



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE



# Public Services and Support *Outreach and Gaps*

**Ministry of Finance**  
*December 2007*



# Presentation Outline

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Objective and Scope

2

The Challenges: the past, the present and the future

3

Public Provision of Basic Social Services

3.1

*Health Services*

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Public Provision of Care and Welfare Services

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Government's Social Assistance Programs and Services  
*Income Support Schemes*

6

Economic Opportunities and Job Creation



Objective: **W**hat the government is providing, **W**ho is being served, by **W**hom the service is being rendered...  
**H**ow to make it work better?

## First Step Towards identifying beneficiaries from Government Services and Subsidies

### ■ **What is being Offered?**

Social Services and Subsidies offered by the Government

### ■ **Who is providing and what?**

The service providers and programs offered

### ■ **Who is being reached?**

Enumerating the beneficiaries from Government services and subsidies

### Government's drive towards:

- ✓ Self-Assessment
- ✓ Benchmarking Government coverage
- ✓ Improving Efficiency and cost-effectiveness of the public service
- ✓ Increasing Outreach
- ✓ Increasing Transparency
- ✓ Public Awareness and Dialogue

The exercise will be built upon in the future and will be further developed into a monitoring tool to be used by the government and the public to assess government performance.



# Scope of the Services Covered: *Not the public service in its broad term and not the social service in the narrow term...*



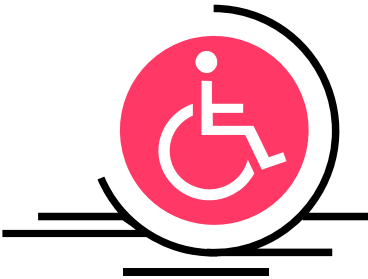
## Basic Social Services

Health and Education



## Subsidies: income support schemes

Agriculture, EDL, housing, ...

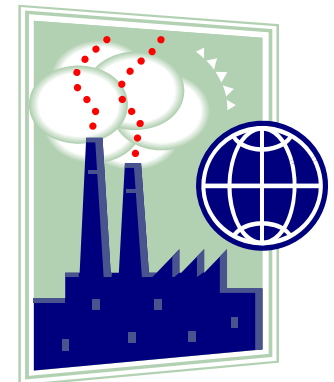


## Social assistance

Care services for under-privileged groups, local development,...

## Job creation through promoting investment and economic growth

Interest subsidy schemes, loan guarantee, tax exemptions,...





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## Challenges of yesterday and today...

### Never Ending Challenges for Decades...

Some are common and others are very particular to Lebanon

- Drawbacks of the civil strife (displacement, handicapped, widows, detainees...)
- Periodic and massive shocks
- Political upheavals
- Large Debt Overhung
- Macro-economic instability
- Erratic Economic growth
- Insufficient job creation to match growing labor supply
- Absence of a comprehensive framework for social policy (duplication of efforts and waste of resources)



# And the challenges to come....

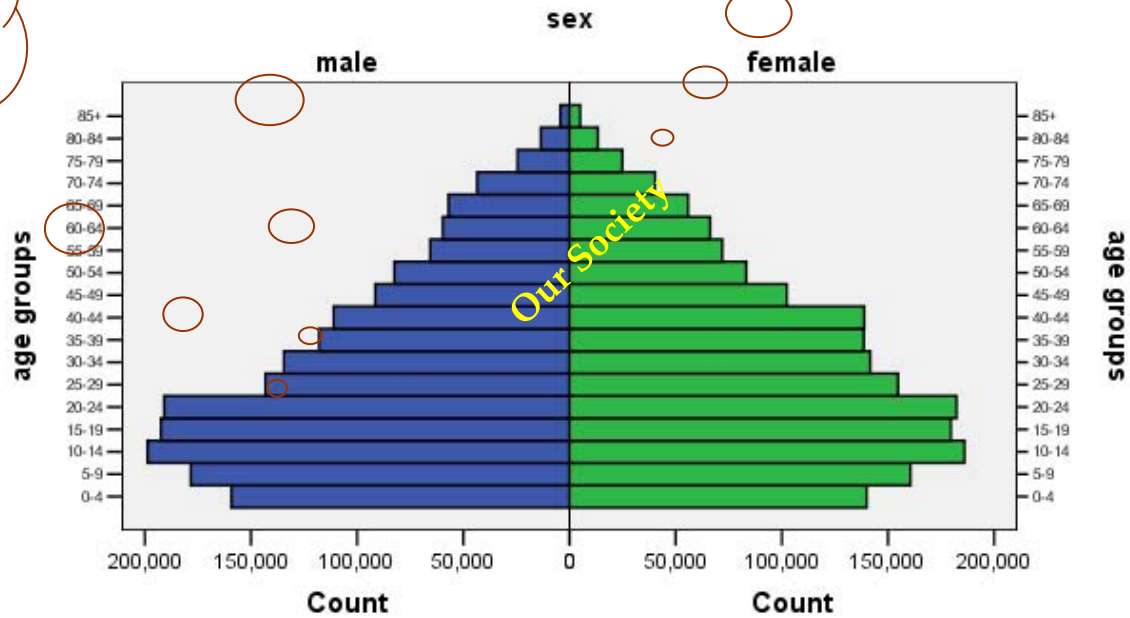
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Education and the forthcoming rush into the labor market

Labor market and migration: the distortion in the age pyramid showing high male migration

Social Protection and Social insurance: growing number of elderly





## Some challenges in numbers...*The Vulnerable Groups in Lebanon*

Vulnerable Group	Profile	Estimated Number	Major Characteristics
<b>Female Headed Households</b>	Financially responsible for their families	More than <b>120,000</b> (14.2% of total heads households) Of which: <b>3,500</b> are very poor	- More liable to have low living conditions and deprivation
<b>Working Children</b>	Working children between 10 and 19 years old of age	<b>76,000</b> (10% of total children in this age group)	-Low education levels (high drop-out) -Work under hazardous conditions
<b>The Elderly</b>	Residents who are aged 65 and above	<b>277,000</b> (7.5% of total Lebanese population)	-Low economic activity - Prevalence of diseases - Low coverage by social security
<b>The Disabled</b>	Partial or complete inability to perform one or more of the major activities in daily life	<b>75,000</b> (More than quarter of disabled are aged 64 and above)	-Low economic activity -High levels of illiteracy -Prevalence of inequality at many levels, including social and legal
<b>Workers in Agriculture</b>	Labour involving in plant raising activities as a main source of income	More than <b>80,000</b> (7.5% of total active population)	-Small-sized farmers -Limited diversity and volume of production
<b>Fishermen</b>	Labour involving in fishing activities as a main source of income	More than <b>6,000</b>	-High investment costs -Seasonal work -No Protection benefits
<b>The Unemployed</b>	Individuals not working but actively looking for a job	More than <b>90,000</b>	-Limited jobs -Competition from foreign laborers





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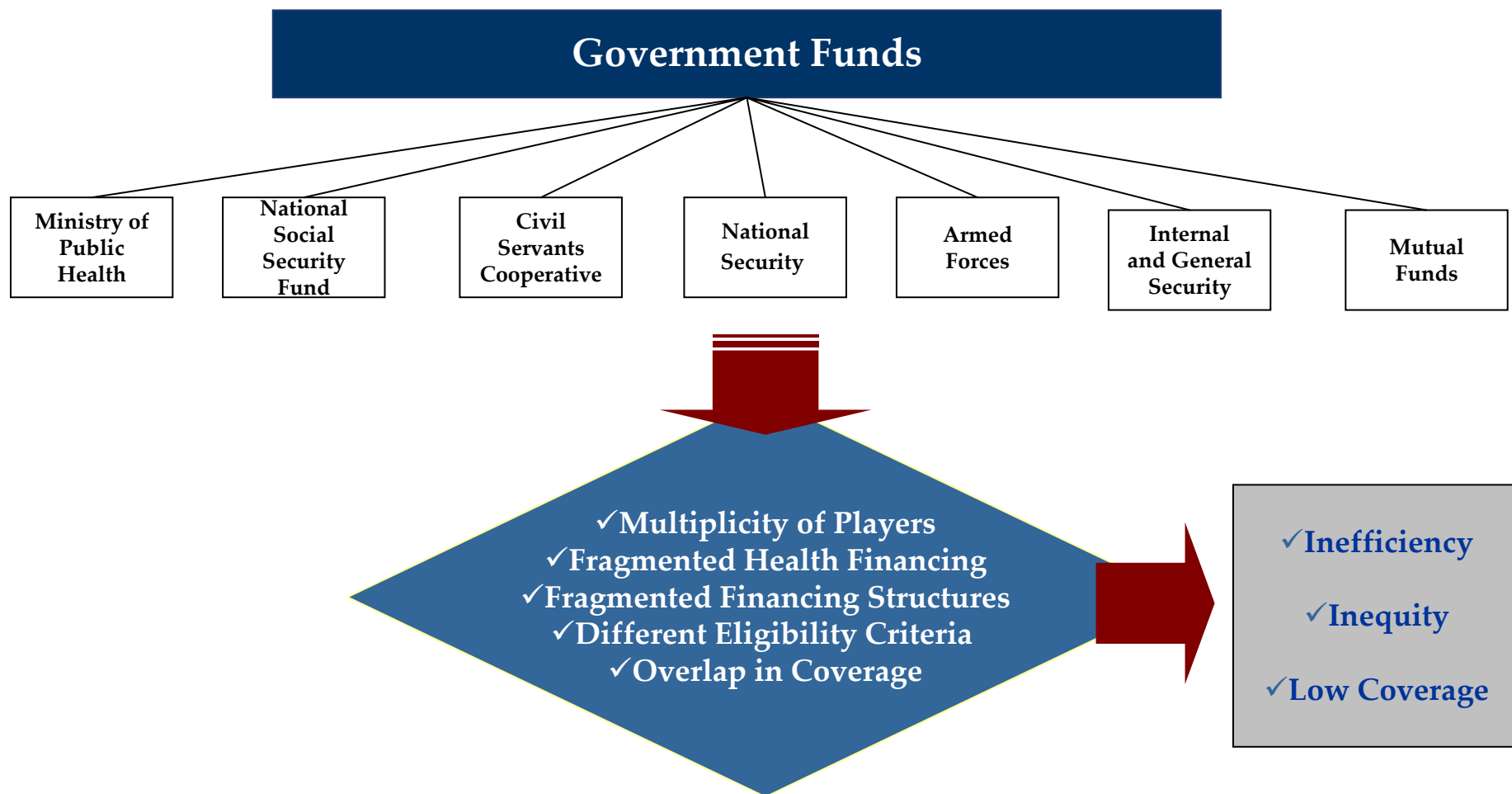
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# Multiplicity of players hindering the efficiency and cost-effectiveness of the provision of health services





# Inequity in distributing health funds: *Different coverage, eligibility criteria, and co-payment... while the money is coming from the same pool.. Public Funds..*

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Insurer	Eligibility	Coverage	Payment by Insurer(%)	Co-Payment by Beneficiary (%)
<b>Ministry of Public Health</b>	Uninsured Lebanese	Hospital Care	85%	15%
	Uninsured Lebanese and Insured Lebanese whose plans do not cover drugs	Drugs for Chronic Diseases	100%	0%
	Any Lebanese showing up at primary health care center	Vaccines & essential drugs to health care centers	100%	0%
<b>National Social Security Fund- Maternity and Sickness Fund</b>	Formal & service sector employees, public wage earners, employees of independent public organizations <i>(coverage of family members)</i>	Hospital Care	90%	10%
		Ambulatory Care	80%	20%
	Private sector employees and some special categories of informal sector (fishers, taxi drivers,..)	Drugs	80%	20%
<b>Presidency of the Council of Ministers- Civil Servants Cooperatives</b>	Public Sector Staff and dependents <i>(coverage of family members)</i>	Hospital Care	90%	10%
		Ambulatory & Dental Care	75%	25%
<b>Presidency of the Council of Ministers</b> 1) <i>National Security Fund</i>	Staff and dependants <i>(coverage of family members)</i>	Hospital and Ambulatory Care	100%	0%
<b>Armed Forces Fund</b>	Army Staff and dependents <i>(coverage of family members)</i>	Hospital & Ambulatory Care and Drugs	100%	0%
<b>Ministry of Interior-</b> 1) <i>Internal Security Fund</i> 2) <i>General Security Fund</i>	Staff and dependants <i>(coverage of family members)</i>	Hospital and Ambulatory Care	100%	0%
<b>Mutual Funds</b> (judges, parliament. university professors, religious judges)	Staff and dependants <i>(coverage of family members)</i>	Hospital and Ambulatory Care	Different schemes for different funds ))	



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# Fragmented Health Financing

Insurer	# of people eligible	% of the population	Insurer Budget for Health Coverage (LBP billion) (year:2006)	Share of Government Contribution	Government's Budget for Health Coverage (LBP billion) (year:2006)
Ministry of Public Health	1,414,740	37.7%	345.87	100%	345.87
National Social Security Fund- Maternity and Sickness Fund	1,200,000	32%	482.77	25% +	121+ (in addition to government contribution as employer)
Presidency of the Council of Ministers- Civil Servants Cooperatives	252,739	6.7%	87.05	85% (direct) (the remaining 15% are through public employees' contributions)	74
Presidency of the Council of Ministers 1) State Security Fund	7,346	0.2%	3.1	100%	3.1
Armed Forces Fund	305,837	8.1%	91.21	100%	91.21
Ministry of Interior- 1) Internal Security Fund 2) General Security Fund	1) 121,607 2) 16,365	1) 3.2% 2) 0.5%	1) 51.75 2) 8.95	100%	1) 51.75 2) 8.95
Mutual Funds	86,400	2.3%	45.8*	25%	11.45
Private Insurance	350,000	9.3%		0%	0
<b>Total</b>	<b>3,755,034</b>	<b>100%</b>	<b>1116.5 (net of private insurance)</b>		<b>707.33</b>

Source: NSSF annual report 2006, COOP, Internal Security, General Security, Ministry of Finance, Household Survey, 2004

38% of the Lebanese population does not benefit from any type of insurance

# Hospitalization is an issue: *Different hospitalization rates, different cost per case, and very high budget*



	# of cases paid for	# of patients	Hospitalization ratio	Hospitalization Expenditures (LBP billion ) (year:2006)	Average cost/case (LBP million)
Ministry of Public Health	183,997	138,026	13	<b>250.95</b>	1.363
National Social Security	247,246		20.6	<b>279.06</b>	1.129
Civil Servants Cooperatives	38,116	27,095	15.08	<b>40.6</b>	1.065

Source: Ministry of Finance, Ministry of Public Health, NSSF Annual Report 2006, COOP Annual Report 2006

- The Ministry of Public Health spends 69% of its budget to cover hospitalization care of patients in the private hospitals
- The hospitalization ratio for the MoPH, NSSF and COOP is very high compared to the national average of 11.4%
- Lebanon has 2.88 beds per 1000 population, making this ratio one of the highest in the Middle East
- Public Hospitals have a low occupancy rate of 56%

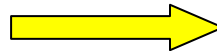
Source: National Survey of expenditure and utilization of health services, Ministry of Public Health, 2001



# The Ministry of Public Health: *Insurer of last resort*

Ministry of Public Health's budget totaled LBP 347 billion in 2006 (3.11% of total budget spending)

**Ministry of Public Health**



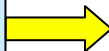
**Insurance of Last Resort**

Any uninsured person is entitled to coverage by the Ministry of Public Health



**1,414,740 persons**

Registered Inpatient visas granted : **138,026**



Utilization Rate is only: **9.78%**

## Services Provided

- ▶ Under-writing costs of hospitalization
- ▶ Primary Health Care Services
- ▶ Ambulatory Care Services
- ▶ Essential drugs for Chronic Diseases
- ▶ National Immunization Plan
- ▶ Support of NGOs work on health and health determinants
- ▶ National Health Programs
- ▶ Public Health Expertise
- ▶ Maternal Care





# The Ministry of Public Health: **W**hat health services? Through **W**hich Channels? **W**ho are the beneficiaries? At **W**hat Cost?

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Area of Contract	Services channeled through:	Services Provided	# of Direct Beneficiaries (year:2006)	MoPH's Budget allocated (LBP billion) (year:2006)	% of MoPH's budget
Hospital Services	-145 Private Hospitals - 29 Public Hospitals	Hospitalization	-150,289 -33,708 } -183,997 cases (corresponding to 138,026 patients)	238.9 (hospitalization) + 12.05 (contributions to public hospitals)	68.85%  3.47%
Primary Healthcare Services	-117 Primary Health Care Centers of which: -8 belong to the Ministry of Public Health -22 are joint centers between MoPH & other institutions	Primary Care Services	- 817,297 cases (corresponding to 748,723 patients)		
Essential Drugs	YMCA (Young Men's Christian Association)	Procurement & distribution of essential drugs for primary care centers	227,281 of which 37,835 new cases in 2006	4	1.15%
Drugs for Chronic Diseases	Drug Dispensing Center-Karantina	Procurement & distribution of chronic drugs	28,182 of which 4,506 new cases in 2006	41	11.82%
Immunization	UNICEF	Procurement & distribution of vaccines for primary care centers	50% of target population (65,405) around 33,000 (442,755 dose)	3	0.86%
Care & Social Services	18 NGOs	Basic Health and Social Services		13.39	3.86%
National Health Programs	WHO	national programs (school health program (major), aids program (NAP), malaria and tuberculosis campaigns, non-communicable diseases program)		0.79	0.23%
Others (administrative , external services and contributions)				32.73	9.46%
<b>Total</b>				<b>345.86</b>	<b>100%</b>



## Issues to think of....

- How to determine the scope of Government intervention in the provision and financing of health care?
- How to optimize the health cost?
- How to improve outreach?
- Pros and Cons of multiplicity of players: Do we go for merging the health funds? Standardize the coverage schemes?
- The role of the Ministry of Public Health and the future of public hospitals
- The role of the private sector: hospitals, insurance and medical body



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# Government plays dual role as Provider and Financer of Education Service : *Conflict of interest*

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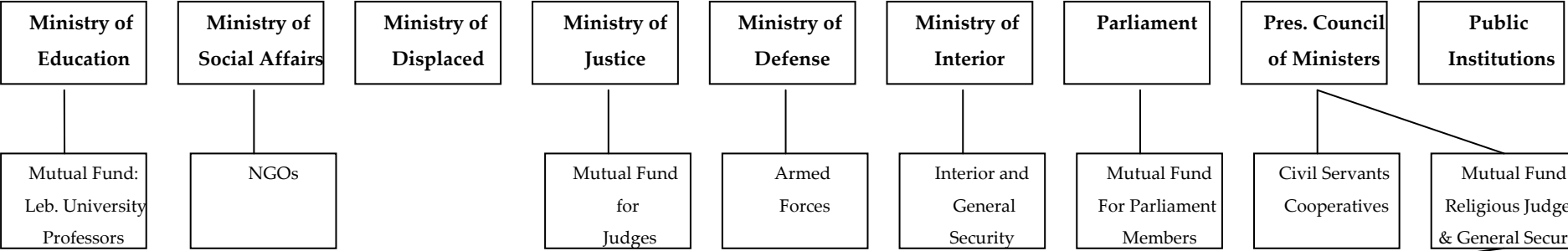
## The Government **Provides** Education Service through :

- Ministry of Education
- Ministry of Social Affairs
- Ministry of Tourism
- Ministry of Health
- Ministry of Culture
- Ministry of Public Works
- Ministry of Finance

Schools, Universities, Institutes

*The Government also finances private subsidized schools and common projects*

## The Government **Funds** Education Service through :



*The Government's funding to the private sector is creating market distortions*

Households: Children of Civil Servants

*90% of Civil Servants' children attend Private Schools!*



# Government as a Provider of the Education Service

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Government Agency	Educational Establishments	Beneficiaries	Budget (LBP Billion) (year:2006)
Ministry of Education and Higher Education	1,399 public general education schools	324,651 of which:	508
		147,279 are students at primary level subsidized for registration fees (LL60,000)	22
	364 subsidized general education schools	115,254	34
	83 public vocational and technical education schools	35,090	74.70
	19 VTE schools (common projects between Ministry of Education and Higher Education & 14 NGOs)	7,696	0.85
	Lebanese University	70,627	173
Ministry of Education & Higher Education- Ministry of Tourism	Technical Institute for Tourism	125	0.17
Ministry of Education and Higher Education- Ministry of Public Health	National Institute for Nursing	1,454	0.34
Ministry of Culture	The National Conservatory for Music		8.2
Ministry of Public Works and Transport	Preparatory Training at Technical School (support to NGO)		0.3
Ministry of Finance	Institute of Finance	4,324 trainees	0.6
Budget allocated for the provision of education services			822.16

Source: Budget 2006 Proposal, Ministry of Education and Higher Education



# Government, not only providing, but also financing provision of education service.. and most of the funds go to the private sector



- After increases in the cost of living and cost of education, many public institutions began offering educational assistance in an attempt to increase real wages;
- Public sector employees' children overwhelmingly attend private schools;
- 19% of public spending on education is channeled through scholarships to children of civil servants

The 3 major financing bodies	# of beneficiaries	Budget (LBP Billion) (year:2006)	Average Scholarship Aid (LBP Million)
Ministry of Defense	58,154*	74.2	1.276
Civil Servants Cooperatives	52,152	70.78	1.357
Ministry of Interior	31,804	37.8	1.189
Remaining Funds	33,890	55.2	1.63
<b>Estimated Total</b>	<b>176,000*</b>	<b>238*</b>	<b>1.353</b>

Source: Sources of Funds Survey conducted on part of Education Development Project academic year 04-05; COOP

\*:Estimated Figures

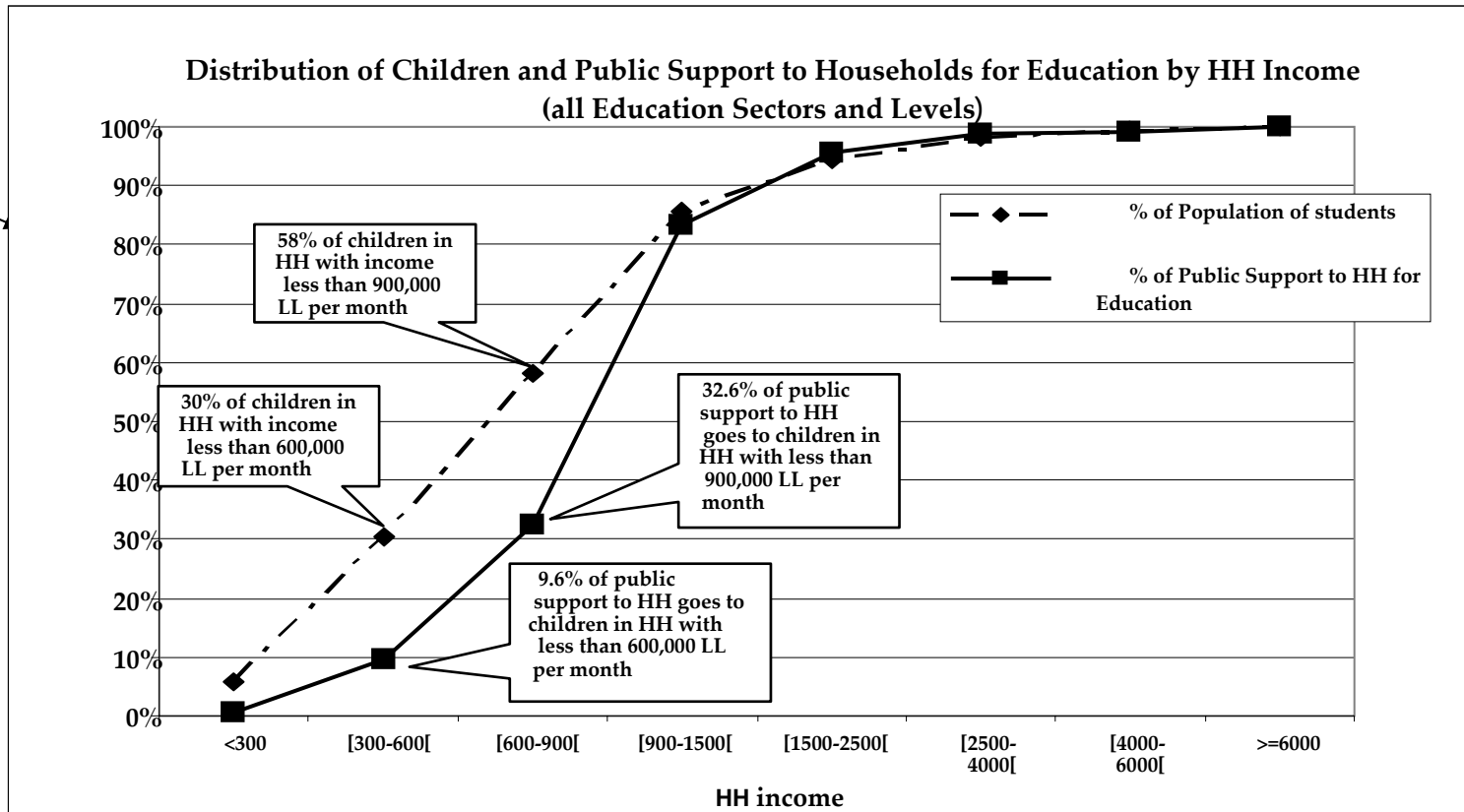




# ... And government funding is highly inequitable, favoring higher income households

Equity : “equal opportunity” “wealth neutral” “adequacy” “compensatory”

Cash grants from public sources





## Issues to think of....

- How to ensure universal basic education? Conditional cash transfers? Provision of textbooks? Cancellation of registration fees?
- How to develop cost-effective interventions to improve the internal efficiency of the system through reducing repetition and drop-out rates?
- Should the Government prioritize public provision of education services over “demand-side” financing mechanisms?
- Should the Government progressively eliminate scholarship aids to children of civil servants and how to compensate for such discontinuity?
- Possible mechanism for phasing out subsidies to private subsidized schools?



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Care and welfare services are provided through the **Ministry of Social Affairs** mostly through subcontracts with NGO's to reach the final beneficiaries: **high potential for leakage and exclusion!!**

*Budget of the Ministry of Social Affairs totaled LBP 97 billion in 2006 (0.87% of total budget spending)*



#### MoSA's Programs

1. Social Welfare Programs
2. Local Development Services
3. Partnership with NGOs
4. Other Social Programs

Currently, the Ministry of Social Affairs determines allocations of its funds based on **categorical targeting**, that is of who is perceived poor and vulnerable namely orphans, disabled, elderly, children prone to delinquency, female headed households and most of them are carried through NGOs.

To avoid inclusion (of non-poor) and Exclusion (of poor)

The Ministry of Social Affairs, with support from the World Bank is developing a **targeting mechanism** to be done through **proxy-means testing** in order to test the eligibility for MoSA's programs and objectively identify the poor and vulnerable.



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# The Ministry of Social Affairs Programs

Ministry of Social Affairs Programs	Establishments, Programs and Projects
<b>Social Welfare Programs</b>	<ul style="list-style-type: none"><li>▪ <b>176</b> contracts with social welfare institutions for <b>vulnerable children and orphans</b></li><li>▪ <b>65</b> contracts with special welfare institutions for the <b>Disabled</b></li><li>▪ <b>Typical Center for Individuals with Disabilities</b></li><li>▪ <b>Social Training Center</b></li><li>▪ <b>15</b> types of proximity services by <b>Right and Access Program</b></li><li>▪ <b>17</b> contracts with social care institutions for the <b>elderly</b></li><li>▪ <b>9</b> programs for <b>juvenile prone to delinquency</b></li></ul>
<b>Local Development Services</b>	<ul style="list-style-type: none"><li>▪ <b>146</b> <b>Social Development Services Centers</b></li><li>▪ <b>225</b> <b>Rural and Urban Development Projects</b></li><li>▪ <b>Voluntary Work Camps</b> (<i>weren't conducted in 2006 because of the July war</i>)</li><li>▪ <b>3</b> centers for <b>Hands Crafts Development</b> project</li></ul>
<b>Partnership with the Private Sector</b>	<ul style="list-style-type: none"><li>▪ <b>233</b> <b>Joint contracts with NGOs</b></li></ul>
<b>Other Social Programs</b>	<ul style="list-style-type: none"><li>▪ <b>125</b> tournaments and <b>6</b> training of trainers through social development centers</li><li>▪ <b>7</b> schools with the <b>School Food Program</b></li></ul>

Source: Ministry of Social Affairs



## Social Welfare Services: 70% of MoSA's annual budget is disbursed through multi-year contracts with welfare institutions

	Establishments /Contracts	Benefits/Services	Beneficiaries	Budget (LBP billion)	Average Budget per beneficiary (LBP million)
Social Welfare Institutions contracted with MoSA (vulnerable children, orphans and elderly)	176 institutions	Regular Social Welfare		50.9	1.51
		Residential Care			
		Day Care			
		Elderly			
		<b>Total</b>	<b>33,816</b>		
Special Welfare Institutions contracted with MoSA (disabled)	65 institutions	Full In-House	6,240	16.5	2.64
Typical Center for Disabled	1 center	Educational & Pshycological	504	0.1	0.2
Right & Access Project (poor disabled)		15 proximity services	59,504 (disability cards)	1.5	0.14
			10,843 services (2006)		





# Social Development Services: Overlapping programs and fragmentation of efforts in provision of health and education services

	Establishments /Contracts	Benefits/Services	Beneficiaries	Budget (LBP billion)	Average Budget per beneficiary (LBP million)	
<b>Social Development Centers (SDCs)</b>	<b>69 centers &amp; 77 branches</b>	<i>Overlap with MOPH and MEHE</i>	Health Services	451,379 +83,752 (for displaced)	<b>11.225</b>	<b>21.61</b>
			Education Services	6,871 +11,344 (for displaced)		
			Training	2,743		
			Social Activities	58,430 +7,464 (for displaced)		
			<b>Total</b>	<b>519,423</b> <b>+102,560</b> <b>(for displaced)</b>		
<b>Partnership with the Private Sector</b>	<b>233</b> contracts with NGOs			<b>8</b>	<b>34.33 per NGO</b>	
<b>Other Social Programs</b>	<b>125</b> tournaments	Techniques for Eradication of Illiteracy	<b>2,274</b>			
	<b>6</b> training of trainers	Techniques for Eradication of Illiteracy	<b>125</b>			
	<b>7</b> schools	School Food Program (in collaboration with MEHE)	<b>3,257</b>	<b>0.025</b>		



# The Government's contributions to non-profit organizations and the private sector also occurs through multiplicity of channels

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Government Entity	Budget (LL billion) (Year:2006)	% of entity's budget	Beneficiaries
Ministry of Social Affairs	93.96	97%	233 contracts with NGOs, 176 social welfare institutions, 65 special welfare institutions, 146 social development centers & branches, Typical Center for Individuals with Disabilities, contributions to social committees and UN projects
Ministry of Education	35.31	4.2%	364 subsidized schools, 19 VTE common projects, Primary and Secondary Teachers Unions, Private Teachers Union, National Education Scout, National Education Counselors, Lebanese French House, SADER, Francophone Fund for Scientific Research
Ministry of Public Health	13.39	11.4%	15 centers and associations, Young Men's Christian Association (YMCA), Red Cross, Caritas
Ministry of Justice	4.74	9.7%	1 Association for Delinquent Minors, 12 Christian Religious Courts
Ministry of Youth & Sports	2.38	44.6%	2 sports clubs, 17 unions, 4 committees, 2 associations
Ministry of Culture	1.75	10.7%	65 Cultural Associations, clubs, gatherings, Lebanese House in France, National Committee for Unesco, National Center for Human Sciences, 32 Lebanese actors (cinema and theater), Lebanese Writers' Union
Ministry of Tourism	1.18	10.1%	7 tourism associations, 5 committees and festivals for promoting tourism
Ministry of Information	1.05	5.1%	Union for newspaper sellers and other media activities
Ministry of Environment	0.8	27.3%	7 protected areas, environmental associations
Ministry of Displaced	0.75	13.1%	244 displaced individuals
Ministry of Industry	0.7	13.3%	Institute for Industrial Research + Lebanese Industrials Association
Presidency of the Council of Ministers	0.71	0.2%	Former Public Employees, Caritas, Pilgrimage Mission
Ministry of Labor	0.55	0.5%	Labour Union, Contributions to Labourers
Ministry of Public Works	0.3	0.6%	Technical School for Preparatory Training
Ministry of Agriculture	0.27	0.7%	Pesticides for wheat crops allocated to Lebanese soldiers (for Suna insect); Veterinarians Associations, The International Center for Animal Diseases
Ministry of Foreign Affairs	0.05	0.04%	Lebanese Ambassadors Forum
Presidency of the Republic	0.05	0.85%	
<b>Total</b>	<b>157.93</b>	<b>1.4%</b>	



## Issues to think of....

- What are the measures that the Government could undertake to ensure social development services are targeted at the most vulnerable populations?
- How to increase the concentration of existing and new resources in the poorest areas of the country?
- How to improve the quality of services provided in the Social Development Centers?
- How to enhance the coordination between the various providers contracted to deliver services to vulnerable groups?



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The Government supports low and middle income groups through the following schemes..

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### Government's Income Support Schemes

- Interest Subsidies for Housing
- EDL Subsidy
- Diesel Oil Subsidy
- Agricultural Inputs, Services and Subsidies



# Income Support Schemes: *Housing opportunities for limited income groups (monthly income of less than LL 3 million)*

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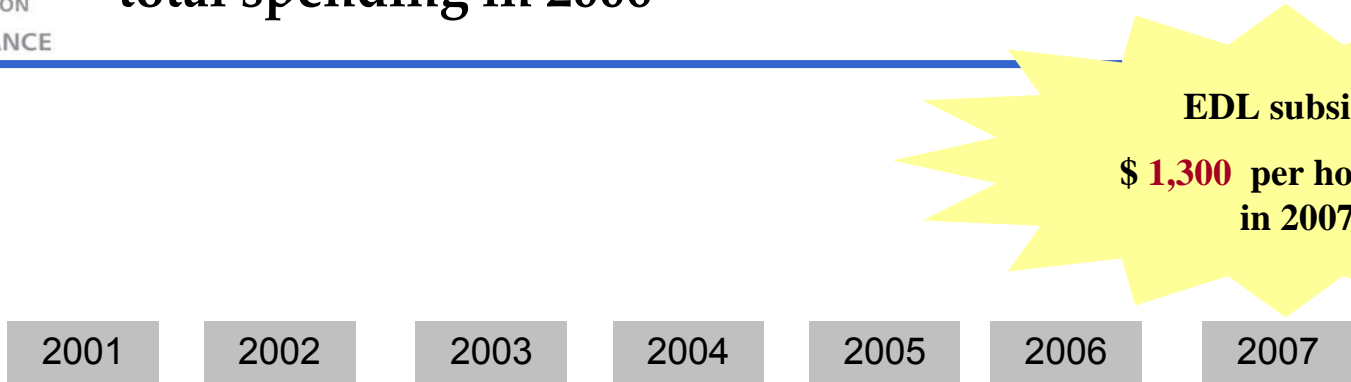
Housing Loans Provided from October 1999 to end of April 2007		
Lebanon's Public Housing Institute- Ministry of Social Affairs	Total Number of Housing Loans Provided	<b>21,800</b>
	Loans disbursed by from banks (21,800*LBP 60million)	<b>LBP 1,308 billion</b>
	Contributions of borrowers	<b>LBP 436 billion</b>
	Interests	<b>LBP 233 billion</b>
	Life Insurance (21,800*10 years*750,000)	<b>LBP 163.5 billion</b>
	Insurance against fires and charges	<b>LBP 10.5 billion</b>
	Equipment and furniture	<b>LBP 327 billion</b>
	<b>Total (LBP)</b>	<b>LBP 2,478 billion</b>

Source: Lebanon's Public Housing Institute

Not only providing housing opportunities, but also creating new niches for banks, insurance companies and other vital sectors (furniture, equipment, appliances..)



# Subsidizing EDL's losses to save on citizens' potential increase in electricity bill... with **around 11.5** percent of total spending in 2006



**EDL subsidy :**  
**\$ 1,300** per household  
in 2007

Government Transfers to EDL (LBP billion)

The Ministry of Finance signed an MOU with the UNDP to contribute \$500,000 to promote a sustainable energy policy for Lebanon, which will cover the audit of the energy bills of public buildings and the installation of solar water heaters (ministries, public hospitals, public universities and schools and other public institutions)

## And Subsidizing Diesel Oil to compensate for the increase in international prices...



Diesel Oil Subsidies (LBP billion)





# Agriculture support through provision of goods and services for farmers: Ministry of Agriculture



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

Ministry of Agriculture	Agricultural Materials		Budget 2006 (LBP Billion)
	Pesticides for Bees		1.8
	Fertilizers		0.007
	Seeds and Seedlings		0.5
	Livestock feed		0.06
	Pesticides for Wheat Crops <i>for Suna insect</i>		0.09
	Contributions to (100-200) Agricultural Cooperatives		0.225
	Veteranian materials		Budget 2006 (LBP Billion)
	Veteranian materials		0.35
	Related Drugs and laboratory materials		0.6



Green Plan	Services		Budget 2006 (LBP Billion)
	Beneficiaries (Farmers)	524	2.326
	Reclaimed Land (dunums)	1621.3	
	Walls (m2)	65,611.6	
	Irrigation Channels (m)	600	
	Reservoir Pontoon (m3)	12,848.9	
	Grapevine columns	5,450	
	Drilling reservoir (m3)	79,592	
	Fruit trees	13,419	
	Modern Irrigation (dunum)	2	





## ...And Agricultural Subsidies



Government Agency	Type of Subsidy	Subsidized Price LBP	Selling Price	Number of Subsidized Farmers	Government Subsidy (LBP billion) (year:2006)
Ministry of Economy and Trade Directorate of Sugar Beet and Grain	Wheat Subsidy	375,000 per ton	225,000 per ton	1302	9.9
	Sugar Beet Subsidy	Average: 7.43 million per farmer		214	1.59

Source: Ministry of Economy and Trade, Directorate of Sugar Beet and Subsidy

	Tobacco Subsidy	Subsidy amount (\$US per kg)	Number of Subsidized farmers	Subsidies to Farmers (LBP billion) (year:2006)	Average subsidy per farmer
Regie du Tabac	Regie buys all domestic tobacco production at subsidized rates and resells it to international tobacco companies at market rates	-3.69:South -5.22:Bekaa -5.88: North	25,000	56	2.24

Source: Regie du Tabac

Program	Agricultural Export Subsidies	Subsidy Component	Number of agricultural exporters (beneficiaries)	Government Subsidy (LBP billion) (year:2006)	Quantities of exports (tons)
Export Plus-IDAL	Subsidizing the cost transportation of agricultural exports –direct payments to farmers	10% of the value of exports with no ceiling on the subsidy per beneficiary	(200-250) who buy products from about (5000 to 5,500) farmers	38.1	368,630 ٣٥

Source: Investment Development Authority of Lebanon



## Issues to think of...

- EDL is becoming the largest burden on budget following debt service and wages
- As some subsidies are being phased out, what could be the alternatives or the compensations?
- How to assist under-privileged farmers without creating price distortions nor dependencies on Government's fund?



1

Objective and Scope

2

The Challenges: the past, the present and the future

3

Public Provision of Basic Social Services

3.1

*Health Services*

3.2

*Education Services*

4

Public Provision of Care and Welfare Services

5

Government's Social Assistance Programs and Services  
*Income Support Schemes*

6

Economic Opportunities and Job Creation



## The Government seeks to create economic opportunities and jobs through the following schemes

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### Government's Schemes for Creating Economic Opportunities

- Subsidized Interest Loans to the Private Sector
- Tax Exemptions
- Export Promotion Policies



## Subsidizing loans to private sector: *promoting investment, creating jobs and sharing risks with banks*

### Subsidized Loans

**Definition:** Medium and long term loans granted by commercial banks at a reduced cost of financing to support the promotion of economic development.

**The Budget:** It is defined by an agreement by the Minister of Finance and the Central Bank Governor. It has no pre-specified limit.

**Targeted Sectors:** Industry, Agriculture, Information Technology and Knowledge Based Economy, Tourism, hand craft.

**Incentives:**

- 1- Low Debt Interest Rates to support investment initiatives in Lebanon
- 2- Loans repayment not exceeding 15% during the first two years
- 3- Commercial banks participating in this program are exempted from the legal reserve requirement

**Sources of Financing:** local banks, financial institutions, leasing companies, foreign institutions via commercial banks

### Objectives

- To Create a competitive advantage among the industrial companies for better quality
- To provide favourable conditions for investment in general and particularly leasing activities and incubators
- To support exports
- Several programs have been launched to encourage banks to on-lend to SME clients through risk-sharing facilities



*And the conditions are very favorable...*

## 1. Regular Loans Granted by Local Banks

**Amount:** Between LBP 50 million and LBP 15 billion (or equivalent in foreign currencies)

**Maturity:** between 5 and 7 years

**Repayments:** not exceeding 15% of the principal during the first two years

**Interest Rates and Subsidies:** 7% discount for the loan up to LBP 5 billion or equivalent  
5% discount for the loan portion above LL 5 billion or the equivalent and up to a ceiling of LL 15 billion or the equivalent

**Incentives to Banks:** Banks benefit from a reduction in reserve requirements as per the following: - reduction of LL liabilities subject to reserve requirements: reduced by the amount of loans

## 2. KAFALAT S.A.L. Loans: Existing Scheme

- Kafalat is an institution resulting from a partnership between the public and private sectors. It is a fund created to guarantee the commercial banks loans provided to SMEs.

- Kafalat guarantees loans for financing working capital up to 3 years. In case the loan covers working capital and fixed assets, duration of the loans might be extended to 7 years.

-Amount of the guaranteed loan is limited to LBP 300 million (or equivalent in US dollars)

-Kafalat guarantees 75% of loan granted by bank&75% of accrued interest during the grace period+3 months

-Kafalat charges an annual commission of 2.5% to be paid by the client

-Kafalat can offer up to one year grace period





*And diverse..*

### 3. KAFALAT S.A.L- New Scheme

- The new scheme facilitates access to SMEs and start ups without any collateral requirements
- The guarantee scheme will increase the amount and the size of the loan guarantee, beyond the level currently offered under KAFALAT's own guarantee scheme
- The guarantee given under the scheme covers a maximum of 85% for existing SMEs and conventional start-ups and 90% of the principal for innovative start-ups



## Around \$ 1.78 billion were lent to 5,343 beneficiaries in tourism, agriculture and industry

### Loans Granted up until 30/06/2007

Scheme	Sectors	Advanced Technologies	Handicrafts	Agriculture	Tourism	Industry	Total
EIB	# of Beneficiaries	0	0	1	23	35	59
	Value in billion LBP	0	0	3.2	50.9	45.4	99.5
Medium and Long Term Loans	# of Beneficiaries	11	0	75	340	852	1,278
	Value in billion LBP	20.6	0	71.6	678.1	1,188.9	1,959.225
KAFALAT	# of Beneficiaries	159	21	1,406	464	1,773	3,823
	Value in billion LBP	22.5	1.5	146.1	85.0	274.8	529.9
Leasing	# of Beneficiaries	1	0	0	6	176	183
	Value in billion LBP	0.7	0	0	3.3	83.4	86.8
Total	# of Beneficiaries	171	21	1,482	833	2,836	5,343
	Value in billion LBP	43.2	1.5	220.8	817.4	1,592.5	2,675.5

Source: Central Bank of Lebanon; Department: Private Sector Financing



## ..And Well chosen Tax Exemptions to promote the country as a “tax paradise”

### Permanent salaries tax exemption

- Educational Institutions
- Agricultural Cooperatives
- Tourist companies with craftsmanship nature
- Agricultural producers not exhibiting their products in premises affected for selling
- Airline and sea transport companies
- Public institutions which do not compete with the private sector
- Hospitals belonging to not-for-profit institutions
- Non-commercial cooperatives

### Temporary income tax exemptions

- New industries (new products) with 10 years exemption
- Self-financed investments (re-investment of corporate profits)
- Banks that provide medium to long term loans with 7 years exemption following their establishment
- Tourism establishments that are craft-oriented
- Interest generated from bonds or other loans concluded by specialized banks

### VAT exemptions

- Pharmaceutical industry
- Some agro-food industries
- Renting for residential purpose
- Real estate transaction
- Banking and insurance sectors



## In Addition to Export promotion policies

**Ministries Involved:** Ministry of Finance, Ministry of Economy & Trade, & Ministry of Industry

**Goal:** Minimize administrative & other charges incurred by exporters in Lebanon

**Target:** Reduce cost to exporters by **one-half** (from estimated \$500 per container to \$250)

### Measures to Date

- Effective 2006, customs working hours were extended to 6pm
- **NOOR II** self-assessment streamlining and fully automated clearance operations
- Setting up of one stop center at port

### EXPORT PROMOTION

### Committee

Customs, Authority of Port of Beirut (in collaboration with BCTC), Shipping Agency Association, & Customs Clearance Agency Syndicates

### Future measures

- Full integration of all trade related services
- Customer segmentation and LTO at customs
- Web-based automated clearance system



# In Few Words...

REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

*The **Visibility** of Government Actions will build **Trust***

*..And **Trust** will build **Citizenship***

*..And **Citizenship** will build a **Country***