal basic education for ages 6 to 15	
<ul style="list-style-type: none">• A decree related to compulsory education was drafted and is in the process of being issued. In parallel, a committee was set up to formulate the issuance of procedural decrees to enforce compulsory education at age 15• Two initiatives are being implemented to ensure the success of students in basic education: 1) the reinforcement of the success of students at the brevet level, 2) provision of academic support for the first and second cycles in basic education (in Math and Languages)	
Program 3: Improve efficiency, effectiveness and competence level of the teaching workforce	
<ul style="list-style-type: none">• An early retirement scheme was developed as part of the teacher professionalization program in the 5 year plan• 40 principals became master trainers in the Leadership Development Program. This was finalized and institutionalized by the faculty of Education at the Lebanese University	
Program 4: Enhance quality of education	
<ul style="list-style-type: none">• Preschool and first cycle curricula were reviewed and validated• The ECRD is conducting tests on 36 schools, in the aim of enhancing the quality and content of the student textbooks and teachers' guides and in order to issue new textbooks for the coming year.• Details of the early childhood program (included in the 5 year plan) are being prepared, and a decree nominating the relative committee was issued• Details of the Drop-Out prevention program (included in the 5 year plan) are being developed; the EU Funding is in progress, and the log frame was finalized• The Question Bank System (QBS) and the Exam Generation System were improved and are now fully operational	
Program 5: Enhance the utilization of educational facilities	
<ul style="list-style-type: none">• 11 new schools were constructed and fully furnished• 38 unviable schools were closed• The dual study program was cancelled in 11 schools so far, work on its cancellation in all remaining schools is in progress• Data from GIS was collected for the two committees working on the merger of 68 schools with less than 30 students	

IMPLEMENTATION OF THE REFORM PROGRAM

Ministry of Education and Higher Education (MEHE)

2009 ACHIEVEMENTS OF NON-PARIS III INITIATIVES	
Programs	Key Achievements in 2009
Promoting Sustainable Development	<ul style="list-style-type: none"> 4 kits (in environment protection, health, citizenship, and human rights) were produced and distributed to all schools in Lebanon; this initiative will be continued in 2010 Teachers were trained and coordinators were assigned to various schools to coordinate these subjects
Promoting community service through education	<ul style="list-style-type: none"> Initiative is in progress, supporting decree is being issued
Promoting citizenship through education	<ul style="list-style-type: none"> Initiative on-going through donations from the Kingdom of Saudi Arabia and the United Arab Emirates (UAE)
Automation of the Department of Equivalences	<ul style="list-style-type: none"> The scanning, electronic archiving, and work flow at the department of equivalences is now at the testing phase

Ministry of Social Affairs (MoSA)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES	
Programs	Key Achievements in 2009
Program 1: Review the mandate and programs of the Ministry of Social Affairs	
<ul style="list-style-type: none"> The draft law proposal for the restructuring of the Ministry of Social Affairs was completed The endorsement of new procedures for implementing local development initiatives was completed 	
Program 2: Enhance management of the social sector	
<ul style="list-style-type: none"> Social strategy for the ministry: a vision statement with general objectives was defined A database that compiles local development initiatives nationally was initiated The terms of reference and requests for proposals for the elaboration of a framework for local development needs and priorities in all regions were drafted and announced 	
Program 3: Develop new targeting mechanisms for Social Safety Nets programs	
<ul style="list-style-type: none"> A pilot for proxy means testing was implemented in 3 regions and the distribution of benefits to designated beneficiaries is being processed A framework strategy for proxy means testing was developed and approved by the Council of Ministers 	
Program 4: Implement prioritized Safety Nets programs	
<ul style="list-style-type: none"> 1500 proximity services were delivered to disabled holders of disability card from different parts of the country 	

Ministry of Public Health (MoPH)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES

Programs	Key Achievements in 2009
Program 1: Upgrade Primary Healthcare (PHC) services	
<ul style="list-style-type: none">• 121 centers were contracted and 14 municipalities are in the process of joining• Catchment areas were defined for 120 centers and the design of a referral system between these centers and hospitals was initiated• The primary health centers (PHC) package of services for 120 catchment areas was revised and enhanced• The healthcare card initiative was completed for 80 centers• The IT infrastructure was expanded and is currently operational in 80 centers• The PHC accreditation program was developed and was implemented in 80 centers• Disease management guidelines were completed for chronic illness medication• Performance-based contracting for targeted primary health care services was completed	
Program 2: Undertake health financing reform	
<ul style="list-style-type: none">• The pilot testing of the visa billing system was completed• The National Health Accounts were updated and institutionalized	
Program 3: Enhance public health functions and programs	
<ul style="list-style-type: none">• A National Committee for emergency management services was created• Public health programs were strengthened including: Injury prevention, HIV-AIDS, school health, and immunization The Cancer Registry was institutionalized	
Program 4: Undertake pharmaceutical reform	
<ul style="list-style-type: none">• 1937 drugs were reviewed and the price of 862 drugs was decreased on average by 16.76 percent• The existing reference pricing system was reviewed and improved according to a Ministerial decision number 306/1 dated June 3, 2005 entitled "Bases of pricing of pharmaceutical products"• A National Committee was created to develop generic drug policies• A guide for physicians and pharmacists regarding generic drug substitution was issued	

IMPLEMENTATION OF THE REFORM PROGRAM

National Social Security Fund (NSSF)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES	
Programs	Key Achievements in 2009
Program 1: Strengthen the governance and administration of the NSSF	
<ul style="list-style-type: none"> The first Phase of the IT Master Plan was implemented by the fund leading to the automation of all NSSF branches 	
Program 2: Audit, update and reform NSSF accounts and accounting practices	
<ul style="list-style-type: none"> The 2003 accounts were audited and the audit of the 2004 and 2005 accounts is ongoing LBP 240 Billion was transferred to the NSSF in 2009 by the Ministry of Finance 	
Program 3: Improve NSSF capacity to collect contributions under current law	
<ul style="list-style-type: none"> 42 auditors were appointed to regularly survey companies' NSSF contributions 4 lawyers were appointed to enhance the collection process of NSSF contribution 	
Program 4: Reduce cost to achieve financial equilibrium	
<ul style="list-style-type: none"> The NSSF stopped collaborating with hospitals that do not meet accreditation standards 	

B. ECONOMIC AND FISCAL REFORM PROGRAM

Ministry of Finance (MoF)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES

Programs	Key Achievements in 2009
Program 1: Undertake budget and financial management reform	
<ul style="list-style-type: none">• The 2010-2012 medium-term macro-fiscal framework was developed as a basis for the preparation of the 2010 budget proposal• The 2010 budget circular with global budget ceiling was prepared in April 2009• The Institute of Finance developed curricula for public financial management training in Arabic techniques• A Cash Management Unit was formally established within the Treasury Directorate by decree and 4 staff members were appointed• METAC and the French Directorate General of Public Finance provided technical assistance the analysis of the existing structures and procedures relative to the implementation of the Treasury Single Account	
Program 2: Enhance revenues	
<ul style="list-style-type: none">• The Council of Ministers decided in February 2009 to lift the cap on domestic car gasoline prices	
Program 3: Undertake revenue management and administrative reform toward a function-based structure	
<ul style="list-style-type: none">• The draft law regarding the reorganization of the revenue administration was prepared and is under review by the Minister• The audit manual was updated as per the Tax Procedure Code• Regulations regarding the Tax Procedure Code were approved by Council of Ministers in July 2009 and are being implemented• The Global Income Tax draft law was submitted to the Council of Ministers, which forwarded it to a committee for consultation• The reformed operations (data processing, non compliance follow-up, audits) undertaken in the Deduction at Source on Salaries Unit were extended in 2009 to almost all regional offices• The systems and procedures for electronic services (e-services) were developed.• The Tax Administration launched the payment service through LibanPost in April 2009• All built property tax transactions can now be handled through LibanPost as of March 2009• Logistics arrangements were completed to establish taxpayer services in two satellite offices	
Program 4: Strengthening debt management	
<ul style="list-style-type: none">• A first draft of the Memorandum of Understanding for the Higher Debt Committee was completed, and the Terms of Reference for positions in the Public Debt Department were created• Auctioning of 60-month LL T-bills on a bi-weekly basis was started in July, 2009• The Ministry developed standardized weighted average interest rates computation regarding concessional loans, and improved detailed internal reporting for the debt department and debt statistics quality through regular consistency checks• Ongoing publication of the Quarterly Debt and Debt Market Report up to QIII 2009, and stakeholder survey undertaken with a view to improving the debt and debt market report• Monitored and reported on Banque du Liban Issuances• Improved internal weekly, monthly and annual reporting on T-bills auctions• Updated internal reports for the financing strategy for 2009	

IMPLEMENTATION OF THE REFORM PROGRAM

Programs	Key Achievements in 2009
Program 5: Reform capital markets	
<ul style="list-style-type: none"> The execution of the action steps for the reform of capital markets is linked to the enactment of the draft capital markets law, currently being discussed at Parliament. Once enacted, initiatives will be implemented in the course of one year 	
Program 6: Facilitate trade	
<ul style="list-style-type: none"> The customs declaration in the offices of Qaa, Abboudyeh and Arida were automated The manifest and customs declaration in Rafic Hariri International Airport and Port of Tripoli were automated The proposal regarding electronic payment inside the Ministry was approved by the EU 	

Ministry of Finance (MoF)

2009 ACHIEVEMENTS OF NON-PARIS III INITIATIVES	
Initiatives	Key Achievements in 2009
Portal of the MoF	
<ul style="list-style-type: none"> All tax components completed, except built property tax All finance components completed MOF website restructured, streamlined and a new design was introduced 	
Increasing customs controls	
<ul style="list-style-type: none"> Automated various procedures, including seizure, outside manifest, excess and shortage, suspicious, screening & joining, breaking up, and packaging Automated the settlement of duties and the inspection result Achieved addition to the bill of lading write off upon payment of the corresponding declaration 	

Ministry of Economy and Trade (MoET)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES

Programs	Key Achievements in 2009
Program 1: Encourage investment	
<ul style="list-style-type: none">• A financing Agreement, "the Reinforcement of the Private Sector Competitiveness in Lebanon" was signed with the EU to launch Phase II of the SME Support Initiative	
Program 2: Promote and strengthen IP protection	
<ul style="list-style-type: none">• Several awareness and training activities on intellectual property (IP) regulations and their enforcement were held, involving a broad audience comprised of judges, lawyers, government officials, university students, the private sector and others• Five new IP staff were integrated to the MoET's Intellectual Property Protection Office. An additional examiner was also brought in from the Consumer Protection Department• The MoET received pledges for additional support to the IPPO from the World Intellectual Property Organization (WIPO), including the upgrading of the Ministry's IPR information system	
Program 3: Enact laws to improve the business environment	
<ul style="list-style-type: none">• The draft Standardization Law is being resent to relevant ministries for an additional review and to receive feedback from new ministry cabinets. Following this stage, the draft law will be submitted to the Council of Ministers for consideration• The draft Technical Regulations and Conformity Assessment law is being submitted for an additional review by relevant ministries, after which it will be sent to the Council of Ministers for consideration• The draft Information Technology law was submitted to the Parliamentary Joint Committees for consideration• The Trade Remedies Investigative Authority has identified areas for which support for capacity building and other technical assistance will be needed	

IMPLEMENTATION OF THE REFORM PROGRAM

Ministry of Economy and Trade (MoET)

2009 ACHIEVEMENTS OF NON-PARIS III INITIATIVES	
Harmonization and strengthening of border IPR verification and enforcement measures	<ul style="list-style-type: none"> IT link between Lebanese Customs and the MoET/IPPO's trademark database was established and is now operational
Increase public access to IP information	<ul style="list-style-type: none"> Equipments (e.g. servers) and software were acquired by the IPPO with WIPO support. Implementation and adoption of this new system will be completed in 2010
Digitization and automation of public application processes	<ul style="list-style-type: none"> Work for this initiative was suspended as it will be integrated into the aforementioned WIPO IPR system, which will offer the capacity to submit/receive online applications for patents, trademarks, etc. with online search possibilities
Trade integration needs assessment	<ul style="list-style-type: none"> Initiative completed in 2009. Recommendations were presented to representatives of the public and private sectors
Promote awareness on quality issues, and assist public institutions and private enterprises to receive relevant international quality accreditation.	<p>QUALEB—the EU-funded Quality Program at the MoET, engaged in:</p> <ol style="list-style-type: none"> Awareness promotion on quality issues was achieved through: <ul style="list-style-type: none"> Delivery of 150 quality related seminars, training modules and conferences to 2000 participants Publication and distribution of 12 issues each of the Quality Info Newsletter and the ABC Guides Assistance to public institutions and private enterprises was realized by: <ul style="list-style-type: none"> Establishing a quality system legal infrastructure Promoting implementation of ISO standards in 38 industrial and services, private and public sector institutions The design, launch and implementation of the Lebanese Quality Management Model (LQMM) and the Lebanese Excellence Award (LEA) to support competitiveness in the Lebanese business community Support (in terms of equipment, training, consultancy & proficiency testing) to 16 private and public sector laboratories for international accreditation purposes (five laboratories had already been internationally accredited in various fields) Consultancy and training support to LIBNOR (Lebanese Standards Institution) & COLIBAC (National Accreditation Council) in terms of consultancy and training Support to certification and inspection bodies in terms of consultancy and training
Transport Sub-committee	<ul style="list-style-type: none"> A transport sub-committee was formed at the Presidency of Council of Ministers

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

2009 ACHIEVEMENTS OF PARIS III INITIATIVES

Programs	Key Achievements in 2009
Program 1: Promote governance and transparency in the public sector	
<ul style="list-style-type: none"> The Public Procurement draft law was reviewed by the Presidency of the Council of Ministers and is pending its signature by the new Minister. The draft Public Procurement Management law is currently in the Parliament 	
Program 2: Modernize and upgrade capabilities within the public sector	
<ul style="list-style-type: none"> A preliminary approval was obtained from the EU for financing the development of human resource units and HR policies for the public sector The training needs for the Ministry of Public Health were assessed 	

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

2009 ACHIEVEMENTS OF NON-PARIS III INITIATIVES

Initiatives	Key Achievements in 2009
Revitalize position classification project	<ul style="list-style-type: none"> The implementation of the position classification project was initiated in 10 public administrations (50 percent completed)
Administrative procedures simplification	<ul style="list-style-type: none"> A preliminary approval was obtained from the EU to initiate this project and an agreement was reached for OMSAR to lead this project in association with the directorate of Research and Guidance, develop methodology and train key staff. The project will apply to selected Ministries (Finance, Agriculture, Environment, Tourism, Public Health, Economy and Trade, Industry, and Labor)
Standardization of government transaction forms	<ul style="list-style-type: none"> A project to standardize 100 government transaction forms was scoped. Funding for the project was secured and the bidding process was launched
Standardization of government websites	<ul style="list-style-type: none"> A project to standardize the government websites was scoped. Funding for the project was secured and the bidding process was launched.
High-end ICT training	<ul style="list-style-type: none"> A project to train government employees on high-end ICT training was scoped. Funding for the project was secured and the bidding document was prepared
Implementation of the master plan for courts automation	<ul style="list-style-type: none"> The Financial agreement with the EU was finalized and signed. The detailed budget is currently under preparation
Government information technology network	<ul style="list-style-type: none"> An agreement to establish a government network based on DSL technology with OGERO and the Ministry of Telecommunications was approved by the Council of Ministers
Strategic planning	<ul style="list-style-type: none"> A preliminary approval was obtained from the EU for initiating this project and agreement was reached for OMSAR to lead in association with GR-PCO IMC, MoF and CDR to develop methodology and apply it to selected ministries (Finance, Social Affairs, Agriculture, Environment, Tourism, Public Health and Economy and Trade)

IMPLEMENTATION OF THE REFORM PROGRAM

Banque du Liban (BdL)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES	
Programs	Key Achievements in 2009
Program 1: Maintain floor on BdL gross reserves	
<ul style="list-style-type: none"> • IMF reserves targets under the EPCA II program were successfully met • Gross reserves reached USD 28 billion by end of 2009 	
Program 2: Enhance access of businesses to credit	
<ul style="list-style-type: none"> • The BdL issued various of circulars that pertain to Legal Reserve Requirements (LRR) exemptions on micro-credit loans, medium and long-term loans extended to various sectors, loans that finance environmentally friendly projects, loans funded or guaranteed by the IFC, EIB, OPIC, AFD, AFESD etc 	
Program 3: Transfer regulatory responsibility	
<ul style="list-style-type: none"> • A final draft of the financial markets law was issued by the Public Administration and Justice Committee and is expected to be passed by the new Parliament in 2010 	

C. INFRASTRUCTURE AND PRIVATIZATION CLUSTER

Ministry of Energy and Water (MEW)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES	
Programs	Key Achievements in 2009
Program 1: Strengthen sector policy-making capacity	
<ul style="list-style-type: none"> • All the deliverables of the consultant Decon were completed in September 2009 as scheduled • A new draft of the generation master plan was prepared by EdF and delivered in September 2009. The Ministry of Energy and Water, Electricité du Liban and the Council for Development and Reconstruction discussed the new draft with EdF and asked for modifications to be completed by the end of January 2010 	
Program 2: Improve EdL operational efficiency	
<ul style="list-style-type: none"> • An evaluation of EdL's present condition as well as recommendations on efficiency, safety and other components were prepared by consultant Azorom • The assessment report for the KEPCO operation and maintenance activities was submitted • Financial Audits for 2002, 2003, 2004 and 2005 were completed • The first batch of Egyptian gas arrived at the Beddawi plant in September 2009 • The conversion of both turbines to dual-fuel was completed 	
Program 3: Corporatize and privatize EdL	
<ul style="list-style-type: none"> • The draft reports for the planning phase of the sector restructuring and EdL corporatization were completed • A draft budget and organizational structure of the Electricity Regulatory Authority ERA was proposed by the Higher Council for Privatization (HCP) consultant (Decon) and is under review by Ministry of Energy and Water 	

Ministry of Energy and Water (MEW)

2009 ACHIEVEMENTS OF NON-PARIS III INITIATIVES	
Initiatives	Key Achievements in 2009
Add ~ 300 MW of reciprocating engines to the generating system of EdL	<ul style="list-style-type: none"> • The terms of reference for carrying a feasibility study were completed and tender documents for the fast track provision of additional generation capacity (~300 MW) at the existing thermal plant sites in Lebanon were prepared • A Request for Information was launched for the procurement of 2- and 4-stroke reciprocating engines for additional generation capacity (~300 MW) at the existing thermal plant sites
Council of Minister's paper calls for the addition of a minimum of 600 MW of generating capacity by the end of 2010	<ul style="list-style-type: none"> • The Ministry of Energy and Water and Electricité du Liban asked EdF to prepare a new draft of the generation Master Plan to take into account the decision of the Council of Ministers. The new draft will be delivered at the end of January 2010

IMPLEMENTATION OF THE REFORM PROGRAM

Telecom Regulatory Authority (TRA)

2009 ACHIEVEMENTS OF PARIS III INITIATIVES	
Programs	Key Achievements in 2009
Program 1: TRA establishment and institution building	
<ul style="list-style-type: none"> • Terms of reference for projects to be funded by various international organization were prepared • Hosted and chaired the Ninth Global Symposium for Regulators in Lebanon 	
Program 2: Regulatory framework	
<ul style="list-style-type: none"> • Issued the following draft regulations for public consultation: (a) Code of Practice for Value Added Services, (b) Broadband licensing plan and broadband technical requirements, (c) Opinion for determining spectrum rights to use fees, (d) Spectrum Administrative charges and (e) Human EMF exposure limit. • Issued the following final regulation in the Official Gazette: (a) Significant Market Power Regulation, (b) Type Approval Regulation, (c) Quality of Service and Key Performance Indicators Regulation and (d) Interconnection Regulation • Reviewed the replies received through the public consultations and finalized the regulations • Issued the final draft Regulations on TRA website awaiting the opinion of the State Council (once forwarded by the Minister) before their publication in the Official Gazette: Service Providers Licensing Regulation, Spectrum Management and Licensing Regulation, Class and Frequency License fee Regulation, Numbering Regulation, National Numbering Plan 	
Program 3: Broadband licensing	
<ul style="list-style-type: none"> • TRA submitted a broadband licensing plan to the Minister of Telecommunications • Reviewed the replies received through the public consultations on the broadband licensing plan and the broadband technical requirements • Finalized the broadband licensing plan and broadband technical requirements • Worked on the economic impact of broadband liberalization 	
Program 4: Mobile privatization	
<ul style="list-style-type: none"> • Followed up with investment banks on the valuation and the multiples (Final Value / EBIDTA) in the region • Studied the impact of the broadband and the mobile liberalization sequencing 	
Program 5: FM and TV broadcast	
<ul style="list-style-type: none"> • Organized a workshop aiming at enhancing and improving the quality of the broadcasting sector • Reviewed the replies received on the public consultations concerning the digital migration strategy for TV broadcasting and the improvement of TV broadcasting • Continued follow up with related governmental entities on interference problems and other broadcasting issues • Continued follow up on the implementation of the frequency migration plan for the region as agreed upon in Geneva 06 (ITU) 	



UPDATED RESULTS OF THE CONFERENCE
AS OF DECEMBER 31, 2009

UPDATED RESULTS OF THE CONFERENCE AS OF DECEMBER 31, 2009

At end December 2009, commitments in terms of signed agreements in support of Paris III amounted to nearly US\$6 billion (\$5,872 million) - see Table 1, which represents 78 percent of the Paris III pledges and an increase of 7 percent compared to one year earlier. Of total commitments, 25 percent were grants and 75 percent were loans. With the exception of project support (roughly US\$2 billion to be committed), the near totality of pledges was signed into agreements at end 2009. Disbursements made by donors at end 2009 amounted to US\$3,698 million, or 50 percent of pledges and 63 percent of commitments. It is noted that budget support commitments and disbursements include the \$500 million Malaysia debt transaction¹.

Table 1. Updated Status of Pledges by Type of Support (millions of US\$)			
	Pledged	Signed	Received
Budget support*	1,737	2,134	1,610
Banque du Liban	43	43	43
Project support	3,479	1,382	265
In kind	362	328	304
Private sector support	1,463	1,536	1,029
Support through the UN	334	338	336
Support through civil society organizations	104**	111	111
Under review	12		
Total	7,534	5,872	3,698

Source: MOF collected data by December 31, 2009

* Includes Malaysia debt transaction for \$500 million

** The initial pledge by Canada was a total of \$17 million which included \$13 million for UN agencies and \$4 million in grant to government for project finance. The grant to government did not materialize; therefore the government of Canada reallocated the pledged amount to benefit civil society organizations, which explains the increase in the pledged amount to CSOs

¹ At the Paris III Conference, the Malaysian government pledged to refinance some of its existing debt with the Lebanese government in support of the government's economic reform program. On July 20, 2007 Lebanon and Malaysia successfully completed a re-profiling of two sets of Republic of Lebanon Eurobonds, amounting to \$500 million, held by Malaysia.

UPDATED RESULTS OF THE CONFERENCE

Donor support for the implementation of Paris III since January 2007 has been remarkable and considerable. However, increased results have been held up by lagging decision-making and approval processes, affecting both funding and reforms, and by capacity constraints besetting public investment activity. Table 2 shows pledges and commitments by donor source. As seen, a number of donors, including the United States, the International Monetary Fund and the Arab Monetary Fund, had committed at the end of 2009 aid in support of Paris III over and above the initial pledge. The aid effort of the top five donors (except for the United States, as noted above) supporting Paris III was well advanced, noting that it is distributed over the five years of the program period.

Table 2. Updated Signed Grant and Loan Agreements (above \$10 million, US\$ million)				
Donor	Total Pledged	Grants Signed	Loans Signed	Total Signed
European Investment Bank	1,248	-	961	961
Saudi Arabia	1,100	100	-	100
World Bank Group	975	-	475	475
United States	890	770	260	1,030
Arab Fund for Economic & Social Development	750	-	442	442
France	650	-	599	599
European Commission	486	281	65	346
United Arab Emirates	300	-	300	300
Islamic Development Bank	250	5	245	250
Arab Monetary Fund	250	-	375	375
Italy	156	60	-	60
Germany	134	74	21	95
International Monetary Fund	77	-	114	114
Spain	53	59	-	59
Egypt	44	15	-	15
United Kingdom	35	35	-	35
Belgium	26	13	13	26
Turkey	20	20	-	20
Canada	17	11	-	11
Norway	15	15	-	15
Oman	10	10	-	10
Other*	47	28	-	28
Malaysia		-	500	500
Total	7,534**	1,496	4,370	5,872

Source: MOF, CDR and Presidency of the Council of Ministers, data collected by December 31, 2009

* A detailed breakdown of all pledges and intended uses is available in the Paris III - Eight Progress Report available at www.finance.gov.lb.

** There are \$12 million in pledges by Luxembourg, Jordan, Ireland, and Portugal that are still under review by the donors.

A. SUPPORT TO THE PUBLIC SECTOR

Support for the public sector, 23 percent in grants and 77 percent in loans, represented 75 percent of pledges made at Paris III. As shown in Table 3, roughly two-thirds was allocated for project financing and one-third for budget support (rather than a large majority as budget support) – as such, this outcome made the task of the government more difficult in managing the macro-economic situation and implementing the reform program.

	Budget Support	Project Financing	BDL	In-kind	Total
Grants	400	530		362	1,289
Loans	1,337	2,949	43		4,329
Total	1,737	3,479	43	362	5,621

Source: MOF collected data by December 31, 2009

1. Budget Support

Commitments for budget support reached \$2,134 million and disbursements amounted to \$1,610 million compared to \$1,491 million at December 31, 2008, see Table 4. The only Paris III budget support pledge still to be committed is by the World Bank (\$200 million). It is noted that signed agreements for budget support exceed pledges made due to the signature of the debt transaction agreement with Malaysia in 2007 and a second Emergency Post-Conflict Assistance Agreement (EPCA) with the International Monetary Fund (IMF) in 2008.

Disbursements for budget support increased due to the payment of the third tranche of the USAID agreement on May 28, 2009, after the condition to issue a Council of Ministers' decision setting a specific floor on gasoline excise of LL 300 per liter of gasoline was made. Also, the European Commission's €25 million loan was disbursed on June 5, 2009 to complete the payment of the first tranche of the EC's Macro-Financial Assistance. Furthermore, on June 24, 2009, the Arab Monetary Fund disbursed the \$32 million loan for foreign debt servicing.

UPDATED RESULTS OF THE CONFERENCE

Table 4. Status of Budget Support Pledges (US\$ million)

Donor	Grant Budget Support	Loan Budget Support	Signed	Received
Saudi Arabia	100		100	100
World Bank		300	100	100
United States	250		250	175
France		488	488	222
European Commission	39	65	104	55
United Arab Emirates		300	300	300
Arab Monetary Fund		107	167	32
International Monetary Fund (EPCA I)		77	77	77
Greece	1.2		1.2	1.2
Oman	10		10	10
Slovenia	0.13		0.13	0.13
Malaysia			500	500
International Monetary Fund (EPCA II)			37	37
Total	400	1,337	2,134	1,610

Source: MOF collected data by December 31, 2009

United States

The USAID's last and pending tranche of \$75 million is linked to the sale of a majority stake in the two mobile phone companies and the deadline for meeting all the conditions is the end of March 2010.

The European Commission

The second tranche of the European Commission's Macro-Financial Assistance amounts to €40 million (€15 million grant and €25 million loan). It is conditioned by a positive evaluation by the European Commission, on behalf of the European Community, of progress made with respect to specific reform measures relating to public finance management, and power and social sectors' reforms. The availability of the funds as mentioned in the Memorandum of Understanding and the expiry date of the Grant Agreement were extended until December 21, 2010 according to a decision by the European Commission on December 18, 2009.

France

On December 18, 2009 the Ministry of Finance and the Agence Française de Développement signed an amendment to the Paris III Loan agreement for €375 million. The amendment extends the deadline for disbursement of the two remaining tranches (€225 million) by one year until November 30, 2010.

2. Project Financing

Signed project support agreements increased by 32 percent in 2009 to reach \$1,382 million compared to \$1,047 million at December 31, 2008. The increased commitments in 2009 were made by the World Bank, European Investment Bank (EIB), European Commission, and Germany. Disbursements for project financing increased, from a low base, nearly two folds in 2009 to \$265 million from \$97 million as reported at end December 2008.

Notwithstanding these increases, total project finance commitments as a percentage of pledges made at Paris III conference stood at a low rate of 40 percent, while disbursements reached only 19 percent of commitments, three years after the conference. Project financing is lagging in terms of signings and disbursements due to slow ratification by Parliament and slow decision-making causing the donors' available funds to remain unutilized, thereby affecting both development and reforms - Saudi Arabia (\$1 billion in unsigned pledges), European Investment Bank (\$176 million unsigned), World Bank (\$330 million unsigned), Arab Fund for Economic and Social Development (\$308 unsigned), European Commission (\$141 million unsigned), and Italy (\$98 million unsigned).

Table 5. Updated Summary of Project Financing (US\$ million)

Donor	Grant Project Finance	Loan Project Finance	Signed	Received
European Investment Bank	20	520	364	66
Saudi Arabia		1,000		0
World Bank		400	70	0
Arab Fund for Economic & Social Development		665	357	0.3
European Commission	358		217	76
Islamic Development Bank	2	245	247	0
Italy	26	98	26	26
Germany	113	21	95	95*
Spain	5		0	0
Belgium	4		4	0.1
Norway	1		1	1
Denmark	1		1	0
Total	530	2,949	1,382	265

Source: MOF, CDR and Presidency of the Council of Ministers collected data by December 31, 2009

* Most projects financed by Germany are managed and implemented by KfW and/or GTZ and therefore limited information on disbursements is available

UPDATED RESULTS OF THE CONFERENCE

World Bank

The World Bank Board of Directors approved the extension of the Urban Transport Development Project on January 22, 2009 and they signed with CDR a \$70 million additional financing loan on January 30, 2009. This loan agreement is pending ratification by Parliament.

Arab Fund for Economic and Social Development

On February 4, 2009 the Arab Fund for Economic and Social Development and CDR signed a KWD 6 million loan for the construction of the Syr el-Dannieh - Jubal el-Humr - and Hermel road and for the rehabilitation of part of a road in the Hermel area. On February 6, 2009 the Council of Ministers submitted the loan agreement to Parliament for ratification.

European Investment Bank

The European Investment Bank and CDR signed on April 3, 2009 a loan agreement for a waste water management project of €70 million. The agreement is pending ratification by Parliament.

Islamic Development Bank

On April 14, 2009, the Islamic Development Bank and CDR signed a \$15.5 million loan agreement for a project for the Mkalles intersection and it signed on December 12, 2009 a \$52 million loan agreement for a project for Akkar's water and wastewater.

European Commission

The European Commission and CDR signed two agreements in December 2009 for a project for the reinforcement of private sector competitiveness for €14 million and for a project for the justice system for €10 million.

Germany

Germany reported the signing of the following agreements with CDR in 2009:

- Technical cooperation agreement for the protection of the Jeita spring, €1.2 million
- financial cooperation loan for the protection of the Jeita spring to be implemented by KfW, €6 million
- financial cooperation loan for the protection of the Jeita spring to be implemented by KfW, €7 million
- for the "Promotion of Vocational Education and Small and Medium Enterprise Development" project to be implemented by GTZ, €5 million

3. Contributions In-Kind

Commitments for contributions in-kind totaled \$328 million at end December 2009, of which 93 percent were fulfilled.

Table 6. In-Kind Contributions (US\$ million)			
Country	In-kind	Signed	Fulfilled
United States	286	286	286
Egypt	44	15	15
Turkey	20	20	0
Greece	5	1,3	1,3
China	4	4	0
South Korea	1	0	0
Brazil	1	1	1
Malaysia	1	1	1
Total	362	328	304

Source: MOF, CDR collected data by December 31, 2009

B. SUPPORT TO THE PRIVATE SECTOR

Signed agreements for private sector support increased to \$1,536 million at the end of 2009 compared to \$1,463 pledged. This result was achieved as several donors (United States, Arab Monetary Fund and the World Bank Group) provided additional loans beyond their Paris III pledges, in response to increased demand from the private sector. The loans provide banks with resources for on-lending to the commercial, industrial, health, tourism, agriculture and construction private sectors. Disbursements increased by almost 31 percent to reach \$1,029 million at the end of 2009 compared to \$785 at end December 2008. This increase is attributed to disbursements by European Investment Bank, United States, France and Belgium.

Table 7. Summary of Private Sector Support (US\$, million)			
Donor	Pledged	Signed	Disbursed
European Investment Bank	709	597	314
World Bank Group	275	305	250
United States	120	260	260
Arab Fund for Economic & Social Development	85	85	0
France	163	111	111
Arab Monetary Fund	100	165	82
Belgium	12	12	12
Total	1,463	1,536	1,029

Source: MOF and CDR, collected data by December 31, 2009

* Signed amounts include additional support allocated post-Paris III Conference

UPDATED RESULTS OF THE CONFERENCE

Developments registered in the second and third quarters of 2009 include the following:

European Investment Bank

The European Investment Bank disbursements for private sector support totaled \$314 million end 2009, stemming from commitments with several banks including €60 million through Bank Audi, €25 million through BankMed and €40 million through Fransabank., compared to \$173 million end 2008.

Belgium

In July 2009, the Office National du Ducroire put in place an export credit guarantee facility for Lebanon for €12 million.

United States

On August 12, 2009, the Overseas Private Investment Corporation and Byblos Bank signed a \$40 million, 15-year term loan facility under a risk-sharing agreement with Citibank, to support small and medium-sized enterprises, individual mortgages and consumer finance programs in Lebanon.

France

In December 2009, the Beirut Stock Exchange and Société Arche Informatique, a French company, signed a Memorandum of Understanding for the undertaking of a study on the modernization of the stock exchange, for an amount of €323,148. This project is financed by the French Ministry of Economy, Industry and Employment.

C. SUPPORT THROUGH THE UNITED NATIONS

Signed agreements for support channeled through the UN amounted to \$338 million compared to \$334 million pledged. Most of the support through the United Nations is disbursed.

Canada

Canada signed several agreements during 2009, including with UNRWA for a Response to Nahr el-Bared Appeal for CAD 7.6 million; the World Bank for a Socio-economic Impact Assessment and Recovery Plan for CAD 200,000; UNDP for Capacity Building of the Lebanese-Palestinian Dialogue Committee for CAD 1.3 million; the World Bank and the Lebanese Ministry of Social Affairs for a National Poverty Targeting program for CAD 2 million; and, UNDP and the Ministry of Interior for a project to strengthen the electoral process for CAD 700,000.

Italy

Italy signed several agreements, including with UNRWA for the reconstruction of Nahr El Bared Camp project for €1 million; the International Organization for Migration on psycho-social integration for €0.3 million; ILO on child labor for €0.6 million; UNDP for NBC phase II for €1.2 million; UNICEF for the adopt a village program for €1.2 million; UNIDO for business development and investment promotion for €0.3 million; the International Development Law Organization (IDLO) for the reconstruction of NBC for €0.5 million; ETF for entrepreneurial learning for €0.1 million and national vocational qualification in Lebanon for €0.1 million; as well as UN-Habitat for €0.5 million.

Spain

Spain signed two agreements in 2009 with UNDP for an elections' project which extends beyond the 2009 elections for \$1 million and with UNRWA for support to Palestinian refugees for €2 million.

Table 8. Updated Summary of Support Through UN (US\$ million)		
Donor	Pledged	Signed
United States	185	185
European Commission	21	21
Italy	20	21
Spain	37	41
United Kingdom	35	35
Belgium	6	6
Canada	13	11
Norway	3	3
Sweden	5	5
Australia	5	5
Denmark	2	2
Japan	2	2
Austria	1	1
Finland	1	0.6
Cyprus	0.2	0.2
Total	334	338

Source: MOF collected data by December 31, 2009

D. SUPPORT THROUGH CIVIL SOCIETY ORGANIZATIONS

At end December 2009, all support through civil society organizations was committed (\$111 million). The major donors to CSOs are the United States (\$50 million pledged), Italy (\$13 million pledged), Spain (\$11 million pledged) and Norway (\$11 million pledged). The amount of pledges increased from \$99 million to \$104 million due to the reclassification of the pledge of the Canadian government. The initial pledge by Canada was a total of \$17 million, which included \$13 million for UN agencies and \$4 million as a grant to the government for project finance. However and subsequently, the government of Canada decided to allocate the latter to civil society organizations instead of project financing.



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