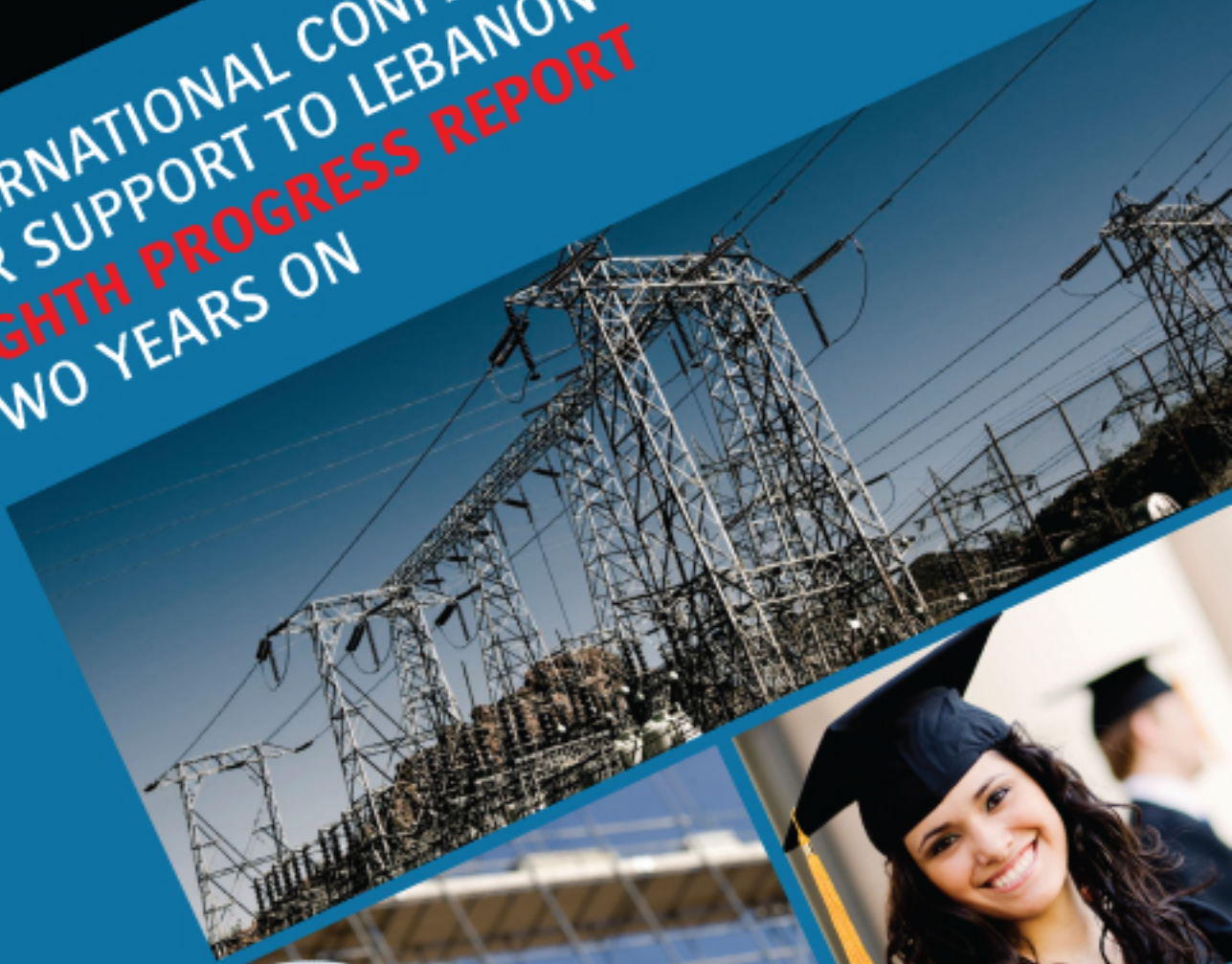


INTERNATIONAL CONFERENCE
FOR SUPPORT TO LEBANON-PARIS III
EIGHTH PROGRESS REPORT
TWO YEARS ON



8



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

INTERNATIONAL CONFERENCE
FOR SUPPORT TO LEBANON-PARIS III

EIGHTH PROGRESS REPORT



31 DECEMBER 2008



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The International Conference for Support to Lebanon - Eighth Progress Report provides an update on the implementation of the government's economic and social reform program during the second year of its implementation with a focus on the fourth quarter.

The year 2008 witnessed the unfolding of a number of events, mainly the May 2008 political crisis, followed by the Doha Accord of May 21, 2008 and the appointment, on July 11, 2008, of a unity government which was voted into power on August 12, 2008. Despite the political situation and the global financial crisis, the economy registered strong growth. Overall, the economy is estimated to have registered an annual growth of 8 percent in 2008.

The various natural owners of the reform program were able to achieve significant progress in 2008 despite some challenges. The difficulties included the long pipeline of key laws and amendments awaiting parliamentary approval, limited funding for both technical assistance and reform implementation, in addition to a lack of political consensus on some programs. Concurrently, progress was achieved in continuing the mobilization of the Paris III pledges. In addition, Lebanon successfully concluded the first Emergency Post-Conflict Agreement (EPCA) with the International Monetary Fund, and in November 2008 entered into second EPCA. The EPCA provides Lebanon with external technical and financial assistance as well as a monitoring mechanism of public finance and reforms for donors.

INSTITUTIONAL STRUCTURE FOR REFORM IMPLEMENTATION

The Government's Reform Program Coordination Office (GR PCO) at the Presidency of the Council of Ministers in close collaboration with the Monitoring and Support (M&S) Units at the various ministries, continued to provide leadership, coordination, and coherence to the implementation and monitoring of the reform initiatives

A matrix management structure was established within the GR PCO. The structure consists, on one hand, of sector coordination units that cover the three Social, Economic and Infrastructure & Privatization Clusters and, on the other, horizontal support units that provide support in areas related to reform implementation, legal support and communications. Sector dialogue on reform implementation and the rationalization of public expenditures were strengthened through coordination among GR PCO, the Ministry of Finance and the Council for Development and Reconstruction.

PROGRESS ACHIEVED DURING THE YEAR

Social Cluster: Key achievements were registered in 2008 in the social cluster. The Ministry of Social Affairs launched the pilot targeting program and the Ministry of Education and Higher Education made steady progress in consolidation of its "Policy, Planning, Monitoring and Information Management Unit" with the implementation of the Education Management Information System, and the School Information System. In addition, a program to train teachers added to the improvements in the teaching workforce efficiency and effectiveness. The National Social Security Fund automated 29 branches.

Economic Cluster: Several steps were implemented to improve the fiscal and business environment. The Ministry of Finance issued the 2009 budget circular with a medium-term expenditure framework, a global expenditure ceiling and ceilings for line ministries. The Tax Procedure Code and the Debt Management Law were ratified. In addition, progress was achieved on the system for electronic filing and payment. Trade facilitation measures were pursued with the implementation of the remote manifest registration and the initial "Asycuda World" application. The Ministry of Economy and Trade was successful in putting in place measures to streamline business registration and to increase awareness on intellectual property.

Infrastructure and Privatization Cluster: A number of achievements were registered in the power sector, despite delays, especially in the strengthening the sector policy-making capacity. The electricity generation master plan is in its final draft and the feasibility study for increasing hydro-electric production was completed. Also, efforts to improve EDL operational efficiency are underway. The audit of the 2003 EDL financial statements was completed. In the telecom sector, significant work was completed in the liberalization of the broadband market, and a draft broadband policy was submitted by the Telecom Regulatory Authority (TRA) to the Minister of Telecommunications. The Council of Development and Reconstruction took a number of steps to strengthen its implementation capacity, and will start reinforcing its human resource base by the start of 2009.

UPDATE ON PARIS III PLEDGES

By end 2008, 71 percent (\$5,384 million) of the Paris III pledges were signed into agreements, of which 58 percent (\$3,122) were received by the private and public sectors. Main progress was achieved in the categories of budget support and private sector support. Budget support agreements exceeded budget support pledges made at Paris III; disbursements reached 70 percent of commitments. The remaining disbursements will be released in 2009, subject to implementation of agreed reform initiatives. Private sector support agreements reached 98 percent of pledges and disbursements were estimated at 55 percent of commitments. Pledges for project support (\$3,491 million) progressed at slower rate due to the long pipeline of projects at the Council for Development and Reconstruction and the time lag resulting from preparation, signature and then ratification by Parliament of any loan agreement covering project financing.

GOING FORWARD

In 2009, the focus will be on the ratification by Parliament of project loans and accumulated draft laws that are essential to the success of the Government's reform agenda. Government priorities for reform action will concentrate on debt and financial management, privatization of utilities and services, social protection and the broader issues of social development.

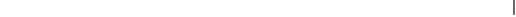
Social Cluster: The Ministry of Social Affairs will continue with the piloting of the proxy-means testing and will further coordinate with the Ministry of Health to eliminate duplication in service delivery. The Ministry of Education will attempt to mobilize donor funding to initiate the following programs: (i) universal education for ages 6-15, (ii) enhancing the quality of basic education, and (iii) vocational training.

Economic Cluster: The Ministry of Finance is expected to launch the e-filing of taxes by the end of 2009. Both the Ministry of Economy and Trade and Office of the Minister of State for Administrative Reform will focus on: (i) the submission to Parliament of all draft laws (11) pertaining to the business and regulatory environment and the draft law for a one-stop-shop business registration at "Liban Post"; (ii) mobilizing funds to improve governance within the public sector and to implement "e-government" and anti-corruption initiatives.

Infrastructure and Privatization Cluster: In the telecommunications sector, focus will be on: (i) preparing for the mobile privatization transaction; (ii) launching the broadband licensing (expected to take place during Q1 2009); and, (iii) finalizing the telecommunications regulatory framework in areas related to accounting separation, infrastructure sharing, unbundling local loop, etc. In the energy sector, government action will focus on strengthening the policy making capacity at the Ministry of Energy and Water and setting a comprehensive reform strategy for the power sector. The Council for Development and Reconstruction is expected to further strengthen its implementation capacity through the recruitment of new staff in 2009.

Resource Mobilization: The Ministry of Finance, in close collaboration with the GR-PCO and CDR, will continue to work with the donor community on resource mobilization in 2009. For budget support, the focus will be on fulfilling the reforms required to release the disbursements of signed agreements. For project support, the focus will be on i) reaching agreement on new loans within the priorities of Lebanon in - particular the water and power sectors, ii) expediting the implementation of the signed and ratified loans, and iii) ensuring the ratification of existing loans.

Technical assistance requirements in 2009: The effective implementation of the reform program in some ministries and agencies hinges on the availability of the appropriate technical assistance and capacity building funding. For the Economic Cluster, the total technical assistance needs for 2009 amount to USD 5.6 million, the bulk is attributed to the training needs and capacity building at the Ministry of Economy and Trade. For the Social Cluster, total technical assistance needs for 2009 amount to USD 1.1 million, the bulk needed to implement the school drop-out program (Ministry of Education and Higher Education). For the Infrastructure Cluster, total technical assistance needs for 2009 amount to USD 1.4 million to meet the needs of the Telecom Regulatory Authority. In total, technical assistance requirements for 2009 amount to approximately USD 8.1 million.



IMPLEMENTATION OF THE REFORM PROGRAM

IMPLEMENTATION OF THE REFORM PROGRAM

1. SOCIAL REFORM PROGRAM

The year under review was marked by important progress under the social cluster of the Paris III reform program. By the end 2008, more than half of the initiatives had been launched focusing on implementing the pilot project for social targeting, the reform of the labor regulatory framework and the modernization of the pension system. The social program includes 101 initiatives and represents 37% of the total. This program is implemented by five natural owners: The Ministry of Social Affairs, the Ministry of Education and Higher Education, the Ministry of Labor, the Ministry of Health and the National Social Security Fund.

The main objectives of the program are to: (i) alleviate poverty and improve the quality of education and health indicators; (ii) improve the efficiency of public social spending and keep it at an appropriate and sustainable level; and, (iii) reduce regional disparities in development indicators through a proper distribution of investment and other resources and encourage investment and other job-creating activities in the more deprived area.

The Ministry of Social Affairs initiated a number of actions in 2008 with regard to improving program implementation at MoSA in addition to preparing new procedures and guidelines for the implementation of local initiatives and developing detailed criteria and standards for the contracting of welfare institutions. In addition, the Ministry has been able to secure grant financing for both the piloting and the national roll-out of the proxy means testing aimed at ensuring the proper targeting of its social safety net.

The Ministry of Education and Higher Education was successful in establishing its "Planning, Monitoring and Information Management Unit" and in implementing most of its management information system activities. Good progress was achieved with regards to improving the quality of education. This was done through the revision of school curricula, the modernization of the exam generation system and the improvement of the competence level of the teaching workforce and school principals. With technical assistance from donors, the Ministry completed the development of a Performance Based Budget Framework for 2009-2011 which will be presented for the Council of Ministers' consideration. Finally, due mostly to lack of funding, initiatives dealing with vocational and higher education as well as early retirement for teachers have stalled.

Ministry of Social Affairs (MOSA)

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

The Ministry of Social Affairs was able to push forward a series of initiatives:

1. Restructure the Ministry of Social Affairs

- A benchmarking analysis on the experiences of other countries in developing mandates and restructuring government organizations with functions similar to the Ministry of Social Affairs was developed.
- New procedures and guidelines for the implementation of local development initiatives were prepared.
- Criteria and standards for welfare institutions wishing to be contracted by MoSA were developed.

2. Enhance Management of the Social Sector

- The bidding process for selecting a consulting firm to develop the social strategy was initiated this year. Proposals were received and a selection committee was formed to finalize the technical evaluation.
- Duplicated/overlapping services and programs between the ministries of Social Affairs, Public Health and Education were identified. Discussions to suggest a reduction in duplication have however been on hold pending guidelines from the new ministers.
- An exhaustive mapping of Local Development Projects implemented by public institutions between 2002 and 2007 was prepared with support from the ART GOLD project (UNDP - CDR). The mapping provides information on distribution of projects by geographic area, sector, implementing agency, etc. Based on the mapping, a database of local development initiatives has been also developed. Both mapping and database are currently under final revision to be published soon.

3. Develop Targeting Mechanism for Implementation of Social Safety Nets

In 2008, the Proxy Means Testing (the targeting mechanism) witnessed great progress:

- The formula, questionnaire and operational manual needed for the implementation of targeting was fully developed.
- Development of software and equipping of headquarters for processing of applications was initiated and in progress.
- Social workers were trained on application processing.
- The pilot to test the targeting process was launched in three regions Aine el-Remmanhe, Chiah, and Tarik el-Jdeede, whereby the three Social Development Centers in these regions started receiving applications from interested households. In addition, the needed resources for the targeting were fully mobilized (Ongoing).

4. Implement Prioritized Safety Net Programs / Expand Proximity Services to the Holders of the Disability Card

Delivered more than 18,000 proximity services for around 6,000 beneficiaries which represent around 90% of the allocated budget (Ongoing).

Key issues in Implementation

The pace of reform implementation at MOSA is proving to be slow. This is attributed to severe budget limitations and weak capacity to implement complex reform processes at the Ministry.

SUMMARY

Total number of Paris III programs = 4

Total number of Paris III initiatives = 19

Number of initiatives completed in 2008 = 3 (16%)

Number of initiatives not started = 7 (37%) It should be noted that initiatives that fall under program four are dependent on the results of the targeting (program three) which is in progress

TECHNICAL ASSISTANCE REQUIREMENTS				
Programs / Initiatives	Technical Assistance Requirements	Estimated Cost (USD)	Initiated Talks to get funding?	Date Funding Needed
Restructure the Ministry of Social Affairs				
Restructuring of MoSA	Training of MoSA staff on new procedures and criteria	50,000	No	May/June 2009
Enhance Management of the Social Sector				
Elaborate a framework of development needs and priorities in all regions	1-2 Consultants with extensive knowledge of major studies and research on living conditions of the population and development profiles of Lebanese regions	25,000	No	March/August 2009

Total Technical Assistance Requirements for 2009 = USD 75,000

ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Restructure the Ministry of Social Affairs			
Review mandate and programs of the Ministry of Social Affairs	Formulate law proposal for restructuring the Ministry of Social Affairs	Started	March 2009
	Endorse new procedures for implementing local development initiatives	Started	April 2009
	Endorse new procedures for contracting NGOs	Started	April 2009
	Endorse new criteria for Welfare Institutions	Started	April 2009
	Reactivate the activities of the Artisan House of MoSA	Started	June 2009
Develop new organizational structure for the Ministry of Social Affairs	Revisit structures of departments and parallel programs	Started	April 2009
	Propose new organization structure	May 2009	Sept 2009
	Endorse new organizational structure by CM and enact by Parliament	Sept 2009	Dec 2009

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IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Enhance Management of the Social Sector			
Elaboration of Social Strategy	Selection of candidate/ consulting firm and sign of contract	Started	March 2009
	Elaboration of strategy and consensus building	April 2009	August 2009
Eliminating duplication in delivery of social services and programs	Finalize action plan between Ministries of Education, Public Health and Social Affairs to eliminate/reduce duplicated programs and services	Started	February 2009
	Implement action plan	March 2009	December 2009
Increase efficiency and coordination in the implementation of local development initiatives	Finalize database based on comments and feedback of stakeholders	Started	February 2009
	Elaborate a framework of development needs and priorities in all regions	March 2009	August 2009
	Establish an on-going coordination mechanism for local development	March 2009	May 2009
Develop new targeting mechanism (Proxy Means Testing)			
Proxy Means Testing	Completion of Pilot phase in three regions	Started	April 2009
	Evaluate pilot	May 2009	June 2009
	Software development and equipping of centers	March 2009	May 2009
	Train social inspectors	March 2009	March 2009
	Initiate national roll out of targeting	July 2009	February 2010
Implement prioritized safety nets programs			
Expand coverage of services offered to the disabled	Complete delivery of proximity services	Started	February 2009
Provide cash assistance to poorest households	Provide cash assistance	October 2009	October 2010

Ministry of Education and Higher Education (MEHE)

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

The Ministry of Education and Higher Education (MEHE) has registered significant achievements in the implementation of its five programs:

1. Consolidating Policy, Planning and Resource Allocation

- An organizational audit of the ministry was completed resulting in a new organizational structure and corresponding functions. These were approved by the different directorates at the ministry.
- Internal capacity is being strengthened through the pilot training unit and the launching of the "Sector Wide Approach (SWAp)". Capacity development and training of different categories of MEHE staff (around 100 high & middle level employees) has already been completed. A 16-person pilot unit that will ensure continuous training for MEHE employees has been established.
- The Medium-Term Expenditure Framework/ Performance-Based shadow budget to be submitted with the classical budget was refined. The proposed program structure for the extended budget accompanied by budget submission forms and templates were completed. MEHE has also prepared the draft of a Program Based Budget for the period 2009-2011 with collaboration of the Ministry of Finance. MEHE is creating awareness, by holding workshops for stakeholders within and outside the ministry.
- The implementation of information systems at the Ministry is in its final stages. The feasibility study for establishing a National Education Network was finalized. MEHE delivered 2 PCs per school, printers and related equipment to 1, 388 schools by December 2008. As for the development of the GIS for school mapping, discussions are currently ongoing with the Ministry of Defense to provide the baseline digital maps upon which the school mapping data can be overlaid.

2. Achieve Universal Basic Education (UBE) for ages 6 to 15

- Donations from the Kingdom of Saudi Arabia and the UAE eliminated registration fees for third cycle (Grades 7-9) and provided free text books to public schools over the last 2 years.
- 50 fresh graduates are being trained as teachers and will participate in a pilot (2009-2010) as a form of community service. This activity is conducted by the NGO "Teach for Lebanon".

3. Improve efficiency, effectiveness and competence level of the teaching workforce

- MEHE successfully completed the Leadership Development Program. Trainers and trainees' guides, training modules, and practicum projects were completed and 420 school projects were implemented. The program is in the process of being institutionalized at the faculty of education of the Lebanese university. In addition, a comprehensive user-friendly website for MEHE was launched in June 08 and funded by Microsoft.
- MEHE launched the Evaluation Tools for Teachers Instructors Continuous Development Program with accompanying systems and software. 70 users are currently being trained including inspectors, employees of the general directorate and ECRD employees. 24 candidates are also being trained by NGOs to provide support to students with special needs.

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IMPLEMENTATION OF THE REFORM PROGRAM

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

4. Enhance Quality of Education

- New curricula for pre-school and cycle 1 classes were developed.
- The quality and content of student textbooks and teachers guides were upgraded for preschool level and cycle 1, and are ongoing for other cycles.
- The participation in the International Tests TIMSS and PASEC is on-going for the purpose of assessing Lebanon's education sector and improving it.
- Criteria for selecting poor areas that will have access to public preschool education are being updated and the cost estimation study is on-going.
- The system to generate exams (EGS) was completed and training of 46 subject leaders and end-users has been affected. In 2008, The Question Bank was used to extract tests for 10 subjects in Baccalaureate level. Training of 270 question writers in public and private schools was performed. Measures have been taken to create a systematic mechanism to enrich periodically the contents of the QBS with new and up-to-date questions. The development of the Examination Management System (EMS) is still ongoing. The education and citizenship observatory was completed as part of the MEHE effort to promote citizenship through Education.

5. Enhance the Utilization of Educational Facilities

- Regarding the upgrade of the physical requirements of schools, the technical specifications of the equipment of 11 new GE schools were finalized. As for the science laboratories equipment and miscellaneous, the evaluation process is being finalized. Finally regarding the ICT infrastructure: 363 schools were equipped with computer laboratories for students and 466 teachers received training on Basic IT Equipment Maintenance.
- MEHE consolidated 38 unviable schools within the final quarter of the year 2008.

Key issues in Implementation

- The framework of the national education strategy is to be validated by the Council of Ministers in February 2009.
- Lack of funding to launch the "Drop-out prevention program". Nonetheless, negotiations are being held with the EU to fund the program.

SUMMARY

Total number of Paris III programs = 5

Total number of Paris III initiatives = 21

Number of initiatives completed in 2008 = 17 (81%)

Number of initiatives not started = 4 (19%)

COMPLEMENTARY INITIATIVES TO PARIS III PROGRAM ADDED IN 2008

New Initiatives	Objective of Initiatives	Start Date	Expected End Date
Promoting Sustainable Development: (Campaign launched to introduce subject in schools and kits developed targeting protection of the environment, health citizenship and human rights)	To develop the students' education through the acquisition of practical skills. Thus re-ensuring that students are the main focus of the learning process	September 2008	Ongoing
Promoting Community Service through education: (Training sessions for teachers and introduction of subject in schools)	To enhance the quality of education	September 2008	Ongoing
Promoting Citizenship through Education	To enhance the quality of education	January 2009	Ongoing
Automation of the Department of equivalences	To improve efficiency of service	January 2009	June 2009
Automation of the private school Department	To improve efficiency of services	January 2009	June 2009

TECHNICAL ASSISTANCE REQUIREMENTS

Programs / Initiatives	Technical Assistance Requirements	Estimated Cost (USD)	Initiated Talks to get funding?	Date Funding Needed
Developing Institutional Capacity at the MEHE	International TA for: <ul style="list-style-type: none"> • SWAp preparation • Development of operational procedures • Performance- based budgeting • School-Based Management Local TA for Analysis of learning assessment study		Already funded by the Education Development Project (EDP)/ World Bank loan	
Introduce" Drop- out Prevention Program"	International TA: 3 experts recruited and are preparing for the launch of the program	1 Million	Negotiations are being held with the EU to fund the program	February 2009

Total Technical Assistance Requirements for 2009 = USD 1 Million

IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Consolidating Policy, Planning and Resource Allocation			
Develop capacity at MEHE to assist in the monitoring and evaluation of the National Education Strategy and Sector Reform Initiatives	<ul style="list-style-type: none"> Prepare a summary framework of the sector strategy and present it to the Council of Ministers Distribute brochures on the national education strategy 	October 2008	April 2009
	Launch media campaign outlining education sector directions and priorities	October 2008	April 2009
	Launch the preparation of the education sector SWAp	October 2008	April 2009
	Collaborate with the World Bank to develop a SWAp approach to sector development to guide future planning and provide a framework for donors interventions	October 2008	April 2009
Implement EMIS in MEHE, and SIS at schools	Provide a full implementation of EMIS and set it up to be operational for the year	January 2009	November 2009
	Launch bid for the provision of the data entry and the migration services (bidding documents already prepared)	February 2009	May 2009

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ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Consolidating Policy, Planning and Resource Allocation			
Develop and disseminate model performance based budget for 2008-2009	Upon CoM initiation of the supporting law, adopt the budget as a shadow budget to the current line item approach until full adoption of Program Based Budgeting by MoF in 2011	February 2009	
	Review organizational development study with respect to budgeting and financial management and ensure that policies and procedures related to Program Based Budgeting are aligned with the MoF	March 2009	December 2009
Develop a new MEHE organization structure	Provide monitoring support on some service basis to promote the automation of the ministry and the private education department	March 2009	December 2009
	Develop capability of archiving and processing (private education, school department rentals, exams archive)	March 2009	December 2009
Achieve Universal Basic Education (UBE) for ages 6 to 15			
Ensure equitable school access for all students and enact compulsory education at age 15	Ensure the approval of the applicable laws that will help raise the compulsory education age to 15	January 2009	December 2009

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IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Improve Efficiency, Effectiveness And Competence Level of the Teaching Workforce			
Continue implementation of Leadership Development Program for school principals and institutionalize the program within MEHE and LU	Provide mentorship support to the MEHE Master Trainers	January 2009	December 2009
	Develop a web based portal to support rounds of program delivery	January 2009	December 2009
	Develop a self study module relating to school based management	January 2009	December 2009
	Develop a self study module relating to program based budgeting and performance management	January 2009	December 2009
	Develop documentation to ensure that school development plans are in line with Education Sector Strategy priorities	January 2009	December 2009
Enhance the professional competence of the teaching workforce	Revise and adjust indicators as needed, and assess all types of training	March 2009	June 2009
Enhance Quality of Education			
Monitor Quality of Education (Assessment of Academic Achievement)	Continue the implementation of the Exam Generation System and provide technical and administrative needs	February 2009	December 2009
	Review the Question Bank System content and ensure its continuous implementation	February 2009	December 2009
	Continue the implementation of the Examination Management System	February 2009	December 2009
	Assess outcomes of national examination and international assessments (TIMSS), and determine the priorities to improve education	February 2009	December 2009

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ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Enhance Quality of Education			
Expand access to public preschool education in poor areas	Select and identify the regions in which preschools will be newly opened	June 2009	September 2009
Introduce "Drop-out Prevention Program"	Initiate the program when negotiations with the EU to fund the program are established	December 2009	
Enhance the Utilization of Educational Facilities			
Upgrade the physical requirements of schools	Ensure contracting of EMIS computer by launching a request for quotation in December 2008	February 2009	April 2009

IMPLEMENTATION OF THE REFORM PROGRAM

National Social Security Fund (NSSF)

I. IMPLEMENTATION OF THE PARIS III REFORM PROGRAM - ANNUAL PROGRESS

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

The NSSF was able to push forward a series of initiatives during 2008:

1. Strengthen the Governance and Administration of the NSSF

- The first Phase of the Administrative and IT Master Plan was completed.
- All branches of the NSSF started the automated work (i.e. inquiries, liquidation, issuance of checks, issuance of statements and prior approvals, the contributions of organizations and the contributions of special categories), and almost all are linked to the Main Branch of the NSSF. Three remain in the phase of entering data and training staff.
- A consultant for the IT department was contracted and the process for implementation has been launched.

2. Auditing the NSSF accounts

- The audit of the 2001 and 2002 accounts was completed and audit of 2003 until 2005 was initiated. An international firm "Grant Thornton" was contracted.
- A provision was introduced in the budget proposal 2009 that details the terms of installing government dues to NSSF.

3. Improve the capacity of the NSSF to collect contribution

- The NSSF is in the process of recruiting additional controllers, and training them on utilizing the program.

4. Ensuring the Financial Stability of the NSSF

- The Consultation and Research Institute (CRI) submitted a completed study, under the guidance of the World Bank team on the health insurance branch to the NSSF, and to the Board of directors for approval.
- An Actuarial Study for the end of Service indemnity leave will be presented within two month by Mhanna and Co Actuarial Services.

ACTION PLAN FOR 2009

Programs/Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Strengthen the Governance and Administration of the NSSF			
Implement Phase 1 of the Master Plan	Finalize automation of the last 3 branches		03/08/2009
Auditing the NSSF accounts			
Perform 2001 and 2005 audits			August 2009

II. ECONOMIC AND FISCAL REFORM PROGRAM

Ministry of Finance (MOF)

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

The Ministry of Finance succeeded in registering significant progress in the implementation of almost all its eight programs:

1. Rationalize Expenditures

A provision was introduced in the 209 Budget proposal to eliminate some of the allowances to parliamentarians (Article 62).

2. Enhance Revenues

- Revenue collection was enhanced from public enterprises, namely "Casino du Liban" with the settlement of a dispute of LL 83 billion.
- A comprehensive database on built properties was established and updated daily, enabling timely issuance of tax schedules and, therefore, reducing tax arrears.

3. Undertake Budget and Financial Management Reform

- 2009 Budget Circular was issued, including medium-term expenditure framework from which a global ceiling was set, and hard ceilings for line ministries.
- 2009 Budget proposal introduced a new legal provision eliminating carry-overs for part I of the budget to which there is no third-party liability.
- New staff were recruited to the Budget Directorate, and received training on public finance issues.
- A Cash Management Unit was created and cash projections were started.

4. Undertake Revenue Management and Administrative Reform Toward a Function-Based Structure

- Regional tax offices were reorganized along function-based operations with the follow-up collection function moved from Treasury to tax offices. The transactions to be processed in satellite offices and related procedures were also decided upon.
- The business processes and procedures of the Large Taxpayers' Office (LTO) were refined and the Standard Integrated Government Tax Administration System (SIGTAS) was modified to suit the new requirements.
- The comprehensive database of employees was finalized. Within Deduction at Source of Income Tax on Salaries (DASS) reform, operations were extended to the Mount Lebanon regional office.
- In the newly established Tax Roll Department, the Business Activity Code (BAC) chart was maintained in coordination with the National Statistics Department and necessary procedures and integrity measures to prevent further duplication were prepared.
- The Tax Procedure Code (TPC) that unifies and harmonizes the various tax procedures was ratified by Parliament and regulations to implement the law were developed.
- Systems and procedures for the electronic registration of taxpayers were finalized, training sessions were conducted for Tax Roll registration team, and the necessary equipment was installed.
- Systems and procedures for electronic filing (e-filing) and electronic payment (e-payment through commercial banks) were developed and staff was trained.
- New audit procedures were automated.

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IMPLEMENTATION OF THE REFORM PROGRAM

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

5. Strengthen Debt Management

- Debt management Law N°17 was ratified by Parliament.
- Debt statistics functions were strengthened and debt reporting and transparency improved, through the quarterly Debt and Debt Markets Report and the Quarterly Public Finance Report.
- An internal draft debt management strategy was formulated.

6. Reform Capital Markets

- The functioning of the Beirut Stock Exchange (BSE) was enhanced through increased hours of operation; the launch of a new BSE website; E-trading started through a brokerage firm, Arab Finance Corporation (AFC); and, a disaster recovery site implemented.

7. Improve the Business Environment

- The mandatory stamping of books was abolished.

8. Facilitate Trade

- Main customs applications were published on the internet.
- Manifests and declarations were automated in the ports of Tyre, Saida and Masnaa.
- A draft contract prepared on electronic payment for customs clearance.

Key issues in Implementation

- Reforms that required the approval of the Parliament were delayed as it did not convene for more than two years (normal functioning resumed in July 2008).
- Availability of grant funding for technical assistance, in timely and adequate manner, has delayed a number of operations, notwithstanding good progress with respect to the preparation of several funding requests. A grant was negotiated with the World Bank to establish a project for budget preparation and execution reform, debt management, and support for macro-fiscal analysis and donor coordination (expected to become operational in the first quarter of 2009). Several projects to be supported by the EC are at different stages of preparation and approval, see below.

SUMMARY

Total number of Paris III programs = 8

Total number of Paris III initiatives = 76

Number of initiatives completed by 2008 = 13 (17 percent of total)

Number of initiatives not started = 25 (33 percent of total)

COMPLEMENTARY INITIATIVES TO PARIS III PROGRAM ADDED IN 2008

New Initiatives	Objective of Initiative	Start Date	Expected End Date
Call Center	To provide 24/7 services for all taxpayers	May 2007	On-going
Portal of the MOF	New user-friendly MOF website, including 24/7 services for all taxpayer inquiries	January 2008	Q1 2009
Extranet application	Fee-based remote querying of property information	March 2009	December 2010
Strengthen debt statistics function and reporting	To improve the back office function of the Debt Department	Beginning 2008	December 2009
Study the implementation of new debt instruments	To diversify debt products	Beginning 2008	December 2009
Notifying tax payers before the end of the year for tax controls	Clarify and facilitate the fiscal control procedures	Q 4 2007	May 2008
Give a minimum of 15 days for the tax payers to prepare their documents in case of tax control	Clarify and facilitate the fiscal control procedures	Q 4 2007	May 2008
Extend tax declaration and payment period in case of delays since July 2006	Clarify and facilitate the fiscal control procedures	Q1 2007	March 2008
Operating expenses that are subject to deduction from taxable income clearly identified	Clarify and facilitate the fiscal control procedures	Q 4 2007	May 2008
Lebanese offshore companies allowed to serve each other outside the Lebanese territory	Improve the business environment and encourage investment	Q 4 2007	May 2008
Define margins of acceptable interest rates on loans provided by a holding company to its subsidiaries	Clarify and facilitate the fiscal control procedures	Q 4 2007	May 2008
Define acceptable limits related to the deduction of commercial advertising from revenues subject to income tax	Clarify and facilitate the fiscal control procedures	Q 4 2007	May 2008
Limit the deductible management charges to maximum 2% of total turnover as management charges that a holding company can invoice to its subsidiary	Clarify and facilitate the fiscal control procedures	Q 4 2007	May 2008

IMPLEMENTATION OF THE REFORM PROGRAM

TECHNICAL ASSISTANCE REQUIREMENTS				
Programs / Initiatives	Technical Assistance Requirements	Estimated Cost (USD)	Initiated Talks to get funding?	Date Funding Needed
Undertake Revenue Management and Administrative Reform Toward a Function-Based Structure				
Streamlining indirect taxes and fees			No	2009
Merging VAT and Revenue Departments			No	2009
Restructuring: functions and job descriptions, taxpayers' segmentation			No	2009
General Income Tax (GIT): Preparing implementation according to international best practices			No	2009
Performance management and monitoring: Identification of KPIs by function, periodical reporting and monitoring; Risk analysis and compliance management			EC Project identification	Q3 2010
Risk analysis and compliance management		Euro 700,000-800,000	EC Project formulation	Q3-4 2009
Management Information System: design of relevant MIS for middle and senior management			No	2009
Strengthening Debt Management				
Prepare implementation decrees for the organization and recruitment of new Public Debt Directorate	External consultant (One work month)		World Bank (EFMIS-TA Project)	Q1 2009
Facilitate Trade				
Further improve Soclass programming at Customs	Soclass training	20,000	No	Q3 2009
Monitor and manage customs network	Cisco training	20,000	No	Q4 2009
Further improve of customs applications	ASYCUDA training	15,000	No	Q3 2009

Total Technical Assistance Requirements for 2009 = approximately USD 1.2 Million

ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Undertake Budget and Financial Management Reform			
Adopt a top-down approach to reform the budget preparation process	Prepare medium-term macro-fiscal framework for the preparation of the 2010 budget		February 2009
Link the budget preparation to a medium-term expenditure framework (MTEF)	Prepare budget circular with binding budget ceilings for individual line ministries to be approved by Council of Ministers		April 2009
Prepare MTEF in coordination with spending agencies	<ul style="list-style-type: none"> Disseminate budget reform among various stakeholders, including civil society, Parliament and public administration Assist the Institute of Finance in developing training curricula on modern budgeting techniques 	January 2009	December 2009
Prepare for introduction of performance budgeting	Continue work with the Ministry of Education to prepare results-oriented shadow budget in multi-year framework		April 2009
Improve cash management	Institutionalize Cash Management Unit; Upgrade the IT system; Restructure the treasury functions and Link debt to cash management		December 2009
Prepare the introduction of a Treasury Single Account (TSA)	Prepare legislation and decrees required for managing the TSA (awaiting enactment, as the draft law already in Parliament)	January 2009	December 2009
Build the capacity within the different directorates involved in the expenditure cycle	Develop curricula to meet the training needs associated with the reform plan (Institute of Finance)	January 2009	December 2009
Enhance Revenues			
Lift cap on domestic car gasoline prices			Within 2009
Increase tax on interest income from 5% to 7%			Projected as part of budget 2009
Abolish the Article 59 of VAT Law			Projected as part of budget 2009
2% flat rate on capital gain realized from an exceptional asset reevaluation			Projected as part of budget 2009

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IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Undertake Revenue Management and Administrative Reform Toward a Function-Based Structure			
Reorganize revenue administration along a function-based structure with strong headquarters	Finalize draft law		June 2009
	Define staffing requirements and job descriptions		September 2009
	Prepare a communication and lobbying campaign	July 2009	2010
	Law approval by the Parliament	October 2009	
Establish taxpayer services in satellite offices	Launch satellite offices gradually starting with the most important sub-regions in terms of fiscal coverage		June 2009
Expand Large Taxpayers' Office	Propose changes to the current decree		June 2009
(LTO) coverage to include other taxes and fees	Integrate the remaining tax types		September 2009
	Modify SIGTAS to suit the new requirements		September 2009
Establish a unit for medium taxpayers (MTO) and potentially develop a simplified scheme for the small taxpayers	Set the new organizational structure		June 2009
	Finalize the draft law		June 2009
	Define the staffing requirements and job descriptions		September 2009
	Law approval by Parliament	October 2009	
Finalize the development employees database	Extend the reformed operations to all regional offices		June 2009
Introduce the Tax Procedure Code (TPC) that unifies and harmonizes the various tax procedures	Regulations approval by the Council of State		March 2009
	Regulations approval by the Council of Ministers		March 2009
	Develop procedures and necessary automated functions		March 2009

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ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Update stamp fees law to increase fairness		April 2009	April 2009
Global Income Tax (GIT): Finalize the draft law and work in progress for the development of related regulations and procedures	Launch consultations with sectors' representatives		April 2009
	Submit law to Council of Ministers for approval	June 2009	
	Submit law to the Parliament for approval	November 2009	
	Develop regulations and tax policies		November 2009
	Develop forms and guides and business processes and procedure		September 2009
Introduce electronic registration of taxpayers	Launch communication campaign		March 2009
	Launch electronic registration process		March 2009
Launch electronic filing (e-filing) and electronic payment (e-payment through commercial banks)	Finalize the systems and procedures		March 2009
	Launch a communication campaign		March 2009
	Launch e-filing		March 2009
Rely on mail services to simplify taxpayers filing obligations	Finalize handling all Built Property Tax transactions through LibanPost		March 2009
	Launch new services through LibanPost		June 2009
Improve collections of receivables			December 2009
Implement Tax Procedure Code: Audit	Prepare executive regulations and procedures		January 2009
	Prepare and disseminate new audit manual		February 2009
Stamp tax	Simplify compliance and limit application to major revenue sources; extend declaration period	April 2009	April 2009
	Determine alternative and more efficient sources of revenue to stamp tax	April 2009	April 2009
	Eliminate stamp tax	April 2009	April 2009

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IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Reduce tax penalties for small irregularities		April 2009	April 2009
Simplify tax procedures and reduce number of separate taxes and fees		April 2009	April 2009
Harmonize tax treatment of SARL and SAs		April 2009	April 2009
Continue to strengthen, follow-up on complaint mechanism for VAT	Review laws and regulations	April 2009	April 2009
	Review organizational frame work (law, job descriptions)	April 2009	
Enhance revenue collection through improved communication with taxpayers and improved taxpayers' services			December 2009
Strengthening Debt Management			
Improve debt reporting and transparency and publish quarterly debt publications	Continue the specialized debt report publications; Improve content; Increase frequency	Ongoing April 2009, if additional capacity available	December 2009
Formalize and enhance coordination between MoF and BDL by creating a "Higher Council for Debt Management"	. Draft proposal, including TOR . Review and discuss proposal . Establish Higher Council for Debt Management	April 2009	December 2009
Draft implementation decrees for the organization and recruitment of newly created modern Public Debt Department	. Appoint consultant . Circulation of implementation decrees . Submission of draft implementation decrees to Council of Ministers	January 2009	Q2 2009
Enhance the medium-term debt strategy model to improve cost and risk analysis	Upgrade the current model	Q3 2008	Ongoing
Strengthen debt statistics function and reporting	Standardization of the debt data reporting; Review the overall process	Q3 2008	Ongoing
Develop a formal debt management strategy for 2009-2010	Circulate a draft version of the document; Get approval; Publish	Q4 2008	December 2009
Study the implementation of new debt instruments	. Develop secondary market liquidity in Lebanese liras by introducing longer maturity instruments . Explore new debt instruments and study their implementation	2005 Q3 2009	December 2009 Q3 2010

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ACTION PLAN FOR 2009			
Programs / Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Reform Capital Markets			
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.			
Facilitate Trade			
Facilitate imports/automate operations in customs offices/lower import costs	Automation of the declarations in Abboudieh, Arida, and Kaa border office		April 2009
	Automation of the manifests/declarations in the port of Tripoli and Rafic Hariri International Airport		September 2009
	Automation of the declarations in the port of Beirut		January 2010
Electronic Payment: Ability to pay 24/7 any declaration via the internet and through the customs application	Finalizing the draft electronic payment contract		March 2009
	Negotiation with the Lebanese Banks Association		June 2009
	Administrative memorandum issued by the Ministry of Finance		June 2009
	Some developments to suit the new customs service		June 2009
Paperless electronic government: Removal of all the attached papers to the customs declarations	Cars data interchange with the Interpol & Registration Directorate		May 2009
	Quittance issued from the National Social Security Fund		December 2009
	Permits and visas issued from Ministry of Industry	February 2009	July 2009
	Permits and visas issued from Ministry of Health	June 2009	October 2009
	Permits and visas issued from Ministry of Economy and Trade	September 2009	December 2009
	Permits and visas issued from Ministry of Agriculture	November 2009	February 2010

IMPLEMENTATION OF THE REFORM PROGRAM

Ministry of Economy and Trade (MoET)

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

The MoET's efforts to promote growth-enhancing structural reforms proceeded with notable progress in most of its four programs. Lack of advancement in some areas was mostly attributed to the delay in the enactment of important legislation. Key achievements during the reporting January-December 2008 reporting period included:

1. Encourage Investment

- Streamlining of business registration with a reduction of the time needed to start a business from 46 to 11 days and elimination of one procedure
- Proposals for amending the Commercial Law concerning business registration and investor protection were sent to Parliament for consideration and enactment
- Business Development Centers (BDC) benefited from loan guarantees made available under the Kafalat Plus and Innovative Schemes, which enabled Lebanese banks to issue 223 loans to existing and start-up businesses and helped generate 4,500 new jobs. The SME Unit was actively involved in building the management program delivery capacities of both the SME Unit and the BDC's, as well as lay the foundations of a national BDC Association.

2. Promote and Strengthen Intellectual Property

- The MoET's Intellectual Property (IP) Protection Office (IPPO) has actively worked over the last year to promote national awareness of IP concepts and laws through:
 - a) Recruitment of specialized staff to promote understanding and national awareness of the Geographical Indications regime, the draft law for which is currently under consideration in Parliament
 - b) Engaging a variety of audiences, including government agencies, representatives of the World Intellectual Property Organization (WIPO), the international community, private sector syndicates, trade groups as well as academics
 - c) Focusing on youth awareness by organizing a series of university and school lectures as well as a summer internship program in collaboration with the Lebanese Youth Shadow government
 - d) Launching a communication campaign through the print and broadcast media, including billboard advertisements
- The IPPO expanded efforts to strengthen IP protection and enforcement measures to cover Lebanese ports of entry. In cooperation with Lebanese Customs, a shared and automated database is being created to facilitate faster and more accurate verification. The IPPO benefited from an expert mission, funded by the US Agency for International Development (US AID) that produced detailed recommendations on harmonizing existing and proposed IP laws with each other, and on these laws' compliance with border measure provisions of the World Trade Organization's intellectual property (TRIPS) agreement.

3. Improve the Business Environment

- The Implementing Decree for the Law of Protection of National Production entered into force, leading to the creation of the Trade Remedies Investigative Body (TRIB), which will play a central role in the implementation of the trade reform agenda. The TRIA and MoET staff participated in an expert mission that concluded with recommendations on technical and operational issues involved in the TRIB's establishment.
- The Information Technology Law was submitted to parliamentary joint committees and now sits with a subsidiary joint committee for review.

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SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

4. Strengthen Commercial Legal Environment for Investment

- Parliament began at the end of 2008 considering amendments to corporate governance regulations concerning double voting rights for older shares, actions de garantie, nationality requirements for board membership, and time limits for mergers and acquisitions.

Key issues in Implementation

- Delays in the enactment of draft law and amendment proposals requiring Parliamentary approval
- Shortage of staff (e.g. staff specialized in the implementation of the Patent Cooperation Treaty cannot be recruited unless the proposed legal reform is enacted)
- Delays in the creation of structures needed to oversee activities such as intellectual property protection, export promotion (LEBEX), and others deemed as integral to ongoing reform efforts.
- Lack of funding for initiatives that are ready to be implemented, and which include the work of the National Committee on Trade and Transport Facilitation, and the Trade Remedies Investigative Body, both of which are housed at the MoET.

SUMMARY

Total number of Paris III programs = 5

Total number of Paris III initiatives = 17

Number of initiatives completed by 2008 = 2 (12% of total)

Number of initiatives not started = 1 (6% of total)

IMPLEMENTATION OF THE REFORM PROGRAM

COMPLEMENTARY INITIATIVES TO PARIS III PROGRAM ADDED IN 2008			
New Initiatives	Objective of Initiative	Start Date	Expected End Date
Harmonization and strengthening of border IPR verification measures	<ul style="list-style-type: none"> To ensure consistency amongst national border IPR verification regulations and their compliance with international standards To establish a bridge with Lebanese Customs through an online database of IP registration for screening of counterfeited shipments 	Q-II 2008	Q-II 2009
Adherence to international IP treaties	Prepare national legislation for adherence to the Madrid Agreement on the international registration of marks; the WIPO Copyright Treaty (WCT); and WIPO Performances and Phonographs Treaty (WPPT)	Q-IV 2007	Q-II 2009
Increase public access to IP information	Make publicly available Lebanese registered patents	Q-I 2009	Q-IV 2009
Digitization and automation of public application processes	To automate publicly available applications.	Q-III 2008	Q-IV 2009
Trade integration needs assessment	Identify constraints facing Lebanon's integration into the world trade system and propose a strategy that is mindful of poverty alleviation and environmental sustainability.	Q-IV 2008	Q-I 2009
Enact the Food Safety Law to create the Food Safety Agency	To ensure food product safety standards are being met for domestic and export markets.	Q-IV 2008	Q-II 2009
Promote awareness on quality issues, and assist public institutions and private enterprises to receive relevant international quality accreditation	To help Lebanese enterprises identify ways to improve product quality standards.	Q-I 2008	Q-IV 2009

TECHNICAL ASSISTANCE REQUIREMENTS				
Programs / Initiatives	Technical Assistance Requirements	Estimated Cost (USD)	Initiated Talks to get funding?	Date Funding Needed
Encourage Investment				
Improve Business Environment for SME's	Mentoring and coaching technical assistance (research and technology innovation; internationalization; etc) for the BDCs	TBD	Yes	2009
Enact Laws to Improve the Business Environment				
Lebanon Export Promotion Agency	. Training staff on new legislation. . Additional consultancy needs (experts missions)	500,000	No	2009
Enactment of Standardization Draft Law	Training LIBNOR staff on new legislation	100,000	No	2009
Enactment of Technical Regulations and Conformity Assessment Law	. Training concerned ministries' staff on new legislation . Experts needed to finalize the implementing decrees	150,000	No	2009
Enactment of Competition Law	. Experts needed to finalize the implementing decrees . Training of officials working on drafting and implementing the law . Acquisition of IT equipment for the Competition Council, once established	500,000	No	2009
Enact Information Technology Law	Establishment and Training of IT Regulatory Authority	1,000,000	No	2009
Establish the Trade Remedies Investigative Body	Training of Investigative Authority and Body staff	500,000	No	Q-I 2009

Total Technical Assistance Requirements for 2009 = USD 2.95 Million

(This figure excludes support to be requested for SME Support Program)

IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Program/Initiative	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Encourage Investment			
Streamline business registration procedures	Enact amendments to the Commercial Law on starting a business		January 2010
Improve business environment for SME's	Identify funding sources for activities of a new extension phase of the SME Support Program, including business development centers		March 2009
	Create program to remove barriers to start-up and other immediate needs	February 2009	March 2009
	Monitor contracts under the loan guarantee joint fund run by Kafalat		December 2010
Promote and Strengthen IP Protection			
Copyright and Trademark draft laws	Propose amendments to harmonize draft IP laws currently under consideration by parliament		June 2009
Strengthen IP national awareness	Work with WIPO and national stakeholders to create and implement a program to strengthen awareness of IP concepts nationally		December 2009
Strengthen IPPO	Collaborate with a leading private Arab company to provide training to IP staff and raise awareness	February 2009	December 2010
Further Facilitate Trade and Enhance Trade Competitiveness			
National Committee on Trade and Transport Facilitation	Re-activate work plan once funding is received	TBD	TBD
Lebanon Export Promotion Agency	Ensure enactment of LEBEX Law		December 2009
International Trade and Import Licensing Law	Ensure approval of submission decree by President of Council of Ministers		

ACTION PLAN FOR 2009			
Program/Initiative	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Enact Laws to Improve the Business Environment			
Standardization Draft Law	Ensure approval by Council of Ministers and enactment of draft law		June 2009
Technical Regulations and Conformity Assessment Law	Ensure approval by the Council of Ministers and enactment of draft law		June 2009
Competition Law	Ensure enactment of draft law		December 2009
Information Technology Law	Ensure enactment of draft law		February 2009
Review Corporate Governance Laws			
Amendments to corporate governance laws	Ensure enactment of corporate governance related laws by Parliament	January 2009	January 2010

IMPLEMENTATION OF THE REFORM PROGRAM

Office of the Minister of State for Administrative Reform

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

During the January-December 2008 reporting period, OMSAR was able to register a number of key achievements in the implementation of its two Paris III Programs:

1. Promote Governance and Transparency in the Public Sector

Three of the program five initiatives have registered progress this year, however, procedures for public sector recruitment have not yet been initiated:

- The Public Procurement and Public Procurement Administration draft laws were finalized, with the latter endorsed by CoM.
- The TORs for an anti-corruption expert are being discussed with the Ministry of Finance (MoF) and will be submitted to the Ministry of Transport and Public Works (MoTPW).
- Tasks to be outsourced to the private sector were identified in five ministries.

2. Modernize and Upgrade Capabilities within the Public Sector

All of the program's three initiatives have witnessed progress this year:

- A draft electronic transaction law was completed.
- An E-gov strategy and its corresponding action plan were developed and are awaiting CoM endorsement.
- The HR training needs of the MoPH were assessed.
- The draft law for HR units in public administration was reviewed and submitted to the Administration and Justice Committee for approval.

Key issues in Implementation

The main issues faced by OMSAR in ensuring the implementation of its initiatives have been the lack of funding:

- Several e-gov initiatives were delayed due to a lack of funding estimated at USD 420,000. The same applies to the TORs for e-readiness and ICT security which were delayed.
- Anti-corruption and outsourcing experts' recruitment could be delayed in the absence of funds. OMSAR needs a minimum budget of \$100,000 to undertake short-term initiatives.
- No funds were received for the outsourcing of tasks to the private sector.

SUMMARY

Total number of Paris III programs = 2

Total number of Paris III initiatives = 7

Number of initiatives completed by 2008 = 0

Number of initiatives not started = 1 (14% of total)

COMPLEMENTARY INITIATIVES TO PARIS III PROGRAM ADDED IN 2008

Ministry / Agency	New Initiatives	Objective of Initiative	Start Date	Expected End Date
OMSAR (Cross Public Administration)	Mechanism for appointing grade 1 civil servants	Merit based grade 1 civil servants appointment	August 2008	October 2008
OMSAR (Cross Public Administration)	Administrative Procedures simplification	Reduce burden on citizen and improve service quality	January 2008	December 2112
OMSAR (Cross Public Administration)	Development of National GIS portal	Improve productivity in providing public information	February 2008	October 2008
OMSAR (Cross Public Administration)	Awareness workshops on E-gov portal, unique ID N°. and interoperability	Raise awareness of key public personnel over E-gov portal, unique ID N°. and interoperability	May 2008	September 2008
OMSAR (Civil Service Board)	Revitalize position classification project	Position classification applied in the public administration	September 2008	August 2009
OMSAR	Automation of organizational performance inspection MIS	Organizational performance measurement and KPIs applied to administration	June 2007	March 2008
Ministry of Social Affairs	Document management and workflow systems	Modernize and upgrade decision making and management processing systems	May 2007	April 2008
Ministry of Justice	Finalize preparatory phase for the implementation of the master plan for the automation of courts	Modernize and upgrade the MOJ process and service delivery through the Automation of courts	February 2008	November 2008

IMPLEMENTATION OF THE REFORM PROGRAM

TECHNICAL ASSISTANCE REQUIREMENTS				
Programs / Initiatives	Technical Assistance Requirements	Estimated Cost (USD)	Initiated Talks to Get Funding	Date Funding Needed
Promote Governance and Transparency in the Public Sector				
Address corruption at agency level starting with two important ministries	Two international experts	60,000	Yes through the Arab Fund loan N° 2006/495	Immediate
Develop modalities for outsourcing public sector tasks to private sector	One international expert	70,000	Yes	Immediate
Adopt transparent, merit based and proper procedures for public sector recruitment	One international expert, one local expert	30,000	Yes	Immediate
Develop new testing system for civil servants grades 3 and 4, and new recruitment procedures for grade (other than 1)	One international and one local expert	300,000	No	End 2009
Modernize and Upgrade Capabilities within the Public Sector				
Government e-payment gateway action plan	Two international experts	120,000	No	March 2009
ICT security and standards update	Four experts	400,000	Yes	March 2009
Action plan for data interchange implementation	Three experts	340,000	No	April 2009
Implement training plan for the Ministry of Health	Two experts	50,000	No	February 2009

Total Technical Assistance Requirements for 2009 = USD 1.37 Million

ACTION PLAN FOR 2009 FOR PARIS III PROGRAMS AND INITIATIVES

Programs/Initiatives	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Promote Governance and Transparency in the Public Sector			
Address corruption at agency level starting with two important ministries	<ul style="list-style-type: none"> . Follow-up with MOF to secure approval of expert TOR and sign a MOU to start the project . Duplicate approach of TOR and MOU with the MoTPW . Prepare and implement action plan 	January 2009	August 2010
Develop modalities for outsourcing relevant public sector tasks to private sector	Develop TOR and scope of work for outsourcing consultant	January 2009	December 2009
Develop human resources and HR policies for the public sector	<ul style="list-style-type: none"> . Enact law by parliament . Draft HR units organizational decree by committee 	January 2009	December 2010
Modernize and Upgrade Capabilities within the Public Sector			
Government e-payment gateway action plan	<ul style="list-style-type: none"> . Develop TOR and scope of work for implementing government e-payment gateway . Finalize government e-payment gateway action plan 	January 2009	December 2009
ICT security and standards update	<ul style="list-style-type: none"> . Develop TOR and scope of work for ICT security and standards update . Finalize and approve ICT security and standards update . Disseminate information of ICT security and standards . Conduct training on ICT security and standards 	January 2009	December 2009
Action plan for data interchange implementation	<ul style="list-style-type: none"> . Develop TOR and scope of work for data interchange implementation . Finalize and implement action plan for data interchange implementation 	January 2009	August 2010
Implement training plan for the Ministry of Health and other institutions	<ul style="list-style-type: none"> . Develop TOR and scope of work for training consultant . Develop and implement training program for the Ministry of Health 	January 2009	December 2011

IMPLEMENTATION OF THE REFORM PROGRAM

Banque Du Liban - Central Bank

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

Maintain floor on BDL gross reserves

- IMF reserves targets under the EPCA program were successfully met. With the relative stability in the political system and favorable market conditions, gross reserves exceeded the required floor during the year.

Enhance access of businesses to credit

- Exemptions from legal reserve requirements, interest subsidy schemes and financing programs to enhance the access of businesses to credit are on track. These programs include the contribution of the International Finance Corporation (IFC), the European Investment Bank (EIB), the Overseas Private Investment Corporation (OPIC), and Agence Française de Développement (AFD).

Divest BDL's portfolio

- In relation to the sale of BDL's share in Intra, the conflict between the Casino du Liban and the MoF dating back to 1999 was resolved on 19/2/2008 through an amendment to the "Investment Contract". Accordingly, the Casino du Liban audited financial statements for the years 1999 to 2006 and Intra's audited financial statements for the years 2003 to 2006 were issued.
- The sale of BDL's shares in MEA remains pending on the investment bankers recommendations with regards to favorable market conditions. In the interim, MEA is taking necessary steps to be ready for implementation when the decision is taken.

Key issues in Implementation

Transfer Regulatory Responsibility

- Transfer of regulatory responsibility for MIDCLEAR and securities business from BDL awaits parliamentary approval of laws and amendments that will allow the proposed reform measures to be implemented.

Divest BDL's Portfolio

- Despite the solving of pending issues between the Casino du Liban and the MoF and the issuance of audited financial statements for both Intra and the Casino du Liban, the sale of BDL's share in Intra awaits favorable market conditions. The same applies for MEA.

SUMMARY

Total number of Paris III programs = 4

Total number of Paris III initiatives = 7

Number of initiatives completed in 2008 = 1 (almost 15% of all initiatives)

- One initiative "implement regulatory changes to allow registration of private credit bureaus", under the transfer of regulatory responsibility program, was completed in 2007 through the issuance of BDL Decision 9641 date 29/6/2007 "Regulate the Relationship Between Banks and Credit Rating Agencies".
- For the initiative "maintain floor on BDL gross reserves", The EPCA II program that will be completed by June 2009, was successfully met during 2008.

Number of initiatives not started = 2 (almost 28% of all initiatives)

Two initiatives not started by BDL "Sell BDL's share in MEA" and "sell BDL's share in Intra Investment Corporation."



For most BDL on-going or non-started initiatives, action steps are pending on either parliamentary approval or favorable market conditions. For the initiative “maintain floor on BDL gross reserves”, The EPCA II program will be completed by June 2009. IMF reserves targets under this program are going on the right track in a very successful manner.

IMPLEMENTATION OF THE REFORM PROGRAM

III. INFRASTRUCTURE AND PRIVATIZATION CLUSTER

The reform program under the Infrastructure and Privatization Cluster involves a total of twelve programs. The cluster includes the Ministry of Tele-communication (three programs), the Ministry of Energy and Water (three programs), the Ministry of Transport and Public Works (three programs), the Council for Development and Reconstruction (two programs) and the Higher Council for Privatization (one program).

This sector suffered from reform implementation delays due mainly to the lack of political consensus on the reform process and priorities. However, a number of achievements were registered and are summarized below.

In the energy sector, progress was made in strengthening the sector policy-making capacity, an important step towards ensuring the sustainability of the sector reform process: The electricity generation master plan is in its final draft and the feasibility study for increasing hydro-electric production was completed. Efforts to improve EDL operational efficiency are underway with the decision to start replacing gas-oil in the Beddawi and Zaharani Combined Cycle (CC) power plants with natural gas to reduce costs, and with the completion of the Ksara 400KV station an important milestone in Lebanon's integration into the regional network. Audit of the 2003 EDL financial statements was also completed. Finally steps to initiate the restructuring and corporatizing of EdL were put in place.

In the Telecom sector, significant work was completed in the liberalization of the broadband market, and a draft broadband policy was submitted by the Tele-com Regulatory Authority (TRA) to the Minister of Telecommunications in 2008.

The Council of Development and Reconstruction (CDR) has taken the appropriate steps to strengthen its implementation capacity, and will start reinforcing its human resource base by the start of 2009.

Telecommunication Sector - Telecommunications Regulatory Authority

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

1. TRA Establishment and Institution Building

- During 2008, the TRA made various effort to build its internal capacity, including hiring qualified professionals (approximately 35 hired in 2008), training them, and putting in place management procedures.
- The TRA is drafting a decree that will allow it to charge for spectrum management and monitoring, thus allowing a certain degree of cost recovery. The establishment of the TRA depends on the funds received from the government as well as the enactment of the budget law in order to recruit the needed staff.

2. Regulatory Framework

- The TRA prepared in 2008 a set of regulations / decisions (see Annex) some of which have been sent for consultation and others are still in the drafting stage.

3. Broadband Licenses

- A draft broadband policy was submitted to the Minister of Telecommunications in August 2008 that consists in increasing the infrastructure based competition by granting, through an international auction, two National Broadband Licenses (NBLs) and the service based competition by opening the broadband access market.
- During 2008, the TRA prepared for the broadband auction, and accomplished the following: (a) Prepared the technical requirements for NBL and BALs, (b) Prepared the auction design, (c) Prepared the roll-out obligations of NBL based on a broadband model (d) Drafted the Infrastructure Sharing Regulation (e) Prepared the draft decree for Rights of Way to be submitted to the Minister of Telecommunications, (f) Issued the Spectrum Refarming and Packaging Plan for public consultation (currently under review with main stakeholders), and (g) Issued the Interim Licenses to current ISPs and DSPs (and extending these interim licenses up to end 2009).

4. Mobile Privatization

- During the first two quarters of 2008, the TRA followed-up on the auction process that had been launched in November 2007 (regular update to the virtual data room, answering questions received from bidders, etc...) but the process was discontinued by the Council of Ministers due mainly to the global financial crisis.
- The TRA worked with the Ministry of Telecommunications in the preparation of the new management agreement and more precisely in its role under the new agreement in the monitoring of the Quality of Service indicators as well as the monitoring of the market for mobile services.
- During the upcoming Management Agreement term, TRA will be monitoring the two mobile operations to ensure compliance with TRA-determined QOS indicators, consumer protection guidelines, and distribution of services standards and norms.

Key issues in Implementation

Legislative Issues

- Issuing of the two decrees needed for the implementation of the broadband policy (drafts will be submitted in Q1 2009 to the Minister of Telecom):
- Decree allowing the access to the Republic of Lebanon's infrastructure and rights of way
- Decree on the pricing of the use of spectrum by licensed service providers

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IMPLEMENTATION OF THE REFORM PROGRAM

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

Funding Issues:

- The TRA has not yet secured direct funding from service providers to ensure financial independence as required by Law 431.
- The recruitment of TRA staff remains, pending the enactment of Budget Law 2008.
- Only a partial amount of the approved TRA budget of 2007 and 2008 was disbursed.
- TRA requires urgent long term funding due to the delay in the approval of the 2007 and 2008 budgets and the delay in privatization.

Governance Issues:

The reform of the telecommunications sector depends on the political decisions to:

- Privatize the two mobile networks
- Appoint Liban Telecom board of directors
- Appoint the new director general of telecommunications at MoT

Transfer of regulatory functions:

The TRA is looking forward to finalizing an MOU with the Ministry of Telecommunications on the coordination of the transfer of regulatory functions.

COMPLEMENTARY INITIATIVES TO PARIS III PROGRAM ADDED IN 2008

New Initiatives	Objective of Initiative	Start Date	Expected End Date
Broadband Project	<ul style="list-style-type: none"> • Increasing the infrastructure based competition by granting, through an international auction, two National Broadband Licenses (in addition to Liban Telecom) for the implementation of a core, metro and access network as well as an international gateway. • Opening the broadband market to competition (within the physical availability of spectrum). 	Q2 2008	Q3 2009 (Auction Date)
FM and TV Broadcasting	<ul style="list-style-type: none"> • Improving the quality of FM Broadcasting by enhancing the coverage and reducing interference. • Migration from analog to digital TV broadcasting, which is based on the Geneva 2006 Agreement. 	Q4 2008	Q2 2009

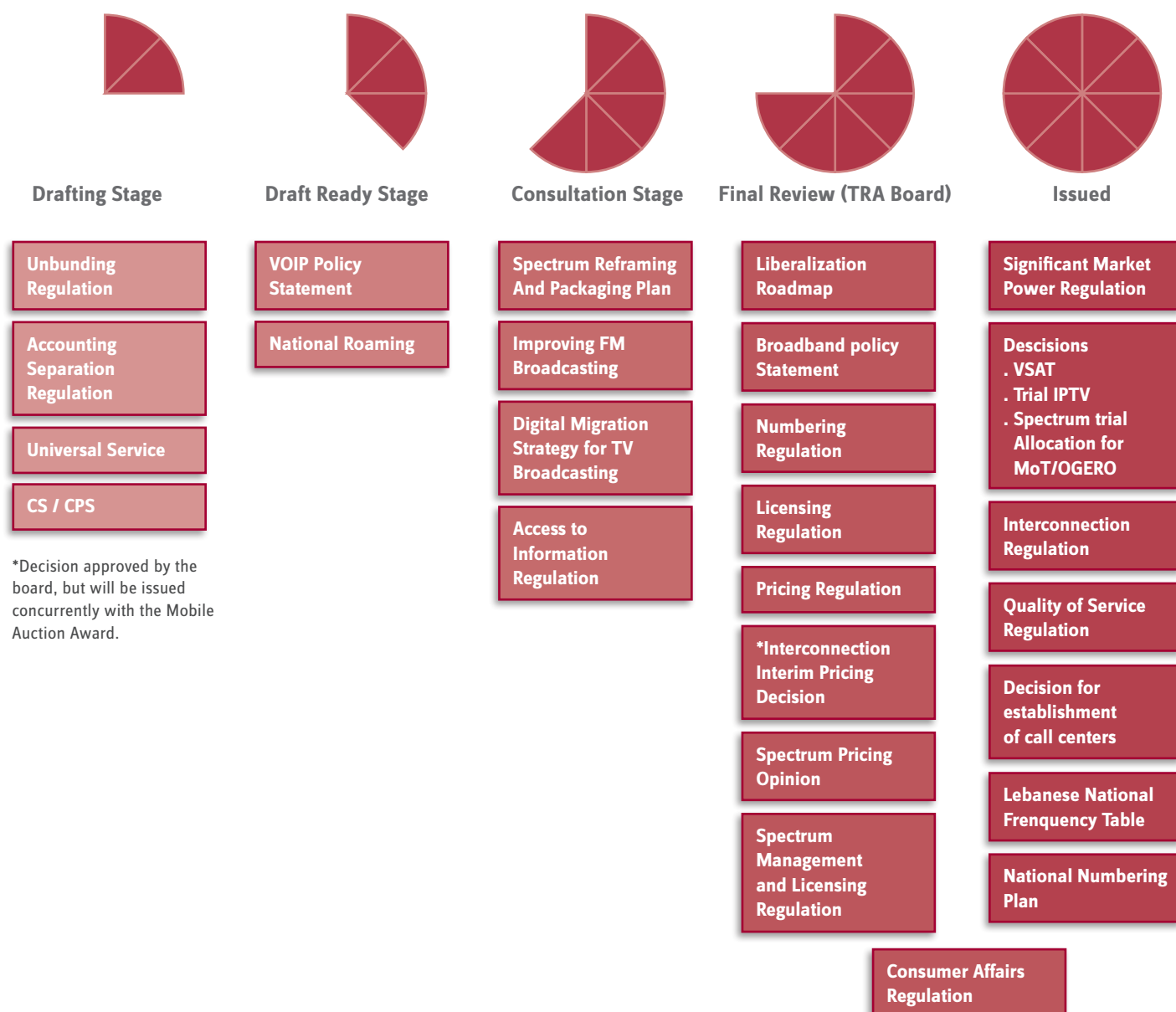
TECHNICAL ASSISTANCE REQUIREMENTS				
Program / Initiative	Technical Assistance Requirements	Estimated Cost (USD)	Initiated Talks to get funding?	Date Funding Needed
Improving Telecommunications Services (consumer-focused TA)	<ul style="list-style-type: none"> . Quality of Service (monitoring Key Performance Indicators, technical audit, ...) . Consumer protection (including the implementation of a call center for complaint handling) . Legal and technical assistance to address complaints . Tariff rebalancing and cost accounting 	400,000	No	
Institution building (TRA-focused TA)	<ul style="list-style-type: none"> . Developing policies and procedures for TRA transactions . Implementing a Management Information System (MIS) . Building capacity (training) 	600,000		
Broadband licensing (investor-focused TA)	<ul style="list-style-type: none"> . Organizing and managing the auction for new broadband licenses . Preparing the data room (including information on ducts and Rights of Way) . Technical assistance in reviewing license applications . Legal assistance in issuing the licenses 	400,000		

Total Technical Assistance Requirements for 2009 = USD 1.4 Million

IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Programs/Initiative	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
TRA establishment and institution building	<ul style="list-style-type: none"> . Developing internal policies and procedures . MIS implementation . Financing . Building Capacity (staffing, training, ...) 	April 2007	Q4 2010
Regulatory Framework	<ul style="list-style-type: none"> . Finalize the revision of the consultation received . Draft remaining regulations 		
Broadband Licensing	<ul style="list-style-type: none"> . Preparing the Request for Application . Finalizing the draft decrees to be submitted to the Minister of Telecommunications . Finalizing all needed documents (Licenses, refarming plan, ...) 	Q2 2008	Q3 2009
Mobile Privatization	<ul style="list-style-type: none"> . Re-launch the process upon political decision . Under the Management Agreement regime . Monitoring the Quality of Service . Monitoring the distribution rules to avoid black market 		N/A
FM and TV broadcast			Q2 2009

V. ANNEX - REGULATIONS/DECISIONS PREPARED BY THE TRA



IMPLEMENTATION OF THE REFORM PROGRAM

Ministry of Energy and Water

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

The key achievements in 2008 in each of the three programs are:

Strengthen Sector Policy-making Capacity

- Technical assistance was provided to the Ministry of Energy and Water (MoEW), the Higher Council for Privatization (HCP) and Electricité du Liban (EdL) through a World Bank grant. Consultants completed about 65% of the work specified in their respective TOR's.
- Electricité de France (EdF) made substantial progress in the preparation of a "least cost" master plan for the generation of electricity.
- Work on the NCC has progressed despite the delays.
- Feasibility study of increasing hydro electric production was completed.
- Two drafts of the generation master plan were submitted by the consultant.
- The World Bank completed an electricity public expenditure review.

Improve EdL Operational Efficiency

- The MOEW and EdL completed the infrastructure needed for the 400 kV Ksara substation to benefit from cheap energy that might be available in neighboring systems.
- Four contracts were awarded to help EdL improve its operational and financial efficiency. The consultants have submitted five reports so far.
- Contract awarded to KEPCO for the operation and management activities for Beddawi and Zahrabi plants.
- Audit of the 2003 EdL financial statements was completed. The audit of the remaining years is in progress.
- The Government re-negotiated the oil supply contracts to improve terms.

Corporatize and Privatize EdL

- The international consultant retained by HCP to develop a strategy for restructuring and corporatizing EdL submitted the second set of deliverables.

Key issues in Implementation

The following issues have impeded the achievement of initiatives under the power section reform program in 2008:

- The second draft of the generation master plan prepared by EdF is being reviewed to include alternative generation technologies given the fluctuations in fuel prices and the difficulty facing securing natural gas to Lebanon.
- The transmission master plan has been delayed pending the completion of the generation master plan.
- Finalization of the natural gas agreement with Egypt has been delayed, resulting in additional generation costs from the use of diesel oil instead of natural gas.
- The establishment of the Energy Regulatory Authority (ERA) awaits the Council of Ministers' endorsement of the corporatization process for EdL. Reflection within the Government is still ongoing on the corporatization model that will help to promote efficiency and full transparency across the different areas of activities (i.e. generation, transmission and distribution).
- The contract with CRA (closing the financial gap) that includes two components Customer Meter Management (CMM) and Service Provider (SP) modified substantially since it was signed. In its current status, the contract does not fulfill its original objective because the consultant was not able to secure any bids for the SP component. Therefore, the Ministry is negotiating with the consultant to determine the merit of continuing the technical evaluation of the CMM bids and whether this component alone would improve the collection and billing in a fully integrated manner.

SUMMARY

Total number of Paris III programs = 3

Total number of Paris III initiatives = 16

Number of initiatives completed in 2008 = 65 percent of total

Number of initiatives not started = 0

IMPLEMENTATION OF THE REFORM PROGRAM

ACTION PLAN FOR 2009			
Program/Initiative	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Strengthen Sector Policy-Making Capacity			
Appoint qualified advisors at the Ministry of Energy and Water to support on strategic planning and evaluation of electricity policy reforms	Consultants are on track to complete the remaining deliverables specified in their TOR's.	January 2007	September 2009
Establish NCC to properly dispatch EdL generation and transmission system	Activity subjected to implementation delays due to both, the introduction of new technology and additional works.	July 2006	End 2009
Hire consultants to develop a Master plan for the power sector	EdF to complete the generation master plan based on the Ministry's comments and recommendations and begin working on the transmission master plan	July 2007	Q2-2009
Improve EdL Operational Efficiency			
Appoint consultancy team at EdL to perform operational, financial, accounting, legal and contract management activities, including coordinating and assisting the HCP and its advisory team in the corporatization and privatization of EdL	Done. Work is in progress	January 2007	March 2009
Award contracts for the supervision of the KEPCO Operation & Management activities for Beddawi and Zahrani plants	Done. Work is in progress	September 2007	June 2011
Decide on the viability of the Zouk and Jieh plants, and rehabilitate viable existing power plants	Done. Work is in progress	June 2006	July 2009
Complete the auditing of the EdL financial statements from 2002 to 2006	2004: Delivery		Early March 2009
	2005: Beginning		Early March 2009
	2005: Delivery		Early July 2009
	2006: Beginning		Early July 2009
	2006: Delivery		Early Year 2009
Commit the supply of natural gas to the Beddawi plant	Work in progress on a contract with Egypt for the supply of natural gas to Beddawi power plants is expected in April 2009	April 2007	April 2009

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ACTION PLAN FOR 2009			
Program/Initiative	Action Steps for 2009	Start Date for Non-Started Initiatives	Expected Completion Date
Corporatize and Privatize EdL			
Retain consultants to assist Higher Council for Privatization (HCP) with the corporatization and restructuring of EdL	The consultant "Mercados" has prepared drafts of all reports required to complete the planning phase for the sector restructuring and EdL corporatization.	January 2007	Q3 2009
Establish the Electricity Regulatory Authority (ERA) and define its financial and organization structure	No progress this year. The financial and organizational structure of the ERA has not been discussed / approved by the CoM pending an agreement between the stakeholders on restructuring and corporatizing EdL (i.e. one versus several companies).	September 2007	Pending agreement on corporatization of EdL (December 2008)
Launch and award tender for the installation and operation of remote meters	Resolve contractual issues with CRA and ask them to solicit additional bids for the CMM project to secure a minimum of two bids for per option as required by the contract.	October 2006	Pending negotiation with CRA (December 2008)
Launch and award tender for service contracts for distribution	Resolve contractual issues with CRA regarding the SP project to secure a minimum of two bids for per option as required by the contract.	October 2006	Pending negotiation with CRA (December 2008)
Develop additional generation capacity through Independent Power Project (IPP), install additional capacity in Deir Ammar with private sector participation	. All the preparatory work for the installation of additional generation capacity in Deir Ammar through IPP has been completed by the HCP. . Also, four entities have signed IPP MOUs with the MOEW to advance the development of their projects.	April 2007	TBD
Undertake asset registration and valuation of EdL assets	An essential step towards the corporatization is the identification and valuation of assets and liabilities owned or controlled by EDL. HCP launched In January 2008 a Request for Proposals for an accounting advisor to undertake the counting and valuation of EDL assets and liabilities. The winning bidder was selected in May 2008.	October 2007	Q3 2009

IMPLEMENTATION OF THE REFORM PROGRAM

Council for Development and Reconstruction

SUMMARY OF KEY ACHIEVEMENTS & ISSUES: JANUARY - DECEMBER 2008

The CDR's major achievement during this year is to take steps towards the restructuring of its institution:

Restructure CDR's capacity to undertake reconstruction and development capital investments

- CDR launched, in coordination with the Civil Service Council, the process of filling job vacancies for its organizational structure. The hired staff will start to fill their positions at the beginning of the year 2009.
- The new procurement laws were endorsed by the Council of Ministers. The Parliament is still expected to enact these laws.

Key issues in Implementation

New Procurement Law still to be enacted by Parliament

SUMMARY

Total number of Paris III programs = 2

Total number of Paris III initiatives = 3

Number of initiatives completed in 2008 = 0

Number of initiatives not started = 0



UPDATED RESULTS OF THE CONFERENCE

UPDATED RESULTS OF THE CONFERENCE AS OF DECEMBER 31, 2008

Two years after the International Conference for Support to Lebanon - Paris III, 71 percent of the pledges were signed into agreements and 41 percent were received, mainly as budget support and private sector support, see Table 1. Project assistance (\$2,445 million) represented the near totality of pledges not yet signed into agreements as of 31 December 2008.

Table 1: Updated status of pledges by type of support (Millions of US\$)

	Pledged	Signed	Received**
Budget support*	1,737	2,133	1,491
Banque du Liban	43	43	43
Project support	3,491	1,047	97
In kind	362	326	301
Private sector support	1,463	1,431	785
Support through the UN	324	306	306
Support through civil society organizations	99	99	99
Under review / unrealized	12		
Total	7,532	5,384	3,122

Source: MOF collected data by December 31, 2008

* Includes Malaysia debt transaction for \$500 million

** Not all information is available on donor implemented projects.

- Budget support agreements reached \$2,133 million compared to \$1,292 million end of 2007. Signed agreements exceeded pledges 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. In 2008, agreements were also signed with France, Arab Monetary Fund and European Commission. Only \$200 million pledged by the World Bank remain to be signed into agreement.
- Project support agreements signed reached \$1,047 million. The largest agreement signed in 2008 was between the Islamic Development Bank and CDR. With the resumption of Parliament activities, three loan agreements with the Arab Fund for Economic and Social Development were ratified allowing work to commence.
- Agreements for private sector support totaled \$1,431 million compared to \$1,463 pledged. This result was achieved as several donors (United States, Arab Monetary Fund and the World Bank Group) extended loans beyond their Paris III pledges, in response to increased demand for funds by the private sector.
- In-kind support progressed with 90 percent of the pledges signed into agreements and 83 percent fulfilled.

Table 2 presents Paris III pledges signed into agreements by donor as of December 31, 2008. The value of the signed agreements reached \$5,384 million at end 2008, of which 76 percent in the form of loans and 24 percent as grants. The loans were mainly for budget support and private sector support.

UPDATED RESULTS OF THE CONFERENCE

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		800	800
Saudi Arabia	1,100	100		100
World Bank Group	975		405	405
United States	890	770	220	990
Arab Fund for Economic & Social Development	750		422	422
France	650		599	599
European Commission	486	151	65	216
United Arab Emirates	300		300	300
Islamic Development Bank	250	5	245	250
Arab Monetary Fund	250		375	375
Italy	156	52	-	52
Germany	134	57	21	78
International Monetary Fund	77		77	77
Spain	53	48		48
Egypt	44	15		15
United Kingdom	35	35		35
Belgium	26	13		13
Turkey	20	20		20
Canada	17	2		2
Norway	15	15		15
Oman	10	10		10
Other*	47	25		25
Malaysia			500	500
IMF (EPCA II)			37	37
Total	7,532	1,319	4,065	5,384

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

* Appendix B provides a detailed breakdown of all pledges and intended uses.

Lebanon entered into a second EPCA with the International Monetary Fund. The agreement provides Lebanon with a loan of \$37 million and additional IMF technical support and the donor community with a reporting mechanism on public finance targets and government reforms.

The Lebanese delegation attending the World Bank/IMF Annual Meetings on October 11-13 in Washington DC briefed the donor community in a Core Group Meeting on results and progress achieved in reform implementation and resource mobilization. Also, a number of bilateral meetings were held with key donors.

A. SUPPORT FOR THE PUBLIC SECTOR

Table 3. Updated summary of pledges for government support (US\$ million)

	Budget Support	Project Financing	BDL	In-kind	Total
Grants	400	543		362	1,305
Loans	1,337	2,948	43		4,327
Total	1,737	3,491	43	362	5,633

Source: MOF collected data by December 31, 2008

1. BUDGET SUPPORT

In 2008, the majority of Paris III budget support pledges were completed. Of the total \$1,736 million pledged in loans and grants, \$1,596 million were signed (75 percent). Additional budget support agreements, including a second EPCA with the IMF and agreements with the Arab Monetary Fund, were reached in 2008 bringing the total budget support signed since Paris III to \$2,133 million, an increase of \$764 million compared to end 2007 (including the debt exchange transaction of \$500 million with Malaysia).

The agreements signed as of December 31, 2008, include:

- \$1,234 million (58 percent) loans (World Bank, France, European Commission, United Arab Emirates, Arab Monetary Fund, International Monetary Fund).
- \$399 million (19 percent) grants (Saudi Arabia, United States, European Commission, Oman, Slovenia)
- \$500 million (23 percent) debt exchange transaction (Malaysia)

Including the \$500 million debt transaction, a total of \$1,491 million were received. The loans and debt transaction account for 83 percent of amounts received (the balance of 17 percent are grants).

The only remaining unsigned Paris III budget support pledges are those with the World Bank totaling \$200 million. Several World Bank missions were in Lebanon in 2008 to discuss a second Reform Implementation Development Policy Loan of about \$70 million.

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	125
France		488	488	222
European Commission	39	65	104	20
United Arab Emirates		300	300	300
Arab Monetary Fund		107	167	
International Monetary Fund (EPCA I)		77	77	77
Greece	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	2,133	1,491

Source: MOF collected data by December 31, 2008

In the fourth quarter of 2008, the Ministry of Finance finalized agreements with the Arab Monetary and European Union

The Arab Monetary Fund

The Ministry of Finance and Arab Monetary Fund signed two agreements on 22 December 2008:

- An Oil Facility Loan for reform implementation totaling the equivalent of \$85 million (18.2 million Arab Accounting Dinars). The loan will be disbursed in two tranches, the first of approximately \$32 million upon approval by the Lebanese Parliament, and the second with the remaining balance at a later stage. The loan carries a maturity of four years (from the date of disbursement) with a two-year grace period. The loan supports reforms in the areas of expenditure and debt management, budget preparation and execution and for reducing the fiscal burden related to transfers to Electricité du Liban.
- A revolving line of credit of \$45 million to finance oil imports. The loan facility is subject to approval by Parliament and has a maturity of six months.

European Community

On 18 December 2008, the Ministry of Finance and the Central Bank of Lebanon - as the Agent - signed a Macro-Financial Assistance (MFA) agreement for €80 million, consisting of a loan of €50 million and a grant of €30 million. The MFA will be disbursed in two tranches of €40 million each. On 30 December 2008, €15 million grant was received. The grant is being used to repay maturing debt. The Ministry of Finance and the EC are discussing the disbursement of the first half of the loan (€25 million). The second tranche is expected upon implementation of agreed to reforms in the public finance management, social and power sectors. The maturity of the loan is dependent on market conditions at issuance.



France

The Ministry of Finance amended the loan agreement concerning the disbursement of the second tranche of €125 million (out of a total of €375 million) on 21 November 2009. The amendment was completed in the context of the visit to Lebanon of Prime Minister Francois Fillon. On that occasion also, a Partnership Framework Agreement was signed specifying the main areas of cooperation between the two countries. Furthermore, France and Lebanon signed several cooperation agreements in the areas of finance, fishing, insurance, defense, mine removal, and justice.

International Monetary Fund

Lebanon entered into a second EPCA with the International Monetary Fund. The IMF Board approved the program on November 3, 2008. The program reiterates Lebanon's commitment to reforms and provides Lebanon with additional expertise and technical support from the IMF. An amount of \$37 million were transferred to Lebanon on 17 November 2008 as a loan. The results of the IMF mission to Lebanon in September 2008 and the EPCA II agreement are reproduced in Annex A.

Greece

Greece is in discussion with the Ministry of Public Works and the Presidency of the Council of Ministers to rehabilitate one bridge in Riyak and to build 23 pedestrian bridges. The funding is expected to be received by end February 2009.

UPDATED RESULTS OF THE CONFERENCE

2. PROJECT FINANCING

By end December 2008, signed agreements amounted to \$1,047 million, out of \$3,491 million pledged for project financing. In 2008, the Islamic Development Bank and CDR signed a framework agreement for project financing of \$245 million as loans. Table 6 shows committed and disbursed amounts for project financing. It is noted that complete information on disbursements for projects implemented by donors (e.g. Germany, Denmark) is not available.

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

Donor	Grant Project Finance	Loan Project Finance	Signed	Received
European Investment Bank	20	520	255	59
Saudi Arabia		1,000		
World Bank		400		
Arab Fund for Economic & Social Development		665	337	
European Commission	368		98	13
Islamic Development Bank	2	245	247	
Italy	26	98	26	24
Germany	113	21	78	N/A
Spain	5			
Belgium	4		4	
Canada	4			
Norway	1		1	1
Denmark	1		1	N/A
Total	543	2,948	1,047	97

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

Since the last quarterly progress report, the following progress was achieved:

Arab Fund for Economic and Social Development (AFESD)

Parliament approved two additional loans signed between the Arab Fund for Economic and Social Development and CDR: damaged infrastructure: KWD 30 million (ratified on 5 Sept 2008); and, water and waste water: KWD 25 million (ratified on 13 December 2008). The loan for support for administrative reforms: KWD 9 million, was also ratified on 5 September 2008 as reported in the Seventh Progress Report.

European Investment Bank (EIB)

Significant progress was achieved in preparing for a loan of €70 million for a waste and waste water project in Kesrwan. EIB approved in principle the loan and, in the first week of December, a mission was in Lebanon to discuss the loan and finalize the agreement. The Council of Ministers reviewed the agreement on 20 December 2009 and delegated signature to the Council of Development and Reconstruction.

Total disbursements for the Tripoli port project amounted to €26.7 million and for the Lebanese highway project €12 million at the end of 2008. The Tyre waste water treatment project (€45 million) and the Greater Beirut waste water project (€60 million) are still in the tender phase.

World Bank

Significant progress was achieved in preparing a loan agreement for the extension and expansion of the Urban Transport Development Project (UTDP), which became effective in 2003. The UTDP aims to improve the Greater Beirut area urban transport infrastructure. The additional financing of \$70 million loan is expected to be reviewed by the Executive Board of the World Bank and signed with the Lebanese authorities before the end of January 2009.

European Commission (EC)

The European Commission progressed in the various projects it had. Total disbursements in 2008 on EC funded projects signed since the Paris III Conference is estimated at €5 million. The largest disbursement of €3.5 million was for the project for reinforcing private sector competitiveness.

Italy

In 2008, Italy and CDR completed agreements pledged for project support grants.

3. IN-KIND CONTRIBUTIONS

Signed in-kind contributions totaled \$326 million at the end of 2008, of which 93 percent were implemented. The main development of the fourth quarter in 2008 was the signature between Turkey and CDR of an agreement for the construction of a trauma and rehabilitation center for the physically disabled in Saida. The project is estimated at \$20 million and will be implemented by the Turkish International Cooperation and Development Agency. As mentioned in the third progress report, Egypt completed the rehabilitation of the Jiyeh power plant as per the \$15 million in-kind agreement.

Table 6. In-Kind contributions (US\$ million)

Country	In-kind	Signed	Fulfilled
United States	286	286	286
Egypt	44	15	15
Turkey	20	20	
Greece	5		
China	4	4	
South Korea	1		
Brazil	1	0.06	0.06
Malaysia	1	1	0.25
Total	362	326	301

Source: MOF, CDR collected data by December 31, 2008

UPDATED RESULTS OF THE CONFERENCE

B. SUPPORT TO THE PRIVATE SECTOR

By end 2008, private sector assistance signed into agreements increased to \$1,431 million, up from \$944 million at end 2007. Several of the donors have extended private sector support beyond the Paris III pledge, notably the World Bank Group (through the IFC), the United States (through Citigroup and OPIC), and the Arab Monetary Fund.

Table 7. Summary of Private Sector Support (US\$ million)

Donor	Pledged	Signed	Disbursed
European Investment Bank	709	545	173
World Bank Group	275	305	250
United States	120	220	220
Arab Fund for Economic and Social Development	85	85	
France	163	111	62
Arab Monetary Fund	100	165	80
Belgium	12		
Total	1,463	1,431	785

Source: MOF, CDR, BDL collected data by December 31, 2008

Since the last progress report,

European Investment Bank

- The Board of Directors of the European Investment Bank approved loan agreements totaling €52 million in December 2008. These loan agreements include €25 million to Bank of Beirut (signed on 19 December 2008), €20 million to Crédit Libanais (signed on 22 December 2008), and €7 million to IBL Bank (signed on 22 December 2008). The loans provide the bank with resources for on-lending to the private sector. At the end of 2008, the total committed by EIB for private sector support amounted to €420 million.
- By end 2008, EIB disbursements for private sector support totaled €133 million, including €48 million through the Central Bank, €60 million to Byblos Bank, €4.8 million to Fransabank and €20 million to Bank Audi.

France

- France, through the Agence Française de Développement, continued disbursing private sector support. As of end December 2008, €48 million was disbursed. The commercial sector received 46 percent of the loans, the industrial sector 27 percent, the health sector 10 percent, and combined the tourism, agriculture, and construction sectors 17 percent.

C. SUPPORT THROUGH THE UNITED NATIONS

Of total pledges to be channeled through the UN (\$324 million), signed agreements were estimated at US\$ 306 million.

Table 8. Updated summary of support through UN (US\$ million)		
Donor	Pledged	Signed
United States	185	185
European Commission	10	10
Italy	20	13
Spain	37	37
United Kingdom	35	35
Belgium	6	6
Canada	13	2.2
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	324	306

Source: MOF, CDR collected data by December 31, 2008

In the fourth quarter of 2008, the UNDP and Belgium announced a \$3 million grant for Art Gold Program towards 'Building Peace through Local Development'. The Art Gold Program is implemented by the Council for Development and Reconstruction in cooperation with UNDP and aims at local economic development.

UPDATED RESULTS OF THE CONFERENCE

D. SUPPORT THROUGH CIVIL SOCIETY ORGANIZATIONS

As of end December 2008, \$99 million assistance to be implemented through civil society organizations was signed into agreements, out of \$99 million pledged at Paris III.

Table 9. Updated summary of assistance through civil society organizations (US\$ million)

Donor	Pledged	Signed
United States	50	50
European Commission	4	4
Islamic Development Bank	3	3
Italy	13	13
Spain	11	11
Belgium	3	3
Norway	11	11
Sweden	1	1
Denmark	0.5	0.5
Japan	2	2
Total	99	99

Source: MOF collected data by December 31, 2008

APPENDICES

APPENDIX A

November 3, 2008

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Strauss-Kahn,

The agreement reached at Doha in May 2008 paved the way for the election of a new president and the formation of a new national unity government, which was sworn in on July 11, 2008. The government's principal task is now to prepare for the legislative elections of May 2009. In parallel, the country's main political forces have resumed their national dialogue under the auspices of President Suleiman, with a view to finding a solution to the contentious political issues that have fueled internal strife and dissent.

The 2007 program supported by Emergency Post-Conflict Assistance (EPCA) was concluded successfully and was instrumental in strengthening internal financial discipline and mobilizing external financial support, although less than envisaged under Paris III. Since the 2006 conflict, Lebanon has made progress toward fiscal consolidation and has shored up its external position despite difficult circumstances. The primary fiscal balance (excluding grants) shifted into surplus in 2007, lowering the government debt-to-GDP ratio beyond what we envisaged under EPCA. Fiscal developments in the first seven months of 2008 have been favorable. In response to the heightened political uncertainty and the international financial turmoil, the policies of the Banque du Liban (BdL) ensured a steady increase in international reserves, which grew by \$5.2 billion to \$16.7 billion during the first eight months of 2008. The effective shielding of the domestic financial sector from exposure to international financial risks, also helped by prudent regulation, contributed to strengthening confidence in the exchange rate peg and the financial system, as reflected by the marked acceleration of deposit growth and dedollarization of deposits. As a consequence, the government was able to finance its domestic and foreign exchange currency needs largely from the market.

While macroeconomic developments have been favorable, Lebanon has not yet fully recovered from the 2006 conflict and the following stalemate. The absence of a functioning parliament and vacancies in key ministries created a substantial legislative backlog and the reconstruction and reform efforts did not progress as envisaged, also because of security issues. Finally, Lebanon will need considerable external support in 2008-09 to reinforce our balance of payments position--which has been adversely affected by the conflict and by the rise in food and energy prices--and to finance the reconstruction effort.

The government's policy statement to parliament includes an explicit commitment to the Paris III reform objectives and restates the government's intention of working closely with the IMF toward the implementation of these objectives. In this text, we hereby request continued IMF support in the form of a second drawing under the Fund's EPCA policy, in an amount equivalent to SDR 25.375 million, or 12.5 percent of quota. In support of this request, and as described in the attached tables, the government and the BdL have selected key fiscal and financial indicators and structural measures that they intend to monitor closely and report on during the period December 2008-June 2009.

Our 2008-09 program aims at addressing Lebanon's main vulnerabilities, chief among them the very high level of public indebtedness and the large external financing needs. We expect tourism and strong domestic demand to boost GDP growth to at least 6 percent in 2008 and 5 percent in 2009. The surge in consumer prices in 2008 reflects the increase of international commodity prices and the dollar weakness, and, as the impact of these factors wanes, we expect inflation to decline in 2009. Against this background, macroeconomic policies in 2008-09 will be geared toward safeguarding our achievements of 2007 and strengthening our international reserve buffer. The government will also introduce key measures from its medium-term reform agenda, including the privatization of the telecom sector and the reform of the energy sector.

In addition to fiscal consolidation efforts, the government has also taken steps to alleviate the impact of higher food prices on the poor. The government has introduced cash transfers for public school students starting this school year, and reduced customs duties on 28 selected food items in May 2008. More broadly, the government is also working with the World Bank to strengthen its social safety net. In addition, the government approved, with retroactive effect as of May 2008, an increase of public sector wages, public pensions, and the private sector monthly minimum wage, with the aim to preserve the purchasing power of the population. Public sector wages and pensions had remained stagnant since 1998, and the minimum wage had not been increased since 1996. The increase in the minimum wage was negotiated with the social partners and, while substantial, we expect that the private sector will be able to absorb it without undue pressures, partly because many private firms have already increased salaries over the past few years. With prices in Lebanon largely being determined by international developments, we also expect that the second round inflation effect from wage increases will be moderate.

We intend to achieve a further reduction in the government debt-to-GDP ratio. In 2008, the government aims at maintaining a primary surplus of the central government (excluding grants), despite mounting EdL transfers and the budgetary cost of the new social measures. In 2009, the government plans to continue fiscal consolidation through the following measures: (i) increase in the withholding tax on interest income from 5 to 7 percent; (ii) application of rental charges related to seashore real estate; (iii) elimination of the VAT law provision which allows for a refund on some exempted activities; (iv) increase of capital gains tax on revaluation of assets by companies from 1.5 to 2 percent; (v) rationalization of subsidies; and (vi) reduction of transfers to EdL, mainly by adopting a new tariff structure. In addition, the government will consider reforming the determination of regulated profit margins for fuel importers, which would allow to increase the gasoline excise without affecting retail prices.

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On current trends, continued strong deposit inflows in the rest of 2008 and in 2009 should allow the government to meet its financing needs from the market and avoid relying on BdL borrowing to the extent possible. While the government expects to continue meeting its financing needs in local currency at current interest rates, it stands ready to adjust rates on Treasury bills in line with market conditions. We expect that parliament will soon raise the ceiling on contracting foreign currency debt, enabling the government to meet all of its remaining foreign currency financing needs (\$6 billion during 2009) in the market. In the second half of 2009, the government will use the proceeds from the expected sale of the telecom companies to reduce, as envisaged under the law, foreign exchange and domestic currency debt held by the private sector and the BdL, which will help increase international reserves.

The exchange rate peg to the U.S. dollar has been key to maintaining financial stability and remains appropriate. In this context, our objective is to further strengthen our gross international reserves position. So far, Lebanon has remained relatively insulated from the ongoing global financial crisis, as banks are severely restricted from entering positions in derivative products. Nevertheless, we have closely followed developments in international financial markets and their possible impact on Lebanon, including via the Gulf countries, to which Lebanon has been increasingly linked. To limit risks, the Banking Control Commission is stepping up controls on allocation and quality of banks' assets with foreign banks. We will also stand ready to adjust interest rates if needed.

Reforms to strengthen fiscal management are ongoing. On the revenue side, the government will finalize the remaining steps for the introduction of the global income tax by (i) adopting the revision of the tax procedure code; (ii) submitting the GIT law to parliament by end-March 2009; and (iii) eventually merging taxpayer services, auditing and collection for VAT and income tax administration. At present, the government is also reviewing procedures related to domestic VAT refund claims, which have recently increased by more than expected. Similarly, the government is improving the administration of the built-property tax and stamp duties, which we envisage to continue yielding additional revenue gains. On the public financial management side, the government expects parliament to approve the 2009 budget, by end-year, and the Treasury Single Account, which we want to make operational by end-June 2009. In addition, parliament has just approved the law establishing the public debt directorate.

EdL's losses remain a large drain on budget resources. Transfers in 2008 are estimated at \$1.5 billion or 5.2 percent of GDP. The government will contain losses by revising electricity tariffs with a yield of about \$240 million. Further savings will be obtained in 2009 as production is switched from oil to less expensive natural gas at the Beddawi power plant starting in January 2009, lowering fuel costs by \$100 million. In parallel, the government plans to enhance the service quality in the power sector (e.g., through the installation of remote meters).

To strengthen Lebanon's growth potential, the government intends to resume the privatization of the telecom mobile companies, which was interrupted by the May conflict. It also intends to gather broad parliamentary support for the modalities of the telecom sale and issue the request for applications in March 2009 with the objective to complete the sale by June 2009.

The government intends to restore actuarial balance of the National Social Security Funds (NSSF) to limit demands on the budget. Losses in the medical and family allowance branches constitute a large and open-ended drain on public finances. Initial steps to address these problems have been taken through auditing and the full computerization of the database of users. The government is discussing plans to reform access to medical care with the World Bank, and is considering the need to revise contribution rates and the income ceiling for calculating insurance premia. With the help of the World Bank, it is also carrying out an actuarial study of the NSSF liabilities.

LEBANON—LETTER OF INTENT

The BdL is taking steps to strengthen its operating procedures. In particular, the BdL is working toward full adoption of the International Financial Reporting Standards, and will adopt an implementation roadmap by end-2008. In addition, the BdL will establish a formal investment committee, draft formal guidelines for foreign reserve management, and adopt formal policies for the selection, appointment, and rotation of its external auditors. It will also sharpen its focus on core activities by starting the privatization of shares in the BdL's non-financial assets, notably Middle Eastern Airlines and the investment company Intra.

In the context of the program, we remain committed to an open trade and exchange system, and are taking steps to become a full member of the World Trade Organization. We will avoid imposing restrictions on payments and transfers for international transactions, introducing or intensifying trade restrictions for balance of payments purposes, or resorting to multiple currency practices.

A satisfactory implementation of our 2008 program under EPCA, a further strengthening of capacity, including through technical assistance from the Fund, and an improvement in economic and social conditions should allow the government to move to a more ambitious part of its reform program in the second half of 2009. At that stage, we intend to explore the possibility of further Fund support for our program through a Stand-By Arrangement.

The Government of Lebanon and the BdL will provide the IMF with any available information it may request on the implementation of the program, consistent with the understandings reflected in the attached Technical Memorandum of Understanding, and will consult with Fund staff regarding any revision to the policies described above.

Sincerely yours,

Mohamad Chatah
Minister of Finance

Riad T. Salamé
Governor
Banque du Liban

Attachments to LOI

- I. Quantitative Indicative Targets, December 2008–June 2009
- II. Monitorable Actions, December 2008–June 2009
- III. Technical Memorandum of Understanding

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Attachment I. Lebanon: Quantitative Indicative Targets Under the Program Supported by Emergency Post-Conflict Assistance, December 2008-June 2009

(In billions of Lebanese pounds unless otherwise indicated; end-of-period)

	2008	2009			
	Dec. Prog.	Mar. Prog.	Jun. Prog.	Sept. Prog.	Dec. Prog.
I. Gross reserves of the Banque du Liban (stocks) 2/	24.718	24.867	25.436	27.818	29.049
II. Primary balance of the government, before grants (cumulative flows)	79	-346	314	157	283
III. Government net borrowing from the Banque du Liban (stocks)	5.905	5.700	5.700	4.469	4.388
IV. Accumulation of government gross arrears (cumulative flows, continuous)	0	0	0	0	0
V. Accumulation of external arrears by the government and the Banque du Liban (cumulative flows, continuous)	0	0	0	0	0
Memorandum items:					
Outstanding letters of credit contracted by Electricité du Liban (stock, millions of U.S. dollars)	1.046	766	733	777	777
Disbursements of official grants and loans to government (cumulative flows)	1.304	222	365	822	1.431
Banque du Liban's holdings of Republic of Lebanon Eurobonds (stock)	1.187	1.187	1.187	1.187	1.187
Disbursements of grants to the government (cumulative flows)	522	39	113	186	237
Of which: disbursements of project grants (cumulative flows)	242	39	56	73	90
Transfers of gold valuation gains from Banque du Liban to government (cumulative flows)	0	0	0	0	0
Projection of revenue from companies slated for privatization (cumulative flows)	..	415	830	909	988

Source: Lebanese authorities.

1/ At program (end-December 2007) exchange rates.

2/ In millions of U.S. dollars. Defined as Banque du Liban's foreign exchange deposits abroad, foreign exchange holdings (including SDRs), gold and holdings of liquid foreign currency-denominated securities, less encumbered foreign assets.

3/ Defined by currency (not by residency), as official foreign currency assets, including gold and SDR, less foreign currency liabilities. Liabilities include the exceptional deposits by foreign governments at the BdL, but exclude liabilities to the government of Lebanon and other official creditors.

LEBANON—LETTER OF INTENT

Attachment II. Lebanon: Monitorable Actions, December 2008–June 2009

Measure	Target Date	Implementation
Fiscal		
Submit to parliament the Global Income Tax draft law	End-March 2009	
Establish a Treasury Single Account	End-June 2009	
Banque du Liban		
Establish an investment committee and draft formal guidelines for foreign reserve management.	End-December 2008	
Adopt formal policies for the selection, appointment, and rotation of the BdL's external auditors.	End-June 2009	
Power sector		
Revise electricity tariff structure consistent with program objectives.	End-December 2008	
Privatization		
Issue a Request for Application in participating in the process of acquiring the licenses and assets of the two mobile telephone companies (MIC1 and MIC2).	End-March 2009	

Attachment III. Lebanon: Monitorable Actions, December 2008 - June 2009

I. INTRODUCTION

This memorandum sets out the commitments of the Lebanese authorities for the period to June 30, 2009 relating to the Emergency Post-Conflict Assistance (EPCA) requested in the Letter of Intent. Section II defines the indicative quantitative targets and relative adjusters reported in Attachment I, and Section III establishes the content and frequency of the data to be provided to IMF staff for monitoring the program.

II. QUANTITATIVE INDICATIVE TARGETS

A. DEFINITIONS AND CONCEPTS

1. Test dates. Quantitative indicative targets are set quarterly starting December 31, 2008 through June 30, 2009, and are to be met at the end of each quarter unless otherwise specified.
2. Government. For the purposes of the program, "government" includes the central government, the Council for Development and Reconstruction (CDR), and the grant-financed operations of the Higher Relief Commission (HRC). It excludes all other agencies not specifically listed, including, but not limited to, the following: Electricité du Liban (EDL), municipalities, the Régie, and NSSF. The government balance is defined on a modified cash basis to include foreign-financed expenditure of the CDR, all operations of the HRC, any treasury advance, and arrears (as defined below). Unless otherwise specified, fiscal data are compiled according to the Government Finance Statistics (GFS) manual 1986.

APPENDIX A

3. Project grants are defined as those grants to the government (as defined above) linked to specific project financing, and do not include grants received for general budgetary support. Budgetary grants are grants received for general budgetary support, including grants in support of specific budget lines and grants to be applied to debt reduction. These concepts include—but are not limited to—conflict-related and Paris III grants.
4. Arrears. Domestic arrears are defined as government expenditures that have not been paid within 90 days of a payment order being issued. External arrears are defined as overdue payments (principal or interest) on external debt contracted or guaranteed by the government or the Banque du Liban (BdL).
5. Valuation changes. All data are expressed in Lebanese pounds (LL), unless otherwise indicated. To exclude foreign exchange valuation effects: (i) gold will be valued at the December 31, 2007 price of US\$ 828.4 per fine troy ounce; (ii) the U.S. dollar value of foreign assets and liabilities will be converted into LL at the exchange rate of US\$1 = LL 1507.5; and (iii) all foreign assets and liabilities denominated in currencies other than the U.S. dollar will be converted into U.S. dollars and/or LL at their respective exchange rates prevailing as of December 31, 2007, as published in the IFS.

B. INDICATIVE TARGETS

Target 1. For the purpose of the program, the Gross Reserves (GR) of the BdL (floor, U.S. dollars) are defined as BdL's callable foreign exchange deposits abroad, foreign exchange holdings (including SDR), gold, Eurobonds issued by the Republic of Lebanon (henceforth "Eurobonds"), and holdings of investment grade liquid foreign currency-denominated securities. Encumbered assets will be excluded from GR. The floor for GR will be adjusted (i) downward (upward) for the full amount of any shortfall (excess) in disbursements of official grants and loans to the government relative to those projected in the program; and (ii) downward (upward) for the full amount of sale (purchase) by the BdL of Eurobonds relative to the baseline projection of BdL holdings.

Target 2. The primary balance of the government, before grants (floor) is defined as the **overall fiscal balance on a modified cash basis** plus interest payments minus grants received. Securitization proceeds will not be counted as above-the-line revenue. For the purpose of the program, any transfer from the BdL not related to realized profits (including from gold revaluation) will be considered to be capital (below the line) transfers and therefore excluded from the primary balance.

Monitoring of the primary balance before grants, for the purpose of the program, will be carried out from the financing side. **The overall balance on a modified cash basis** is calculated as the negative of the sum of the following: (i) the change in net BdL claims on the central government; (ii) the change in net claims on the central government by the rest of the banking system; (iii) the change in net claims on the central government by public sector institutions; (iv) the change in net claims on the central government by other creditors; (v) the net change in government arrears; (vi) proceeds from exceptional financing (items such as privatization revenues, gold or foreign exchange revaluation proceeds, and securitization proceeds); minus (vii) the net change in the CDR and HRC accounts at the BdL. Budgetary and project grants to the government (as defined above) will also be measured through BdL. All changes will be calculated as the difference between end-period stocks, net of any valuation changes resulting from currency movements and changes in accrued interest reflected in the gross debt stock that are reported separately by instrument. For the purpose of the program, interest payments will be measured on a cash basis.

The floor on the primary balance before grants will be adjusted (i) downward (upward) for higher (lower) than projected project grant disbursements and (ii) downward for the net amount of the revenues lost due to privatization pro-rated on the basis of the revenue projections specified in Attachment I.

Target 3. Net government borrowing from the BdL (ceiling) is defined as the difference between the BdL claims on the government, in domestic and foreign currency, including all holdings of government securities; and the deposits in domestic and foreign currency of the government at the BdL. For the purpose of the program, any transfers from the BdL other than realized profits (e.g., from securitization of future profits) will be treated as net government borrowing from the BdL. The ceiling for net government borrowing from the BdL will be adjusted: (i) downward for the full amount of any excess in transfers from the BdL's gold revaluation relative to those projected under the program; and (ii) downward (upward) for higher (lower) than projected budgetary grant disbursements.

Target 4. New gross domestic arrears of the government (continuous ceiling) are defined as the change in gross domestic arrears arising after September 30, 2008. "Gross" arrears indicates that the taxes and contributions owed to the government are not netted out of the arrears.

Target 5. New external arrears of the government and the BdL (continuous ceiling) are defined as the change in external arrears after September 30, 2008.

III. REPORTING REQUIREMENTS

To permit the monitoring of developments under the program, and as part of and in addition to the regularly reported data, the government will provide to the office of the Resident Representative of the IMF in Beirut the information specified below:

- Gross Reserves and components (monthly)
- BdL's net foreign exchange position, defined, on the basis of currency, as official foreign currency assets, including gold and SDRs, less foreign exchange liabilities. These are defined to include the exceptional deposits by foreign government at the BdL and IMF purchases, but exclude liabilities to the government of Lebanon and other official creditors.
- Weekly BdL gross foreign exchange market purchases and sales
- Monetary aggregates, including currency in circulation, M3 and non-resident deposits (weekly)
- BdL balance sheet, including a break down of all assets and liabilities by instrument, by currency and remaining time to maturity (monthly)
- Data on outstanding BdL instruments by type (coupon or discount), currency, amounts, remaining maturity, and yield (monthly). Data on auctions or sale of CDs by the BdL, including amount, maturity, yield, and any premium paid (monthly)
- BdL income statement on an accrual basis (quarterly)
- Commercial banks' balance sheet (monthly)
- On a checks-issued basis, summary budget operations, revenues, expenditures (including net advances), net domestic financing, balances in the government accounts with the BdL and commercial banks (including privatization accounts), the receipt and use of privatization proceeds (monthly), monthly cash data on foreign-financed capital expenditures, and relief and reconstruction expenditures

APPENDIX A

- Government debt and financing: Government debt statistics as per the usual reporting format provided by the BdL, including BdL lending to EdL. Government interest expenditure on a cash basis by debt instrument and currency. Grants received by government (including CDR and HRC), of which project-related grants. Privatization proceeds. Valuation changes to the outstanding stock of debt due to currency fluctuations. Changes in the outstanding stock of accrued interest that is reflected in the debt stock. The new stock of domestic and external arrears. Any put or call options, collateral guarantees, warrants or similar derivative arrangements entered into by the government or the BdL. On-lending operations of the government. Securitization of future payment flows to the government or resulting in future payment flows to or from the government. Amortization payments by debt instrument.
- Outstanding debt contracted by EdL and guaranteed by the government, including letters of credit entered into, with breakdown of principal and interest (monthly)
- The annual accounts of the NSSF, including the disaggregated accounts of each of the three NSSF funds and any contractual arrears (as defined above) from the central government on NSSF contributions
- Foreign assistance received (separating grants from loans and budget support from project financing), and full terms of the newly-contracted but not disbursed loans (monthly)
- Balance of payments (current, capital, and financial accounts) (monthly)
- List of short-, medium-, and long-term public or publicly guaranteed external loans contracted during each quarter; identifying, for each loan: the creditor, the borrower, the amount and currency, the maturity and grace period, and interest rate arrangements (quarterly)
- Revision of electricity tariff structure and resulting savings for EdL

Weekly data and data on the central bank CD auctions should be sent to the Resident Representative's office in Beirut with a lag of no more than one week. Monthly and quarterly data should be sent within a period of no more than four weeks, except for balance of payments data, which should be sent within a period of no more than eleven weeks. Any revisions to previously reported data should be communicated to the Resident Representative's office in the context of the regular updates.

The authorities will prepare and send to the Resident Representative's office reports, with appropriate documentation, indicating progress achieved, explaining any deviations relative to the initial targets, and specifying expected revised completion dates of the monitorable actions specified in Section III.

Details on major economic and social measures taken by the government that are expected to have an impact on program sequencing (such as new legislation on decrees) will be sent in a timely manner to the Resident Representative's office.



APPENDIX B

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

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Unrealized	Details and Status
	<p>a) Project financing: €196 million in existing projects (Tripoli Port Project - €31 million, Tyre waste water treatment - €45 million, Lebanese Highway projects - €60 million, Greater Beirut waste water project €60 million).</p> <p>b) Project financing: €200 million expected to be spent on €70 million for waste water and €130 million in the power sector. On 17 November 2008, EIB approved water project and expected to be signed by end of 2008. On Dec 20 COM approved agreement and delegated its signature to CDR. Signature is expected in February 2009.</p> <p>c) Private sector support: \$709 million (€545 million); €60 million signed with CDR and approved by Parliament; €100 million signed with CDR on November 29, 2007 (subsidized with EC €15 million grant signed on August 30, 2007) for providing credit to the private sector (subject to Parliament approval). Invested €12.5 million (€7.5 million Byblos Venture, €5 million in Bader). Signed agreements for: €60 million Byblos Bank on 20 December 2007; Banque Libano-Française on 21 December 2007 for €20 million; Fransabank on 21 December 2007 for €30 million, Bankmed on 27 December 2007 for €25 million, and Bank Audi on 27 December 2007 for €60 million. Signed agreement with Fransabank for €40 million loan related to securitization. EIB also approved €25 million to Bank of Beirut, €20 million to Crédit Libanais, and €7 million to IBL Bank.</p> <p>d) Technical Assistance: \$19.5 million (€15 million) may be used for implementing privatization.</p>
	<p>a) Budget support: \$100 million grant received on 11 April 2007. Funds were used to repay \$76 million in Eurobond interest, \$9 million for foreign loans, \$15 million for Treasury bills interest in LL.</p> <p>b) Project financing: \$1,000 million. Possible financing for power sector, cost overruns and indirect budgetary support.</p>
	<p>a) Budget support: \$100 million Reform Implementation Development Policy Loan (RIDPL) was received on September 29, 2007.</p> <p>b) Private sector support through IFC: signed \$250 million: BLOM Bank (\$50 million), Fransabank (\$25 million) and Crédit Libanais (\$15 million); Trade Finance agreements totaling \$100 million: Bank Libano-Française (\$20 million), Bank of Beirut (\$40 million), and Fransabank (\$40 million); Risk sharing facility with Bank of Beirut of up to \$25 million; An investment of \$20 million was made in a retail institution (ADMIC). On July 15, IFC invested \$15 million in Butec.</p> <p>c) Project support: Additional financing of the Urban Transport Development Project for \$70 million is expected to be signed on 30 January 2009.</p>
	<p>a) Private sector: Pledged \$120 million through OPIC & Citigroup. i) Citigroup and The Overseas Private Investment Corporation (OPIC), extended a total of \$220 million to commercial banks of which, \$20 million and \$50 million up to 15-year term loan facilities to Banque Libano-Française SAL (Lebanon) and Byblos Bank. (ii) The remaining amount are with undisclosed financial institutions. Additional amounts were signed for a cumulative total of \$220 million. These funds will be used for small and medium-sized enterprises (SMEs), housing and consumer finance.</p> <p>b) UNIFIL: \$184.5 million.</p> <p>c) Armed forces & Internal Security Forces: Total \$285.5 million; \$270 million in training and equipment received.</p> <p>d) Budget support: total \$250 million, MOU signed on July 5, 2007. Grant agreement for \$75 million signed on August 31, 2007; grant agreement for \$50 million signed on December 14, 2007; amounts received: \$14 million no December 1, 2007; \$7.1 million on Jan 15, 2008; \$89.2 million on Jan 24; \$139,252 on Feb 1; \$2.3 million on Feb 15; \$1.9 million on March 3; \$1.3 million on April 1; \$3.4 million on April 15; \$5.5 million on May 15; \$60,000 on June 1, 2008.</p> <p>e) Development aid through USAID: \$50 million.</p>

APPENDIX B

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-kind	To BDL	Grant to Government		Loan to Government		
							Budget Support	Project Finance	Budget Support	Project Finance	
Arab Fund for Economic & Social Development	\$750	\$85								\$665	
France	\$650	\$163							\$488		
European Commission	\$486		\$10	\$4			\$39	\$368	\$65		
United Arab Emirates	\$300								\$300		
Islamic Development Bank	\$250			\$3				\$2		\$245	

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Unrealized	Details and Status
	<p>a) Private sector support: KWD 25 million through CDR and BDL pending Parliament approval.</p> <p>b) Projects Underway: Electricity sector: KWD 35 million (pending Parliament approval); Damaged infrastructure: KWD 30 million (ratified on 5 Sept 2008); support for admin reforms: KWD 9 million (ratified on 5 Sept 2008); water & waste water: KWD 25 million (ratified on 13 December 2008).</p>
	<p>a) Private sector support: €125 million. Signed €85 million with local intermediaries: AFD has signed agreements with Byblos Bank for €25 million, Société General de Banque au Liban (SGBL) for €10 million, Fransabank for €10 million, Libano-Francaise for €15 million, Banque Audi for €25 million totaling €85 million (\$111 million).</p> <p>b) Budget support: €375 million loan in three tranches. On December 7, 2007 the National Assembly approved Amendment #61, which provides the French Government guarantee for the loan. Loan agreement was signed on Feb 21, and first tranche of €150 million was received on Feb 27, 2008.</p>
	<p>a) Budget support: €80 million package for Macro-Financial Assistance: €50 million loans and €30 million grant to offset the interest payments. The €80 million package was approved by EU Parliament on 12 December 2007. Signed on 19 Dec 2009.</p> <p>b) Recovery (Grants pledged in Stockholm): €107 million.</p> <p>c) Grants in the framework of EC cooperation with Lebanon for the period 2007-2010: total €187 million.</p> <ul style="list-style-type: none"> - On 26/9/2007 signed with PCM €10 million for technical assistance for support to socio-economic and political reforms; - On 30/8/2007 signed with CDR €15 million facilitating access to finance by subsidizing EIB's loan to DBL, ""Enterprise support facility with the EIB"" - On 2/8/2007 signed with CDR €18 million for Support for the Economic Recovery and reconstruction of Lebanon - On 23/7/2007 signed with CDR and OMSAR €18 million (for local development, reconstruction and repair of infrastructure. - On 2/7/2007 signed with CDR €10 million Reconstruction Assistance Facility - On 10/12/2007 signed with Ministry of Interior €4 Million for Security and Rule of Law, i.e. technical assistance to the ISF for police training - On 22 January 2008, €545,000 was signed with the Central Administration of Statistics <p>d) UN Agencies:</p> <ul style="list-style-type: none"> - €1 Million with UNDP for technical assistance to the LMAC, to be followed by 3 Million with NGOs for demining - €3 million with UNRWA for EU university scholarship fund for Palestine refugees in Lebanon - €4 Million with UNRWA for camp improvement in November. <p>In the pipeline: performance budgeting, private sector development support.</p>
	<p>Budget support: \$300 million. Signed loan agreement. \$300 million received in three tranches each \$100 million on December 24, November 7, and November 29, 2007.</p>
	<p>Signed agreement with CDR on April 4, 2008, sent to Parliament on 5/5/2008</p> <p>a) Project lending: \$30 million is in a soft loan for social sector projects and \$215 million at a higher interest rate to be determined for each project. Sectors covered:</p> <ul style="list-style-type: none"> - Waste and waste water sector - Total \$90 million (\$70 million for greater Beirut and \$20 million for Akkar) - Infrastructure: Total \$23 million (Saida \$15 million and Beirut \$8 million) - Health: Total \$32 million (a new hospital in Tyr for \$10 million, and rehabilitation of other hospitals for \$22 million) - Schools - Total \$5 million for building schools in areas where this is a need - Rehabilitation of roads - approximately \$80 million - Contingencies \$5 million - \$2 million as technical assistance grants for project preparation and implementation. <p>b) CSOs: \$3 million was spent on relief through CSO.</p>

APPENDIX B

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-kind	To BDL	Grant to Government		Loan to Government		
							Budget Support	Project Finance	Budget Support	Project Finance	
Arab Monetary Fund	\$250	\$100				\$43			\$107		
Italy	\$156		\$20	\$13				\$26		\$98	
Germany	\$134							\$113		\$21	

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Unrealized	Details and Status
	<p>a) Budget support: \$107 million loan linked to fiscal reforms. Mission was in Lebanon in November 15 - 20, 2007. Signed agreement with MOF for \$32 million budget support loan on December 26, 2007. Sent to Parliament on 20 December 2008. MOF signed an oil facility for \$85 million with the AMF on 22 December 2008 based on COM approval on December 20, 2008. MOF signed a trade facility agreement on 22 Dec 2008 for \$45 million.</p> <p>b) \$43 million support for reforms at BDL particularly risk mitigation and accounting system. Signed on December 26, 2007.</p> <p>c) Private sector support: \$100 million support through the Arab Trade Financing Program. \$107 million signed: In April 2007, The Arab Trade Financing Program (ATFP) signed credit line agreements with Crédit Libanais s.a.l., Fransabank s.a.l., BankMed s.a.l. and Banque Libano-Francaise s.a.l. for a total of \$57 million. This agreement aims to help finance foreign trade deals. In March 2007, ATFP signed an agreement with Byblos Bank for \$25 million. Signed Credit line agreements with Crédit Libanais, Fransabank, Banque-Libano Francaise and BankMed totaling \$57 million in May 2008.</p>
	<p>a) Project financing:</p> <ul style="list-style-type: none"> - €10 million grant for the Lebanese Government for three projects: the rehabilitation of Baabda Hospital, the construction of a water distribution system in Danniyeh and a project for children with learning disabilities in schools implemented by the Ministry of Social Affairs. Received by CDR on December 18, 2007. On September 2, 2008 Italy approved additional bi-lateral projects for €8.8 million. €8.8 million were received by CDR on 8 January 2009. - Soft loan of €75 million for projects with CDR a focus on water, water management, and waste water treatment plants (possible financing of 4 waste water stations in Bakkoun, Bint Jbeil, Hasbaya and Hermel). <p>b) UN Agencies: €10 million grant: ILO for vocational training (€2 million), FAO for an observatory and assistance to marketing and production in agriculture (€3 million), UNRWA for recovery of the Nahr el Bared camp (€2 million), UNDP for support to the Lebanese municipalities neighboring Nahr el Bared camp affected by the conflict (€1.3 million), UNFPA for a project on domestic violence (€0.7 million) and UNMAS for demining (€1 million).</p> <p>c) Civil Society: €9 million grants for projects proposed to the Italian Embassy by NGOs under the ROSS Program "Emergency Initiative for Rehabilitation, Occupation, Services and Development". In 2008, addition €1.2 million was allocated for infrastructure projects in villages of Chouf and Aley</p> <ul style="list-style-type: none"> - €1 million grant for technical assistance.
	<p>Project support:</p> <p>Signed agreement with CDR:</p> <ul style="list-style-type: none"> - €3 million for the rehabilitation of vocational schools in the South and Bekaa (through KFW). Completed. - €2 million for emergency water projects in Dahia (through KFW). Completed. - €3 million for equipment of vocational schools in the South (through GTZ) - €5 million to support projects in the water sector and vocational training (through GTZ). Ongoing. - €4.5 million fund for the environment (through GTZ). €2.5 million worth of projects were selected. - €0.5 million for studies in the water and vocational sectors - €10 million for projects in the water and waste water sector and related electrical works in the South, Bekaa, Dahia through CDR, the Council for the South and several municipalities. Under implementation. - €12 million for creating a central waste water project in the North benefiting the residents of the Nahr el-Bared and Baddawi camps. In the detailed design phase. - €2 million for cost overruns to complete the building of two schools. On going. - Also included, €16 million project loan for waste water collector for Greater Beirut started in 2006. In the tendering process.

APPENDIX B

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Finance	Budget Support	Project Finance
International Monetary Fund	\$77								\$77	
Spain	\$53		\$37	\$11				\$5		
Egypt	\$44				\$44					
United Kingdom	\$35		\$35							
Belgium	\$26	\$12	\$6	\$3				\$4		
Turkey	\$20				\$20					
Canada	\$17		\$13					\$4		
Norway	\$15		\$3	\$11				\$1		
Oman	\$10						\$10			
Jordan	\$8									
Greece	\$7				\$5		\$1			
Sweden	\$6		\$5	\$1						

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Unrealized	Details and Status
	Balance of payments support received on April 4, 2007.
	Total pledged €40 million: a) UN Agencies and CSOs: total of €36.34 million (UNDP, UNICEF, IRC, UNRWA and Spanish NGOs). Includes LRF a total transferred of €25 million. b) Project support: €1.76 million for technical assistance, €1.9 million for project financing.
	Signed agreement with PCM on \$14.6 million as an in-kind grant to rehabilitate the Jiyeh Power plant (execution by Petrojet). Project was completed in Q3 2008.
	Contribution to European Commission: \$80 million UNRWA in Lebanon: \$30 million Implementation of UNSCR1701/UNIFIL: \$5 million
	a) Private sector support: €10 million export credit yet to be formalized; b) UN Agencies: UNDP: €3 million for Art Gold programme, signed on 9 December 2008; €0.275 political reform; UNRWA: €0.5 million; Tribunal €0.02 million c) Project Financing: €3 million grant to rehabilitate Tebnin public hospital (equipment and services) - Signed on 21 August 2008. Under Implementation d) CSOs: Belgian Red Cross €1 million, International Organization for Migration €1.5 million.
	In-kind contribution: hospital for trauma and rehabilitation of the physically disabled. On October 27, 2007, in-kind grant was approval by the Council of Ministers. Signed on 3 November 2008.
	a) UN Agencies: Assisting Ministry of Labor in developing labor market information with the assistance of the ILO- \$2.2 million.
	a) CSOs: Norwegian NGOs: NOK 59,502,117; The Norwegian Coastal Administration: NOK 7,723,327; Foreign NGOs (Mines Advisory Group): NOK 7,500,000; Others = NOK 2,450,000. b) UN agencies: (UNRWA and UN Resident Representative's Office): NOK15,700,000. c) High Relief Council for oil spill: NOK 5,401,700; Transferred \$1 million to HRC for dealing with the oil spill on 12 December 2007.
	Budget support: \$10 million for debt reduction on received on December 5, 2007.
\$8	
	a) Budget support to be channeled to the Ministry of Public Works to rehabilitate one bridge in Riyak and to build 23 pedestrian bridges. b) In-kind contribution: In discussions with CDR regarding supplying medical equipment for health centers and projects related to energy efficiency.
	a) UN agencies: SEK 8 million to the UNDP-project for Peace-building and Reconciliation; SEK 23 million to UNDP-projects for the Municipalities - all over Lebanon, including the North. b) CSOs: SEK 5 million to the Swedish Rescue Agencies-projects in Lebanon; SEK 4 million to Swedish NGO's working in Lebanon (e.g. Swedish Save the Children and Diakonia).

APPENDIX B

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Finance	Budget Support	Project Finance
Australia	\$5		\$5						\$77	
China	\$4				\$4					
Denmark	\$3.5		\$2.0	\$0.5				\$1		
Ireland	\$3									
Japan	\$4		\$2	\$2						
Austria	\$1		\$1							
Finland	\$1		\$1					\$4		
Brazil	\$1				\$1.00			\$1		
Malaysia	\$1				\$1					
South Korea	\$1				\$1					
Luxemburg	\$1									
Portugal	\$1									
Cyprus	0.221		0.221							
Slovenia	\$0.13						\$0.13			
Malaysia										
IMF (EPCA II)										
Total	\$7,532	\$1,463	\$324	\$99	\$362	\$43	\$400	\$543	\$1,337	\$2,948

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Unrealized	Details and Status
	World Health Organization: \$1.5 million; UNICEF: \$1.5 million; UNRWA: \$1 million; UN Mine Action Service: \$1 million.
	Signed a grant agreement with CDR for Yuan 30 million (\$4 million). Included are equipment to the telecom sector and implementing a Confucius Institute.
	a) UN Agencies: \$1 million grant to UNMAS disbursed in February 2007 to support the clearance of unexploded ammunition in South Lebanon; \$1 million in grant to UNRWA disbursed in February 2007 to support UNRWA camps for Palestine refugees in Lebanon b) CSOs: \$500,000 in grant to the Danish Refugee Council (NGO) disbursed in February 2007 to protection and promotion of livelihood in South Lebanon, c) Project support: \$1 million committed to the German-led border management project in the north of Lebanon. The project involves the Lebanese Armed Forces, General Security, Internal Security, and General Customs.
\$3	
	a) UN Agencies: \$1 million to UNRWA, \$1 million to UNMAS b) CSOs: \$1.3 million for 3 Japanese NGOs, \$0.67 for Lebanese NGOs.
	UN Agencies: €700,000 via UNDP for small business and farming units; €300,000 via UNRWA.
	UN System: €470 000 been allocated to UN-Habitat.
	In-Kind support: Transfer of information technology to Lebanese professionals (US\$6,291) Transfer of technology in management of solid waste for Lebanese Professionals: US\$ 6,589; Transfer of banking technology for Lebanese professionals: US\$9,810; Technical training for swift response in control of epidemics: US\$10,972; Revision of pathology protocols: US\$ 9,013.82; Support for the development of courses in the fields of chemistry, physics and biology: US\$ 5,468; Support for the internet connection of the Ministry of Education with its decentralized branches: US\$ 8,828.
	Implementing projects in the South including medical clinics and water well in Antara including providing filters for the wells. Total spent by July 2008 is \$0.25 million.
	Currently assessing various projects.
\$1	
\$1	
	UN Agencies: UN Habitat €170,000 for "Good Governance for Enhanced Post-War Reconstruction: An integrated Approach to respond to Recovery in Southern Lebanon". Additional funds have been allocated to this project above the Paris III pledge and covered by the Cyprus Development Cooperation.
	Received support on October 30, 2007.
	Debt restructuring agreement for \$500 million which was discussed in Paris III (although not included in pledges). The restructuring was conducted in July 2007.
	EPCA II was signed a total of \$37 million were received.
\$12	



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