

INTERNATIONAL CONFERENCE
FOR SUPPORT TO LEBANON-PARIS III

7

SEVENTH PROGRESS REPORT



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

**INTERNATIONAL CONFERENCE
FOR SUPPORT TO LEBANON-PARIS III**

SEVENTH PROGRESS REPORT



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INTRODUCTION

The Seventh Progress Report provides an update on the implementation of the Government's economic and social reform program presented at the International Conference for Support to Lebanon - Paris III on January 25, 2007. The report describes the steps taken by each of the natural owners of the reform program in the third quarter of 2008. This period covers the first weeks of reform implementation by Lebanon's unity government that was appointed on July 11, 2008 and voted to power on August 12, 2008.

INSTITUTIONAL STRUCTURE FOR REFORM IMPLEMENTATION

The Government's Reform Program Coordination Office (GR PCO) at the Presidency of the Council of Ministers collaborated closely with the Monitoring and Support (M&S) units at the different ministries on the implementation and monitoring of the reform initiatives. A matrix management structure was established within the GR PCO. The structure consists of sector coordination units and horizontal units that provide support in areas related to reform implementation, legal support and communications.

PROGRESS ACHIEVED DURING THE LAST QUARTER

The quarter under review was marked by political consensus building on key reform initiatives and public spending priorities. Reform implementation challenges include a long pipeline of key laws and amendments awaiting parliamentary approval and limited funding for technical assistance. However, these challenges have not prevented ministries from registering progress.

Social Cluster: The Ministry of Social Affairs (MoSA) mobilized grant financing for the piloting and national roll-out of the proxy-means testing for improved social targeting. The Ministry of Education and Higher Education (MEHE) progressed in establishing the Planning, Monitoring and Information Management Unit and the implementation of the Education Management Information System, which reached the final stages of completion. The automation of the branches of the National Social Security Fund (NSSF) has continued on schedule.

Economic Cluster: The Ministry of Finance (MoF) progressed in the automation of new tax audit procedures and initiated the rollout of the remote manifest registration to facilitate trade. The basis for the development of the Ministry's debt management capacity was laid with the ratification of the Debt Management Law by Parliament. The Ministry of Economy and Trade (MoET) streamlined business registration, reducing the time needed to start a business from 46 days to 11 days, a major factor in encouraging domestic and foreign investment. The four newly established Business Development Centers secured loan guarantees under Kafalat Plus and Innovative Schemes, facilitating the provision of loans to businesses.

Infrastructure and Privatization Cluster: The sequencing of key reform initiatives has been under review. The completion of the 2002 EDL financial statements contributed to increased financial transparency. Lebanon's integration into the regional electricity network reached a milestone with the completion of the Ksara 400KV station. Several key regulations were issued by the Telecom Regulatory Authority Board, including on interconnection, quality of service and pricing regulations.

RESOURCE MOBILIZATION

Total signed agreements amounted to \$4,729 million, an increase of US\$ 20 million in the third quarter, representing 63 percent of pledges made at Paris III. It is estimated that \$2.6 billion were disbursed as of end September 2008, 56 percent of pledges. The slowdown, initially, and stagnation, subsequently, of resource mobilization in the past six months is ascribed mainly to the political stalemate and the transition. MOF continues to work closely with donors on converting their pledges to commitments, particularly with Saudi Arabia, the European Commission on budget support, and the World Bank on budget support and project financing.

GOING FORWARD

In the next quarter, government focus will be on parliamentary work to ratify project loans and approve accumulated draft laws, which are essential to the success of the Government's reform agenda. Government priorities for reform action will be on debt and financial management, privatization, social protection and the broader issues of social development.

A donor Core Group Meeting will be held during the World Bank/IMF Annual Meetings in Washington D.C., October 11-13, where the Lebanese Delegation will discuss progress achieved in the implementation of the economic and social program and the approach to its funding. Also, bilateral meetings will be held with donors. The Lebanese Delegation will emphasize the continued commitment of the Government to reform implementation. In addition, efforts will continue to mobilize the remaining budget support pledges and to transform some of the pledged project support into direct and indirect budget support. In the next months, particular attention will be paid to meeting the technical and financial assistance requirements for the preparation and implementation of reform initiatives.



IMPLEMENTATION OF THE REFORM PROGRAM

IMPLEMENTATION OF THE REFORM PROGRAM

1. SOCIAL REFORM PROGRAM

Ministry of Social Affairs (MoSA)

Summary of Key Achievements: July 2008 - September 2008

Develop New Targeting Mechanisms for Social Safety Net Programs

- The Ministry of Social Affairs will receive \$1.25 million out of the \$6 million Grant to the Lebanese Government that was negotiated with the World Bank for the "Second Emergency Social Protection Implementation Support Project". The grant to MOSA will support the establishment of a new targeting mechanism for social transfers by implementing the roll-out of the National Poverty Targeting Program for Social Safety Nets enabling the government to use it to target its social safety net programs aimed at improving living standards of the population. This will involve setting up an institutional structure to manage the national targeted program and will create a credible, accurate and automated database on the poor and vulnerable population, enabling an objective assessment of the households' welfare and their ranking established and fully operational.
- The Ministry of Social Affairs pursued discussions with the World Bank towards agreeing on a set of reform triggers aimed at improving the efficiency of Lebanon's Social Safety Net Program. This would pave the way for a second Reform Implementation Development Policy Loan to Lebanon. Reform triggers being discussed include among others:
 - (i) the completion of the piloting of the social targeting mechanism and up-scaling it at the national level as well as;
 - (ii) establishing of an institutional structure to manage targeted social assistance in Lebanon.

Enhance Management of the Social Sector

- After the completion of the Mapping of Local Development Projects and the establishment of database of local development projects, work is to be initiated in the preparation of region profiles (with needs and priorities for each region) that should serve as guiding tool for interventions at the local level.
- The identification of the institutional duplication in service provision by the Ministry of Social Affairs, Ministry of Education and Higher Education, and the Ministry of Public Health was completed.

Ministry of Education and Higher Education (MEHE)

Summary of Key Achievements: July 2008 - September 2008

Consolidation of the "Policy, Planning, Monitoring and Information Management Unit"

- Internal capacity is being strengthened through the pilot training unit and the launching of the "Sector Wide Approach".
- Implementation of information systems at the Ministry is in its final stages.
- Work on the Ministry's performance-based budget is on-going.

Improvement in the efficiency and effectiveness of teachers

- Training to teachers and inspectors is on-going.

Enhancing the quality of education

- The Ministry has installed a system to generate official exams, a first step to improved quality of education.

(See Appendix B for more details on progress)

National Social Security Fund (NSSF)

Summary of Key Achievements: July 2008 - September 2008

Strengthen NSSF Governance and Administration

- The national roll-out of the automation of the NSSF branches is underway.

Audit, update and reform of the NSSF accounts and accounting practices

- The audit of the 2002 accounts has been initiated.

Rationalize and expand coverage of social insurance system

- Assessment of the Government dues to the NSSF.

(See Appendix B for more details on progress)

2. ECONOMIC AND FISCAL REFORM PROGRAM

Ministry of Finance (MoF)

Summary of Key Achievements : July 2008 - September 2008

Revenue Management and Administrative Reform at MOF

- Automation of new audit procedures risk analysis and scoring system, and development of a management reporting system in the revenue administration.
- Finalization of the regulations for the implementation of the Tax Procedure Code (TPC).

Budget and Financial Management Reform

- Draft budget 2009 circular issued, including: (i) a medium-term expenditure framework from which a global ceiling was set, and (ii) hard ceilings for line ministries.

Strengthen Debt Management Capacity

- Ratification of the Debt Management Law, necessary for the creation of a modern Public Debt Department.

Facilitating Trade

- Full implementation of the remote manifest registration and the remote declaration of storage in the Ports of Tyre and Saida. In Q4 2008, the MoF will fully implement the remote declaration storage in Masnaa.
- The Asycuda World application was published on Internet and implemented in the Ports of Tyre and Saida.
- Analysis of e-payment at the Lebanese customs has been achieved.

(See Appendix C for more details on progress)



Meeting on technology improvements at MoF

IMPLEMENTATION OF THE REFORM PROGRAM

Ministry of Economy and Trade (MoET)

Summary of Key Achievements : July 2008 - September 2008

Encourage Investments

- Streamlining of business registration: reduction of the time needed to start a business from 46 days to 11 and eliminating of one procedure. These improvements were recognized in the World Bank/IFC Doing Business Report 2009.
- Business Development Centers (BDC) were able to benefit from loan guarantees made available under the Kafalat Plus and Innovative Schemes, which have enabled Lebanese banks to issue 223 loans to existing and start-up businesses and helped generate 4,500 new jobs.

Business Environment

- Draft Information Technology Law is being discussed in Parliamentary Committees.

Promote Intellectual Property

- MoET/IPPO is in the process of offering public online access to a number of its services (e.g. trademark applications), as well as establishing an IT bridge with the Higher Council for Customs to enable verification at customs borders.

(See Appendix C for more details on progress)

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

Summary of Key Achievements : July 2008 - September 2008

Promoting governance and transparency in the public sector

- Public Procurement draft law is pending CoM endorsement.
- Public Procurement Administration draft law is pending parliament enactment.
- Recruitment of anti-corruption of experts has been delayed due to funding issues.

Modernization and upgrading of capabilities within the public sector

- E-Government initiatives are on-going but require further funding.
- Draft law for HR units in public administration has been reviewed and submitted to the Administration and Justice Committee, last quarter.



Meeting on administrative reforms

Central Bank

Summary of Key Achievements : July 2008 - September 2008

- . IMF reserves targets under the EPCA program were successfully met. As of August 3 2008, gross reserves exceeded the required floor.
- . 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.

(See Appendix C for more details on progress)

3. INFRASTRUCTURE AND PRIVATIZATION PROGRAM

Telecommunication Sector - Telecommunications Regulatory Authority

Summary of Key Achievements : July 2008 - September 2008

- . The Government of Lebanon, in its declaration, has adopted the Telecommunications Regulatory Authority liberalization plan of privatizing the mobile networks, incorporating Liban Telecom and liberalizing the broadband market.
- . The TRA has issued several regulations: interconnection regulation, quality of service regulation, type approval guidelines, pricing regulation, national numbering plan, licensing regulation, Lebanese National Frequency table.
- . The TRA completed and submitted to the Ministry of Telecommunications and all relevant stakeholders its annual report for the year 2007.
- . TRA has advanced in its coordination with the different Ministries and Government institutions on different processes, among others, type approval for equipments and handling consumer complaints.

Despite progress, issues remain pending:

Legislative Issues

- The recruitment of TRA staff remains, pending the enactment of Budget Law 2008.
- Issuing of the two decrees needed for the implementation of the broadband policy (drafts will be submitted by Q4 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.

Funding Issues

- The TRA has not yet secured direct funding from service providers to ensure financial independence as required by Law 431
- Only a partial amount of the approved TRA budget of 2007 and 2008 was disbursed
- TRA requires urgent 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 responsibilities

The TRA is looking forward to finalizing an MOU with the Ministry of Telecommunications on the coordination of the transfer of regulatory functions; The TRA submitted to the Minister of Telecommunications a first MoU for discussion in February 2008 and another one in September 2008. The TRA will be ready to assume the remaining 3 regulatory functions still with MoT (import licensing and authorizations; SNG licensing; and PMR licensing) by end of 2008.

(See Appendix D for more details on progress)

IMPLEMENTATION OF THE REFORM PROGRAM

Power Sector

Summary of Key Achievements : July 2008 - September 2008

- . The Council of Ministers has approved the extension of the CRA contract, which will enable the consultant to proceed with the technical evaluation of the Customer Meter Management (CMM) bids.
- . Audit of the 2002 EDL Financial Statements was completed this quarter, which will increase transparency in EDL financial status.
- . Work in the Ksara 400KV substation has been completed, which is a stepping stone to enable Lebanon's integration into the regional network.
- . All preparatory work on the IPP has been completed.

(See Appendix D for more detail on progress)

Ministry of Public Works and Transportation

Summary of Key Achievements: July 2008 - September 2008

- . Progress was made in upgrading all airport security equipment in order to satisfy the standards of the International Civil Aviation Organization (ICAO). Equipment include the latest and state-of-the art scanners for body and baggage search and for explosives detection.
- . Progress was made in the rehabilitation and equipment of the fire and emergency department at Beirut Rafic Hariri International Airport (BRHIA) with four firefighting vehicles and two search and rescue boats to maintain services that comply with international standards in safety, operations and management.
- . Progress was made in the equipment of the BRHIA with the state-of-the art secondary navigation radar.



Meeting on transportation

UPDATED RESULTS OF THE CONFERENCE

The Government of Lebanon continued to work with donors on fulfilling the Paris III pledges. With the majority of budget support and private sector support signed, the pace of new commitments has slowed significantly. The largest remaining unsigned amount relates to project lending, which requires a longer period to finalize the agreements and to implement. Tables 1 and 2 present the amounts pledged at Paris III and the amounts signed as of September 30, 2008.

Total signed agreements increased from \$4,709 million to \$4,729 million in the third quarter of 2008. The additional \$20 million in agreements were for private sector support (\$15 million) and project financing (\$4 million). Of the signed agreements, 23 percent are grants and 77 percent are in the form of loans.

- Total agreements for budget support remained at \$1,857 million. No additional disbursements were made during the second quarter (remaining at \$1,434 million).
- Total project support agreements reached \$1,034 million (30 percent of project support pledged). A new agreement was signed with Belgium for €3 million and one loan agreement with the Arab Fund for Economic and Social Development for administrative reform was ratified by Parliament. In addition, both Italy and Germany approved additional projects for Lebanon.
- In-kind support increased by \$1 million with Malaysia implementing projects in the South including building medical clinics and water wells.
- Private sector support registered an additional agreement and an increase in disbursements. Total agreements signed reached \$1,280 million (up from \$1,266 million) with an additional investment by IFC. Disbursements increased to \$645 million (mainly due to EIB disbursements).
- Signed agreements of support through United Nations agencies remained at \$122 million. Italy approved an addition €5 million for various projects.
- Signed agreements of support through the Civil Society Organizations remained at \$88 million. Italy approved an addition €3.8 million for various projects.

The Lebanese Delegation attending the World Bank/IMF meetings in Washington on October 11-13 will hold a Core Group Meeting and bilateral meetings with donors to brief on developments and the government's vision on the way forward, and as well to discuss support for Lebanon. The delegation will again emphasize the importance of shifting some of the remaining project support to budget support or indirect budget support. Indirect budget support, including covering the local counterpart required and cost overruns on projects, will allow faster implementation on existing projects.

The Lebanese delegation will also discuss with the International Monetary Fund the possibility of entering into a monitoring arrangement. An IMF mission was in Lebanon from September 22 to September 30, 2008. The results of the mission will be published in the next report.

UPDATED RESULTS OF THE CONFERENCE

Table 1. Updated Paris III Pledges (Above \$10 million; US\$, million¹)				
Donor	Total Pledged	Grants Signed	Loans Signed	Total Signed
European Investment Bank	1,248		769	769
Saudi Arabia	1,100	100		100
World Bank	975		350	350
United States	890	575	155	730
Arab Fund for Economic & Social Development	750		422	422
France	650		598	598
European Commission	486	112		112
United Arab Emirates	300		300	300
Islamic Development Bank	250	5	245	250
Arab Monetary Fund	250		240	240
Italy	156	38		38
Germany	134	78		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			
Canada	17	2		2
Norway	15	15		15
Oman	10	10		10
Other*	47	26		26
Malaysia			500	500
Total	7,532	1,073	3,656	4,729

Source: MOF, CDR and Presidency of the Council of Ministers, data collected by September 30, 2008

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

¹ For purpose of comparison, the same exchange rates have been used as in previous Progress Reports, namely €1=\$1.3

Table 2. Updated summary of signed agreements (US\$, million)

Type of Support	Pledged	Signed	Received
Budget support*	1,736	1,857	1,434
BDL	43	43	43
Project support	3,491	1,034	73**
In-Kind	363	306	251
Private Sector support	1,463	1,280	645
Support through the UN	324	122	122
Support through CSOs	99	88	88
Under review / Unrealized	12		
Total	7,531	4,729	2,655

Source: MOF collected data by September 30, 2008

* Includes Malaysia debt transaction for \$500 million

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

UPDATED RESULTS OF THE CONFERENCE

A. SUPPORT FOR THE PUBLIC SECTOR

	Budget Support	Project Financing	BDL	In-kind	Total
Grants	399	543		363	1,305
Loans	1,337	2,948	43		4,327
Total	1,736	3,491	43	363	5,632

Source: MOF, BdL, Presidency of the Council of Ministers (PCM), and CDR collected data by September 30, 2008

1. Budget Support

Total budget support agreements signed remained at \$1,857 million at end September 2008, of which \$1,434 million was received.²

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		
United Arab Emirates		300	300	300
Arab Monetary Fund		107	32	
IMF		77	77	77
Oman	10		10	10
Slovenia	0.13		0.13	0.13
Malaysia*			500	500
Total	399	1,337	1,857	1,434

Source: MOF collected data by September 30, 2008

In the third quarter of 2008, discussions regarding the unsigned pledges continued between the donors and the Ministry of Finance. The Ministry of Finance and European Commission are reviewing of the memorandum or understanding, loan agreement and grant agreement associated with the €80 million Macro-financial Assistance.

Discussions with the Arab Monetary Fund centered on the best type of facility for the remaining budget support. The Lebanese delegation to the World Bank / IMF Annual Meetings (October 11 - 13, 2008) will discuss the unsigned budget support, including that of the World Bank, EC and AMF.

² The number is revised downward from \$1,477 million, as was indicated in the last Progress Report, due to misclassification of Arab Monetary Fund support received, which is allocated to Banque du Liban.

2. Project Financing

By end September 2008, signed agreements amounted to \$1,034 million, out of \$3,499 million pledged for project financing. The increase of \$4 million represents the signature of a grant agreement with Belgium, detailed below. Table 6 shows committed and disbursed amounts for project financing. It is noted that complete information on disbursements for projects implemented by donors is not available.

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

Donor	Grant Project Financing	Loan Project Financing	Signed	Disbursed
European Investment Bank	20	520	255	59
Saudi Arabia		1,000		
World Bank		400		
AFESD		665	337	
EC	368		98	N/A
Islamic Development Bank	2	245	247	
Italy	26	98	13	13
Germany	113	21	78	N/A
Spain	5			
Belgium	4		4	
Canada	4			
Norway	1		1	1
Denmark	1		1	
Total	543	2,948	1,034	73

Source: MOF, CDR and PCM collected data by September 30, 2008

UPDATED RESULTS OF THE CONFERENCE

In the third quarter of 2008, the following progress was achieved:

Italy

On September 4, 2008 the Italian Ministry of Foreign Affairs approved additional €8.8 million for projects in Lebanon. The grants include €4 million for water supply projects in North Lebanon; €0.3 million for complementary works on the Baabda hospital; €1.5 million for rehabilitation of Khan el-Ishli in Saida; €0.7 million for the conservation of the Chamaa Castle; €2.3 million for a research boat for environment monitoring and sustainable development.

Belgium

On 21 August 21, 2008, the Council of Ministers approved an agreement between Belgium and the Council for Development and Reconstruction for the rehabilitation and the equipment of the Tebnin Public Hospital. The agreement is for a grant of €3 million.

Arab Fund for Economic and Social Development

On August 26, 2008 one of the four loans signed between the Arab Fund for Economic and Social Development and CDR was ratified by Parliament. The loan, KWD 9 million (\$34 million), provides financing for a project at the Office of the Minister of State for Administrative Reform.

Germany

Progress has continued on the different projects implemented by CDR in cooperation with Germany. In addition, the German Embassy announced that it will be provide additional:

- €6 million loan for the project of protection of the water source of Jeita;
- €1.2 million grant for technical assistance for the project of protection of the water source in Jeita, and
- €4 million additional grant for the environment fund, particularly for projects in the North of Lebanon.

No formal agreement has been signed as of end September 2008.

3. In-Kind Contributions

Signed in-kind contributions totaled \$306 million. In the third quarter of 2008, the project financed by Egypt to rehabilitate the Jiyeh Power plant, executed by Petrojet, was completed. Malaysia notified the Ministry of Finance that it is undertaking the construction of several health centers in the south (the amount of US\$ 1 million was adjusted, from budget support to in-kind).

Table 6. In-Kind contributions (US\$, million)			
Donor	In-kind	Signed	Fulfilled
United States	286	285	236
Egypt	44	15	15
Turkey	20		
Greece	7		
China	4	4	
South Korea	1	1	
Brazil	1	0.06	0.06
Malaysia	1	1	0.25
Total	363	306	251

Source: MOF, CDR and PCM collected data by September 30, 2007

B. SUPPORT TO THE PRIVATE SECTOR

Private sector support signed into agreements increased to \$1,280 million (up from \$1,266 million) at the end of September 2008, representing 89 percent of the pledged amount in Paris III.

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

Donor	Pledged	Signed	Disbursed to Intermediaries
European Investment Bank	709	515	97
World Bank	275	250	250
United States	120	155	155
Arab Fund for Economic & Social Development	85	85	
France	163	111	62
Arab Monetary Fund	100	165	80
Belgium	12		
Total	1,463	1,280	645

Source: MOF, BDL collected data by September 30, 2008

Since the progress report of July 2008, developments concerning private sector support were as follows:

European Investment Bank

- On 31 July 2008, EIB disbursed the third tranche of the €60 million loan managed by the Banque du Liban to support the Lebanese private sector. The disbursement of €12 million brings the total disbursed to €47 million. These funds are disbursed in turn by BdL to approved private sector applicants. One additional tranche is expected during the fourth quarter of 2008.
- EIB reported that €20 million was disbursed on 31 July 2008 to Audi Bank as part of the commitment to provide credit to small and medium-term enterprises.
- France, through the Agence Française de Développement continued disbursing its private sector support. As of end September 2008, €43 million has been disbursed. The commercial sector received 47 percent of the loans, the industrial 31 percent and the health 9 percent. The tourism, agriculture, and construction sectors received the remaining 13 percent.

World Bank Group - International Finance Corporation

- On 17 July 2008, the International Finance Corporation (IFC) - a member of the World Bank Group - invested \$15 million in a Lebanese construction company (Butec Group S.A.L. Holding).
- Subsequently, IFC reported that its investments in Lebanon reached \$315 million.

UPDATED RESULTS OF THE CONFERENCE

C. SUPPORT THROUGH THE UNITED NATIONS

Updated information indicates that support channeled through the United Nations agencies increased to \$324 million end September, up from \$318 million end June 2008. Based on donor reporting, it is estimated that \$122 million has been signed and transferred to the various United Nations agencies.

Table 8. Updated summary of support through UN (US\$, million)		
Donor	UN System/ UNIFIL	Signed
United States	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	122

Source: MOF collected data by September 30, 2007

Since the last progress report, Italy's Ministry of Foreign Affairs approved grants totaling €5 million to finance various projects through the United Nations system in Lebanon. €480,000 to support gender equality in education, in cooperation with UNESCO; €40,000 to improve and develop

a strategy for modernizing Parliament, in cooperation with UNDESA; €600,000 to the International Labor Organization; €300,000 to the International Organization for Migration; €1,200,000 to UNICEF; €1,200,000 to UNDP, €300,000 to UNIDO; and, €1,000,000 to UNRWA.



Lebanon Recovery Fund Steering Committee Meeting

D. SUPPORT THROUGH CIVIL SOCIETY ORGANIZATIONS

As of end September 2008, \$88 million was signed into agreements, out of \$98 million support pledged to be implemented through civil society organizations.

Table 9. Updated summary of support through Civil Society Organizations (US\$, million)

Donor	CSOs	Signed
United States	50	40
Islamic Development Bank	3	3
European Commission	4	4
Italy	13	12
Spain	11	11
Belgium	3	3
Norway	11	11
Sweden	1	1
Denmark	0.5	0.5
Japan	2	2
Total	99	88

Source: MOF collected data by September 30, 2007

In the third quarter of 2008, Italy reported that the Ministry of Foreign Affairs approved the following grants:

- €995,100 to conserve and protect the Assi river, with the participation of the International Union for the Conservation of Nature;
- €1.6 million for a project to improve water usage and management in seven municipalities of the Tyre Caza to be implemented by Italian non-governmental organizations;
- €1.2 million for a project to provide infrastructure in 12 villages of Mount Lebanon that host displaced populations, to be implemented by Italian Development Cooperation Office.





APPENDICES

APPENDIX A

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

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	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 €66 million for waste water and €140 million in the power sector. Mission was in Lebanon during the week of 18 February 2008. Mission was in Lebanon in July 2008. Water project expected to be signed by end of 2008.</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.</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 Credit Libanais (\$15 million); Trade Finance agreements totaling \$100 million: Bank Libano-Francaise (\$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: Possible additional financing of the Urban Transport Development Project.</p>
	<p>a) Private sector: \$120 million through OPIC & Citigroup. i) Citigroup and The Overseas Private Investment Corporation (OPIC), extended \$20 million and \$50 million 15-year term loan facilities to Banque Libano-Francaise SAL (Lebanon) and Byblos Bank. These funds will be used for small and medium-sized enterprises (SMEs), real estate and consumer finance. (ii) The remaining amount are with undisclosed financial institutions. Additional amounts were signed for a cumulative total of \$155 million.</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 A

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
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	

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	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; Damaged infrastructure: KWD 30 million; support for admin reforms: KWD 9 million; water & waste water: KWD 25 million. The loan for administrative reform was ratified by Parliament on August 26, 2008. The remaining are pending Parliament approval.</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.</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.</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>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>

APPENDIX A

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Islamic Development Bank	250			3				2		245
Arab Monetary Fund	250	100				43			107	
Italy	156		20	13				34		98

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Details and Status
	<p>Signed agreement with CDR on April 4, 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>
	<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.</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 Credit 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 Credit 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 3 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. • €1 million grant for technical assistance. • 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: €15 million grant including 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, an additional €1.2 million is allocated for infrastructure projects in villages of Chouf and Aley".</p>

APPENDIX A

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Germany	134							113		21
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		

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Details and Status
	<p>Project support: 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) • €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) • €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 • €12 million for creating a central waste water project in the North benefiting the residents of the Nahr el-Bared and Baddawi camps • €2 million for cost overruns to complete the building of two schools <p>- Also included, €16 million project loan for waste water collector for Greater Beirut started in 2006</p>
	<p>Balance of payments support received on April 4, 2007.</p>
	<p>Total pledged €40 million:</p> <p>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.</p> <p>b) Project support: €1.76 million for technical assistance, €1.9 million for project financing.</p>
	<p>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.</p>
	<p>Contribution to European Commission: \$80 million UNRWA in Lebanon: \$30 million Implementation of UNSCR1701/UNIFIL: \$5 million.</p>
	<p>a) Private sector support: €10 million export credit yet to be formalized; b) UN Agencies: UNDP: €3 million for Art Gold programme; €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) - sent to the Council of Ministers, d) CSOs: Belgian Red Cross €1 million, International Organization for Migration €1.5 million.</p>
	<p>In-kind contribution: hospital for trauma and rehabilitation of the physically disabled. On October 27, 2007, in-kind grant was approved by the Council of Ministers. Draft MOU is being finalized.</p>
	<p>a) UN Agencies: Assisting Ministry of Labor in developing labor market information with the assistance of the ILO - \$2.2 million.</p>
	<p>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.</p>

APPENDIX A

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Oman	10						10			
Jordan	8									
Greece	7				7					
Sweden	6		5	1						
Australia	5		5							
China	4				4					
Denmark	3.5		2.0	0.5				1		
Ireland	3									
Japan	4		2	2						
Austria	1		1							
Finland	1		1							
Brazil	1				1					
Malaysia	1				1					
South Korea	1				1					
Luxemburg	1									
Portugal	1									

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Details and Status
	Budget support: \$10 million for debt reduction on received on December 5, 2007.
8	
	In-kind contribution: In discussions with CDR regarding supplying medical equipment for health centers; projects related to energy efficiency; and pedestrian bridges.
	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).
	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
	Signed agreement for construction of 2 schools (in Tibnin and Britel) after the July War.
1	
1	

APPENDIX A

Donor	Total Pledged	Private Sector Support	UN System/ UNIFIL	CSOs	In-Kind	To BDL	Grant to Government		Loan to Government	
							Budget Support	Project Financing	Budget Support	Project Financing
Cyprus	0.22		0.22							
Slovenia	0.13						0.13			
Malaysia										
TOTAL	7,532	1,463	324	99	363	43	399	543	1,337	2,948

PARIS III DETAILED BREAKDOWN OF GRANTS AND LOANS

Under Review	Details and Status
	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.
12	

APPENDIX B

Ministry of Education and Higher Education (MEHE)

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Consolidating Policy, Planning and Resource Allocation			
Policy, Planning, Monitoring and Information Management	MEHE launched an integrated sector reform program through the design of a Sector Wide Approach (SWAP)	December 2008	Education Development Project (EDP) / World Bank
Implement EMIS in MEHE and School Information System (SIS) at schools	MEHE is still in the process of implementing the EMIS: HR, Data warehousing, Decision Support & Business Intelligence	December 2008	Education Development Project (EDP) / World Bank
	200 schools and regional centers are being connected with the MEHE Headquarters	December 2008	Education Development Project (EDP) / World Bank
Education System Financing	MEHE is still in the process of refining its shadow budget: it has proposed a program structure and budget submission forms & templates	December 2008	Education Development Project (EDP) / World Bank
Strengthening School Leadership, Pedagogical Capacity & the Assessment of Academic Achievement			
Teacher Instructor Development for General Education Stream	70 users are currently being trained on the Evaluation Tools for Teachers Instructors Continuous Development Programs	October 2008	Education Development Project (EDP) / World Bank
	270 instructors were selected to become Master Trainers on the Tools and Training Mechanisms for teachers continuous development	November 2008	Education Development Project (EDP) / World Bank
	20,000 teachers have received and are still receiving training	On Going	Education Development Project (EDP) / World Bank
Assessment of Academic Achievement	The Ministry is completing the Question Bank for 10 & 13 subjects in grade 9 and 12 official exams respectively and training 270 question writers in public and private schools	December 2008	Education Development Project (EDP) / World Bank
Education and Citizenship	Launching of the education and citizenship observatory aimed at conducting annual evaluation of the progress in citizenship education		MEHE / UNESCO

DETAILED PROGRESS ON SOCIAL REFORM PROGRAM

National Social Security Fund (NSSF)

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Strengthening the NSSF Governance and Administration			
Implement the First Phase of the Administrative and IT Master Plan	<p>The NSSF has managed to increase to 25, the number of branches that have effectively implemented system automation (i.e. inquiries, liquidation, issuance of checks, etc.)</p> <p>In its efforts to further decentralize service provision, the NSSF has increased the number of branches (from 12 to 29) that provide service testimonials.</p>	September 2008	NSSF Budget
Audit, update and reform NSSF accounts and accounting practices			
Audit the accounts of 2001-2005	The 2002 Audit was initiated	January 2009	NSSF Budget
Ensuring the Financial Stability of the NSSF			
Reform the health insurance branch to restore its financial equilibrium while introducing incentives to better control utilization, quality and costs	A study on the health insurance branch funded by the World Bank and carried-out by the Consultation and Research Institute (CRI) has been submitted to the NSSF.	September 2008	World Bank Grant

APPENDIX C

Ministry of Finance (MoF)

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Undertake revenue management and administrative reform toward a function-based structure			
Develop Tax Procedure Code (TPC) regulations	Completed		Ministry of Finance
Finalize TPC law by Parliamentary committees	90 percent of the draft law has been approved by the parliamentary Committees	December 08	Ministry of Finance
Prepare executive procedures for the implementation of the TPC	Implementation procedures to put into effect the TPC are being prepared by the Tax Administration	December 08	Ministry of Finance
Propose changes to the current LTO decree	The selection criteria of large taxpayers is being reviewed in light of the overall segmentation plan of the fiscal population	December 08	Ministry of Finance
Finalize the systems and procedures for introducing the e-filing	The tax return forms have been finalized and are under testing	December 08	Ministry of Finance
Allocate and train staff for e-filing	Staff are being allocated and trained to launch the e-filing	December 08	Ministry of Finance
Linking Cadastre with Registry Offices (COMAP03)	Linking of Cadastre Offices to the General Directorate Land Registry and Cadastre (GDLRC) domain ongoing	End of December 2008	Ministry of Finance
Upgrading Cadastre Information Systems	Training and upgrading ongoing	End of December 2008	Ministry of Finance
Cadastre Extranet Application	Delayed due to technical problems with the provider. Testing Phase	End of December 2008	Ministry of Finance

DETAILED PROGRESS ON ECONOMIC AND FISCAL REFORM PROGRAM

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Undertake budget and financial management reform			
Adopt a top-down approach to reform the budget preparation process	No progress reported in this quarter. A World Bank assistance was negotiated in June 2008 to establish a project to go forward with this initiative - Project expected to start in October of 2008		Ministry of Finance Budget
Link the budget preparation to a medium-term expenditure framework (MTEF)	No progress has been achieved on that front due to the political constraints of May		Ministry of Finance Budget
Prepare MTEF in coordination with spending agencies	Completed		Ministry of Finance Budget
Improve cash management through establishing a cash management unit, upgrade the IT system to accommodate this reform, restructure the treasury functions and link debt to cash management	A request was sent to the Council of State to establish a cash management unit within the Treasury Department	December 08	Ministry of Finance Budget
Improve Business Environment (New Initiatives Added)			
Offshore Law	Law No.19 ratified by Parliament Broadening of sector activities (such as transport, management services) that can benefit from Off Shore regulations	Completed September 2008	Ministry of Finance
Creation of a Special Economic Area in Tripoli	Law No. 18 ratified by the Parliament Special Economic Area for the promotion of economic development, the attraction of the international, Arab and local capital and investment, and the promotion of international trade	Completed September 2008	Ministry of Finance

APPENDIX C

Ministry of Economy and Trade (MoET)

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Encourage Investment			
Streamline Business Registration Procedures	Reduction in the time needed to start a business from 46 days to 11 and elimination of 1 procedure Ongoing campaign to promote new business registration one-stop shop at Lebanon Amendments to draft law and laws for business registration pending Parliament and CoM approval	December 2008	IFC
Business Development Centers	BDC Association pending approval of its by-laws by members	December 2008	BDC's
Promote and Strengthen Intellectual Property Regime in Lebanon			
Reform and strengthen Intellectual Property Protection Office (IPPO)	MoET/IPPO is in the process of offering public online access to a number of its services MoET/IPPO campaign on counterfeit drugs	December 2008	Multiple private sector groups
Enact Laws to Improve the Business Environment			
Technical Regulation and Conformity Assessment	Draft Law of Technical Regulations and Conformity Assessment is now in its final draft stage, and will be submitted to Council of Ministers pending approval by key ministries and agencies	October 2008	MoET
Information Technology Law	Parliamentary committees are currently reviewing draft law	December 2008	MoET

DETAILED PROGRESS ON ECONOMIC AND FISCAL REFORM PROGRAM

Central Bank (BDL)

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
BDL Gross Reserves			
Maintain Floor on BDL gross reserves	Gross reserves rose to 16.7 billion USD at the end of this quarter		
Enhance Access of Business to Credit			
Undertake measures to enhance access of business to credit	Interest subsidy schemes and financing programs are on track (IFC/ EIB/ OPIC/ AFD/ AFSED)		
Divest BDL's Portfolio			
Sell BDL's share in MEA	No progress has been registered this quarter, pending more favorable market conditions. MEA is however taking necessary steps to be ready for implementation when the decision is taken	Originally 2010 might not be met depending on political and market conditions	
Sell BDL's share in Intra Investment Corporation	Casino's audited financial statements for 1999 to 2006 were issued Intra's audited financial statements for 2003 to 2006 were issued		

APPENDIX D

Telecommunication Sector - Telecommunications Regulatory Authority

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Regulatory Framework	The Liberalization Roadmap was approved by the TRA Board	Completed - waiting for feedback from Ministry of Telecom	TRA
	National Numbering Plan was approved by the TRA Board	Completed - waiting for final publishing in the official gazette	TRA + External Consultants (EU funded Project)
	Licensing Regulation was approved by the TRA Board	Completed - waiting for final publishing in the official gazette	TRA
	The Pricing Regulation was approved by the TRA Board	Completed - waiting for final publishing in the official gazette	TRA + External Consultants (EU funded Project)
	The National frequency Table was approved by the TRA Board	Completed - waiting for final publishing in the official gazette	
	The Consumer Affairs Regulation was approved by the TRA Board	Completed - waiting for final publishing in the official gazette	
	Local Loop Unbundling Regulation	Q4 2008	TRA
	Accounting Separation Regulation	Q4 2008	TRA + External Consultants (EU funded Project)
	National Roaming Framework	Draft ready	TRA
	Infrastructure Sharing Regulation	Q4 2008	TRA
Regulatory Framework for the establishment of call centers	Under consultation	TRA	
Broadband Licenses	Broadband financial model	Completed	TRA + External Consultants (EU funded Project)
	A draft on Spectrum Refarming for Consultation has been developed	Completed	
	A draft on the rollout and service coverage obligations has been developed	Completed	
Mobile Privatization	A draft on Spectrum Pricing has been developed	Completed - to be submitted to the Minister of Telecom	TRA + External Consultants (EU funded Project)
	A draft on the Numbering Charges has been developed	Completed	

DETAILED PROGRESS ON INFRASTRUCTURE AND PRIVATIZATION PROGRAM

Power Sector

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Strengthen Sector Policy-Making Capacity			
Appoint qualified advisors at the Ministry of Energy and Water (MoEW) to support on strategic planning and evaluation of electricity policy reforms	The new Minister is in the process of reviewing the reports produced by the consultants, to give directives for the completion of the Technical Assistance mission	September 2009	International Bank for Reconstruction and Development
	Energy Regulatory Agency (ERA) work is in progress		Promise from EU to support the ERA in kind worth EUR 1.6 million Euros
Establish NCC to properly dispatch EdL generation and transmission system.	Work is in progress	March 2009	Arab Fund for Economic and Social Development
Hire consultants to develop a Master Plan for the power sector	EDF updated the 2 nd draft of the Generation Master Plan based on EDL comments EDF started Transmission Master Plan that will be completed after receiving the decision of the Lebanese Administration regarding the selected scenario mentioned in the Generation Master Plan	October 2008	French Government
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	Consultants had already submitted five reports so far. However no progress has been reported in this initiative during this quarter	March 2009	International Bank for Reconstruction and Development and Agence Française De Development
Award contracts for the supervision of the KEPCO Operation & Management activities for Beddawi and Zahrani plants	Contract awarded. Commencement of works started in January 2008	June 2011	EDL
Decide on the viability of the Zouk and Jieh plants, and rehabilitate viable existing power plants.	A contract was awarded to KEMA to conduct the feasibility study for the rehabilitation of the Zouk and Jieh power plants	March 2009	EDL

APPENDIX D

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Complete the auditing of the EdL financial statements from 2002 to 2006	Audit of the EDL 2002 Financial Statements was completed in this quarter The Audit of the remaining years is in progress		EdL
Improve procurement process of fuel and gas oil to ensure better quality and reduce high premiums.	The Government of Lebanon is currently in the process of re-negotiating oil supply contracts to improve terms	Ongoing	Government of Lebanon
Complete the infrastructure needed for the Ksara station (including 400 kV network) to allow Lebanon's integration into the regional electrical network known as the "Seventh Joint".	The Civil works necessary to set-up the infrastructure have been completed this quarter	Q3 2008	EdL
Commit the supply of natural gas to the Beddawi plant.	Final contract with Egypt for the supply of natural gas to the Beddawi power is still under negotiation	January 2009	Government of Lebanon
Corporatize and Privatize EDL			
Retain consultants to assist Higher Council for Privatization (HCP) with the corporatization and restructuring of EdL.	Stakeholders input is being gathered on the second set of deliverables produced by the consultants on the restructuring strategy CoM approval on EDL restructuring strategy is still pending	Q3 2009	International Bank for Reconstruction and Development
Establish the Electricity Regulatory Authority (ERA) and define its financial and organization structure	No progress in this quarter: The financial and organizational structure of the ERA is still awaiting CoM review and approval	December 2008	Government of Lebanon
Launch and award tender for the installation and operation of remote meters.	No progress in this quarter: The technical evaluation of the five bids for the CMM project has been delayed to the political circumstances in May	December 08	Government of Lebanon for Medium Voltage (MV) meters and external funding for Low Voltage (LV) meters
Launch and award tender for service contracts for distribution.	CoM approved extension of the CRA contract The bidding for Service Provider (SP) has been delayed from its original date of April, due to circumstances at the time	December 08	Government of Lebanon

DETAILED PROGRESS ON INFRASTRUCTURE AND PRIVATIZATION PROGRAM

Detailed Progress: July 2008 - September 2008			
Program/Initiative	Work steps Completed & Deliverables	Expected Completion Date	Source(s) of Funding
Develop additional generation capacity through Independent Power Project (IPP), install additional capacity in Deir Ammar with private sector participation.	<p>The Transaction Strategy Report has been finalized and issued by the project lead advisor, the IFC</p> <p>The Pre-Qualification document has been finalized in coordination with the IFC and the various consultants working on the project</p> <p>The Geotechnical report has been issued by the technical consultant, K&M.</p> <p>The text of the Request for Expression of Interest has been finalized and is ready for publication.</p>	Bid Award expected end QII 2009	Government of Lebanon
Undertake asset registration and valuation of EdL assets	No progress in this quarter: HCP is still in the process of finalizing the signature of contract with selected bidder	Q3 2009	Government of Lebanon





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