



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



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REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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

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

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EXECUTIVE SUMMARY

The Tenth Progress Report on the International Conference for Support to Lebanon provides an update on the implementation of the Lebanese Government's economic and social reform program in the second and third quarters of 2009.

Under the Emergency Post-Conflict Assistance II, which ended June 30, 2009, the two key objectives of reducing the government debt-to-GDP ratio and strengthening international reserves were met, whereas limited progress on the program's monitorable actions was achieved.

The IMF monitoring and review mission of September 2009 highlighted that Lebanon is starting to reap the benefits of prudent macroeconomic and financial policies of recent years. Despite the difficult international and domestic environment, confidence and economic activity were maintained, which was conducive to creating a positive climate for economic performance and progress in reform implementation across a number of ministries. However, the protracted political transition has further delayed the approval and implementation of key elements of the reform program.

Social Cluster: *The Ministry of Education and Higher Education* defined the priorities for general and higher education and completed the information system set-up within the Ministry and in schools. The Ministry continued its efforts towards ensuring universal education to all through the provision of free textbooks to public schools and the elimination of registration fees. The capacity of the Education Center for Research and Development was strengthened to improve the analysis of test results and the tools for assessing academic achievement were refined.

The Ministry of Social Affairs made progress in the review of its mandate and programs and in the formulation of the Social Strategy elaborating the vision statement and initiating stakeholder consultations. The ministry completed the expansion of coverage of services to the disabled.

The National Social Security Fund appointed field auditors and lawyers to develop the capacity to collect contributions. Progress was also made in the audit of the NSSF accounts.

The Ministry of Public Health upgraded primary healthcare services: catchment areas were defined for 125 centers, the package of services was enhanced, and the accreditation program was developed. The completion of the pilot testing of the visa billing system and the institutionalization of the National Health Accounts are important milestones of health financing reform. The ministry also made progress in pharmaceutical reform by re-pricing drugs, reviewing and improving the current reference pricing system, and by developing a prescribing and dispensing guide for generic substitutes.

Economic Cluster: *The Ministry of Finance* achieved notable progress in the implementation of the revenue management and administrative reform program as well as in strengthening debt management. The draft laws to re-organize the revenue administration along a function-based approach and to establish a unit for medium taxpayers were completed. Regulations that introduce the Tax Procedure Code were approved by the Council of Ministers. In addition, citizens can now manage the built property tax through LibanPost mail services. The review of the Global Income Tax draft law by the Council of Ministers remains pending.

The Ministry of Economy and Trade launched several awareness raising and training programs, notably on intellectual property. The Ministry finalized two key laws for improving the business environment: both the Standardization draft law and the Technical Regulations and Conformity Assessment draft law are pending review and approval of the Council of Ministers. Key laws for doing business remain pending the approval of Parliament, namely three laws aimed at facilitating trade, enhancing competitiveness, and enhancing corporate governance.

The Office of the Minister of State for Administrative Reform re-submitted, after amendment, the two laws on public procurement to the Presidency of Council of Ministers for review and approval. There was notable progress registered on non-Paris III initiatives such as the mechanism for appointing Grade 1 civil servants, which was completed and which awaits Council of Ministers' approval. OMSAR also obtained preliminary approval for financing from the European Union for the administrative procedures'

simplification project and for the undertaking of strategic planning in the administration.

The Banque du Liban met the target for reserves, which reached \$22 billion in June 2009, and released several instruments to increase the access to credit by businesses. Progress was made on the transfer of regulatory responsibility through a final draft of the financial markets law that was issued by the Public Administration and Justice Committee and which is expected to be passed by the new Parliament.

Infrastructure Cluster: In the energy sector, the *Ministry of Energy and Water* signed a contract with Egypt in May for the supply of natural gas and the first batch of Egyptian gas to the Beddawi plant arrived in early September 2009. The commissioning of both turbines to enable them to run on natural gas was also completed. These milestones will result in improving the operational efficiency of the electricity sector. At the level of sector policy-making, the formulation of the medium and long-term fuel sourcing strategy was completed and technical assistance was provided for its implementation. The audit of *Electricité du Liban* financial statements for 2004 was completed and for the year 2005 work is in progress.

In the telecom sector, the *Telecom Regulatory Authority* issued, for public consultation, draft regulations on: the Code of Practice for Value-Added Services, the Broadband Licensing Plan and Broadband Technical Requirements, and on issues related to spectrum rights and charges. The economic impact of broadband liberalization is under review and the broadband licensing plan that was submitted to the Minister of Telecommunications is under finalization.

Resource Mobilization: By end September 2009, \$5.7 billion of the Paris III pledges were signed into agreement, representing 76 percent of total pledges compared to 74 percent at the end of the first quarter of 2009. The balance of pledges to be entered into agreement includes pledges by Saudi Arabia, World Bank Group, European Investment Bank, Arab Fund for Economic and Social Development and European Commission.

Disbursements increased to 50 percent (\$3,772 million) of total pledges as of end September 2009 compared to 42 percent of total pledges at the end of the first quarter of 2009, representing an increase of \$600 million. The increase in disbursements is mainly attributed to private sector support (\$364 million increase), and to a lesser extent budget support (\$118 million increase), and project finance (\$102 million increase). The remaining undisbursed budget support funds (\$500 million) are conditioned on progress in reform implementation in particular in the power and telecom sectors. With regard to project financing support, a number of signed agreements between Lebanon, on the one hand, and European Investment Bank (€70 million), World Bank (\$70 million) and Arab Fund for Economic and Social Development (KWD 41 million) on the other hand, are awaiting ratification by Parliament.

Looking forward: Lebanon maintains its commitment to the Paris III reform program and intends on taking advantage of the buoyant economic growth to press ahead with major structural reforms. The ratification by Parliament of project loans and accumulated draft laws that are essential to the success of the government's reform agenda will feature high on the agenda of the future government. In close collaboration with the GR PCO and CDR, the Ministry of Finance will continue to work with the donor community on resource mobilization. For budget support, the emphasis will be on fulfilling the reforms required in order to secure the balance of donor pledges. For project support, the focus will be on agreeing on new loans in accordance with regional and national priorities and expediting the implementation of the signed and ratified loans.



IMPLEMENTATION OF THE REFORM PROGRAM

1. SOCIAL REFORM PROGRAM

Ministry of Education and Higher Education (MEHE)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Consolidating Policy, Planning and Resource Allocation		
Develop and implement a three-year education strategy	<p>i. Prepare and endorse a summary framework of the sector strategy and present it to the Council of Ministers (CoM)</p> <p>ii. Distribute brochures on the national education strategy</p>	<p>The framework strategy of the sector was developed but not yet presented to the CoM. In parallel, the MEHE worked on developing priorities for the sector:</p> <ul style="list-style-type: none"> • Priorities for the general education sector were identified and a draft matrix with action plans developed • Priorities for the higher education sector were also identified and related action plans drafted • A prospectus that describes the context and issues of each priority with its objectives and key indicators was completed. • Activity sheets for seven activities of the action plan (with estimated costs) were completed
Develop a new MEHE organization structure	Institutionalize automation and archiving in the ministry and the Private Education Department	<ul style="list-style-type: none"> • The Education Sector Development Secretariat was established as part of the MEHE structure • A Strategic Quality Management System Manual was used to provide deliverables for the automation and the archiving systems at MEHE. In addition, the Private Education Department was equipped with PCs and printers to ISO 9001- 2000 requirements
Develop capacity at MEHE to assist in the monitoring and evaluation of the national education strategy and sector reform initiatives		The Education Sector Development Secretariat was selected to monitor sector reform initiatives (as an interim measure for implementing the proposed organizational structure for MEHE)
Develop and disseminate model performance-based budget for 2008-2009	Upon CoM initiation of the supporting law, adopt the budget as a shadow budget to the current line item approach until full adoption of program-based budgeting by MoF in 2011	The MEHE is preparing an education finance component, which focuses on capacity development of the budgeting personnel, the operational transfer to a program-based budget and management, and the integration of planning, budgeting, and program monitoring and evaluation

IMPLEMENTATION OF THE REFORM PROGRAM

PROGRESS UPDATE APRIL 2009 - SEPTEMBER 2009
ON PARIS III AND NON-PARIS III INITIATIVES

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
<p>Implement Education Management Information System (EMIS) in MEHE, and School Information System (SIS) at schools</p>	<p>i. Provide a full implementation of EMIS and set it up to be operational for the year</p> <p>ii. Launch bid for the provision of the data entry and the migration services (bidding documents already prepared)</p>	<p>This action step is almost complete</p> <ul style="list-style-type: none"> • <i>EMIS</i> acceptance process was done on June 2009. Delivery of data center equipment and setup completed • <i>Storage Area Network (SAN)</i> equipment contract was signed in July 2009. SAN was delivered and tested in September. Acceptance process is being finalized • Two Requests for Quotations (RFQs) for the EMIS PCs and servers and GIS plotters and special printers were launched in September 2009 • <i>SIS equipment</i>: 2952 computers and related accessories distributed to 1388 schools and MEHE HQ and Education Center for Research & Development (ECRD) • <i>SIS Software</i>: A contract was signed between the Education Center for Research and Development and the National Committee in Support of Public Schools to conduct data entry and data validation in all schools in Lebanon during September 2009. The SIS final data will be available by the end of February 2010 • <i>GIS Software</i>: Geodatabase development ongoing • <i>Connectivity</i>: The schools were selected. The school connectivity equipment and the connection of schools to the national education network will take place during October/November 2009. However, the implementation of phase 1 of the connectivity will start as soon as the Data Center equipment are in place and operational
<p>Program 2: Achieve Universal Basic Education for Ages 6 to 15</p>		
<p>Ensure equitable school access for all students and enact compulsory education at age 15</p>	<p>Ensure the approval of the applicable laws that will help raise the compulsory education age to 15</p>	<p>Initiative is in progress, supporting decree is being issued</p>
<p>Prepare, ratify and implement law to eliminate registration fees at third cycle (Grades 7-9)</p>		<p>Initiative on-going through donations from the Kingdom of Saudi Arabia and the United Arab Emirates (UAE)</p>

Ministry of Education and Higher Education (MEHE)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Engage participation of local society in the financing of school fund		On-going training of 50 fresh graduates by the NGO "Teach for Lebanon"
Provide free textbooks to public school students through revolving textbooks program		Initiative on-going through donations from the Kingdom of Saudi Arabia and the UAE to provide free textbooks to public schools over the last 2 years of the third cycle
Provide free school transportation for cycle 3 public students arising from their reallocation		Initiative not yet started
Program 3: Improve Efficiency, Effectiveness and Competence Level of the Teaching Workforce		
Enhance the professional competence of the teaching workforce	Revise and adjust indicators as needed, and assess all types of training	Pilot testing at Zahle and Saida resource centers has been finalized
Enhance the efficiency of teacher work-force utilization		Initiative not yet started
Develop and implement an early retirement program		<ul style="list-style-type: none"> An early retirement scheme has been set as part of the outcomes of the professionalization of teaching program Implementation is pending funding
Continue implementation of Leadership Development Program for school principals and institutionalize the program within MEHE and LU	<ul style="list-style-type: none"> i. Provide mentorship support to the MEHE master trainers ii. Develop a web-based portal to support rounds of program delivery iii. Develop a self study module relating to school-based management and program-based budgeting/ performance management iv. Develop documentation to ensure that school development plans are in line with education sector strategy priorities 	<p>This action step is almost complete</p> <ul style="list-style-type: none"> A framework for selecting principals for public schools has been implemented (137 candidates from 53 schools have been interviewed) The 40 selected principals have become master trainers for the Training Of Trainers program. The requirements of the Training Of Trainers program have been specified in coordination with the Faculty of Education at the Lebanese University The terms of reference for the Leadership Training Program were prepared

IMPLEMENTATION OF THE REFORM PROGRAM

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Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 4: Enhance Quality of Education		
Review and update curriculum	Review curriculum development process	The preschool and first cycle curriculum were validated
Enhance the quality and content of the student textbooks and teachers' guide	Initiate review of the process for textbooks and teacher guide standards	The issuing of textbooks for cycles other than the first cycle and preschool is in progress
Enhance learning achievement		Capacity is being built in the ECRD and MEHE to allow for a better and more efficient analysis of the Trends in International Mathematics and Science Study (TIMSS) results, which will be a basis for education policy development
Expand access to public preschool education in poor, rural areas	Select and identify the regions in which preschools will be newly opened	An Early Childhood program was developed as a first draft with corresponding indicators, outcomes and activities
Introduce Drop- out Prevention Program	Initiate the program once negotiations with the EU to fund the program are established	A Drop-Out Prevention program was developed as a first draft with corresponding indicators, outcomes, and activities. Implementation is pending negotiations with the EU on funding
Monitor quality of education (assessment of academic achievement)	<ul style="list-style-type: none"> i. Continue the implementation of the Exam Generation System (EGS) and provide technical and administrative needs ii. Review the Question Bank System (QBS) content and ensure its continuous implementation iii. Continue the implementation of the Examination Management System (EMS) iv. Assess outcomes of national examination and international assessments (TIMSS), and determine the priorities to improve education 	<ul style="list-style-type: none"> • New functions were added to the Exam Generation System-developed application, such as configuration parameters and security settings. This new version was used during the official examination in June 2009. Several improvements are taking place and the Exam Generation System will be fully operational at Department of Education in December 2009 • Feedback has been collected after the trial of the Question Bank in the second session where some pedagogical and software problems were encountered. Several measures were taken and implemented to resolve these problems. The Question Bank System will be fully operational by December 2009 • The Examination Management System (EMS) process (from distribution to publishing results) was tested as planned for General Science students (5400 students) during the first session of the official examination in June 2009

Ministry of Education and Higher Education (MEHE)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 5: Enhance the Utilization of Educational Facilities		
Upgrade the physical requirements of schools	Ensure contracting of EMIS computer by launching a request for quotation	The construction and furnishing of eleven new schools was completed in Q3 of this year
Consolidate small general education schools		No further school consolidation has been performed, 38 unviable schools were closed

Beyond Paris III

Programs/Initiative	Progress in Q2 & Q3 2009
Promoting sustainable development	<ul style="list-style-type: none">• Four kits in environment protection, health, citizenship, and human rights were produced and distributed to all schools in Lebanon• Teachers were trained and coordinators distributed throughout schools to coordinate these subjects• Contests and competitions were held
Promoting community service through education	<ul style="list-style-type: none">• Training sessions for teachers and introduction of the subject in schools is still ongoing• A committee was formed to assess the capacity of universities to promote community services through educational activities
Promoting citizenship through education	<ul style="list-style-type: none">• A first draft of the Citizenship Program was developed. Indicators, outcomes, and activities were developed for the program
Automation of the Department of Equivalences	<ul style="list-style-type: none">• Work is ongoing to automate the Department of Equivalences and to ensure an efficient work flow throughout the departments; initiative expected to be completed in December 2009

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Ministry of Social Affairs (MoSA)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Review the Mandate and Programs of the Ministry of Social Affairs		
Review mandate and programs of the Ministry of Social Affairs	Formulate law proposal for restructuring the Ministry of Social Affairs	Final draft of law proposal completed (awaiting Minister's approval prior to submitting it to OMSAR for final review and approval)
	Endorse new procedures for implementing local development initiatives	Action step completed
	Endorse new procedures for contracting NGOs	No progress on this initiative in this period pending procedures at the State Council
	Endorse new criteria for welfare institutions	No progress on this initiative in this period pending new criteria at the State Council
	Reactivate the activities of the Artisan House of MoSA	No progress on this initiative in this period
Develop new organizational structure for the Ministry of Social Affairs	Revisit structures of departments and parallel programs	No progress on this initiative in this period - this requires a revision of the MoSA mandate which has not yet taken place
Undertake process re-engineering and automation of the Ministry of Social Affairs		No progress on this initiative in this period
Program 2: Enhance Management of the Social Sector		
Formulate a comprehensive social strategy	<ul style="list-style-type: none"> i. Selection of consulting firm and signing of contract ii. Elaboration of strategy and consensus building 	<ul style="list-style-type: none"> • Action step completed • Elaboration of the strategy initiated: Existing sector and thematic strategies and studies were compiled; draft elements and vision statement of strategy were elaborated; discussion with stakeholders and consensus-building process has started
Eliminating duplication in delivery of social services and programs	<ul style="list-style-type: none"> i. Finalize action plan between Ministries of Education, Public Health and Social Affairs to eliminate/reduce duplicated programs and services ii. Implement action plan 	No progress on this initiative. The Inter Ministerial Committee secretariat is still facing difficulty accessing detailed data from different ministries
Establish monitoring and evaluation mechanism for social programs across the Ministries of Social Affairs, Education and Health		Initiative not started

Ministry of Social Affairs (MoSA)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Create a coordination mechanism for the implementation of local development projects	Finalize database based on comments and feedback of stakeholders	No progress on this initiative in this period
	Elaborate a framework of development needs and priorities in all regions	Terms of reference and requests for proposals were drafted and currently announced
	Establish an on-going coordination mechanism for local development	Initiative pending the completion of the prerequisite action steps
Program 3: Develop New Targeting Mechanisms for Social Safety Net Programs		
Establish targeting mechanism (through proxy means testing) for implementing Social Safety Net programs	Implement pilot phase in three regions	Action step completed. Social workers made visits to households; data entry is in progress and beneficiaries were specified. Distribution of benefits being processed by MoF
	Upgrade current software for the national rollout based on pilot results	Not started
	Train social inspectors	Not started
Program 4: Implement Prioritized Safety Nets Programs		
Expand coverage of services offered to the disabled	Delivery of proximity services	<u>Initiative completed.</u> Delivery of 1,500 services and 97 percent of budget spent

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National Social Security Fund (NSSF)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Strengthen the Governance and Administration of the NSSF		
Build a strong IT capacity		This initiative is no longer a priority to the NSSF
Program 2: Audit, Update and Reform NSSF Accounts and Accounting Practices		
Perform 2001 - 2005 audits by an international firm		Audit of the 2003 accounts was completed and the audit is on-going for 2004 and 2005
Resolve issues related to government dues, NSSF assets, bank deposits dormant accounts, receivables and payables		Talks are on-going with the Ministers of Finance and Labor to resolve this issue. The MoF transferred to the NSSF LBP 160 billion since the beginning of 2009
Reform the accounting unit within NSSF		No progress on this initiative
Program 3: Improve NSSF Capacity to Collect Contributions under Current Law		
Share non-confidential information between Ministry of Finance and NSSF on registered companies and self employed		No progress on this initiative despite various meetings between the two entities
Increase the number of field auditors to regularly survey companies		42 auditors were appointed in June 2009 and started training in July for a nine-month period
Enhance collection process		On-going monitoring of companies that are not paying their dues. Four lawyers were appointed in June 2009
Program 4: Reduce Cost to Achieve Financial Equilibrium		
Institute new salary scale		Currently under study
Stop the collaboration with hospitals which have not been accredited by the MoPH		<u>Initiative completed</u> (The NSSF has stopped collaboration with all hospitals which have not met accreditation standards)

Ministry of Public Health (MoPH)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Upgrade Primary Healthcare Services		
Increase number of contracted centers from 80 to 125		121 centers have been contracted and 14 municipalities are in the process of joining
Define catchment areas for 120 centers and design a referral system between these centers and public hospitals in the same areas		Catchments areas defined and design of referral system is on-going
Revise and enhance the primary health centers (PHC) package of services for 120 catchments areas		<u>Initiative completed</u>
Initiate health card initiative for eligible MoPH beneficiaries of 120 catchments areas		Completed for 80 centers Initiated for the others
Expand IT infrastructure of 120 catchments areas		IT infrastructure expanded and currently operational in 80 centers
Develop and implement Primary Health Center (PHC) accreditation program		The program was developed and implementation took place in 80 centers
Develop and implement disease management guidelines		Done for chronic illness medication
Introduce performance-based contracting for targeted primary health care services; Revise current PHC contracts with NGOs		<u>Initiative completed</u>
Undertake targeted interventions for maternal and child mortality reduction by rolling out implementation of Wadi Khalid project (Akkar)		Initiative not started due to lack of human resources
Program 2: Follow-Up Implementation of Quality Assurance Program		
Implement and institutionalize a public hospital accreditation program		Initiative not started
Develop clinical practice guidelines		No progress on this initiative due to lack of resources

IMPLEMENTATION OF THE REFORM PROGRAM

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Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 3: Undertake Health Financing Reform		
Amend by-laws of public funds to allow for common procedures		Decree issued by Council of Ministers. Implementation decision issued by the Minister of Public Health. By-laws amendments including eligibility, contribution and benefit policies are to be done by each fund individually
Re-commission the work on the standardization of codes, forms, and payment methods across the funds		
Revisit the eligibility policies, contribution rates, covered benefits of the insurance funds		
Integrate the database of eligible beneficiaries across public funds		On-going
Integrate Health Management Information System across funds		No progress on this initiative. These activities are pending the launch of the Emergency Social Protection Implementation Support Project financed by the World Bank grant, which was signed in September 2007
Harmonize and integrate insurance functions across funds		
Pilot a common Third Party Administrator for public funds		
Complete the pilot testing of the visa billing system		<u>Initiative completed</u>
Support MoPH utilization review unit		No progress on this initiative
Develop admission criteria		No progress on this initiative
Implement electronic transfer and processing of hospital bills		No progress on this initiative
Update and institutionalize the National Health Accounts		<u>Initiative completed</u>
Program 4: Enhance Public Health Functions and Programs		
Enhance national expanded immunization program		No progress on this initiative
Complete the decentralization of epidemiological surveillance system		No progress on this initiative due to lack of human resources
Support emergency management services		National committee was created

Ministry of Public Health (MoPH)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Strengthen public health programs (Injury prevention, HIV -AIDS, School health)		On-going activity
Enhance non-communicable diseases programs		No progress on this initiative
Program 5 : Undertake Pharmaceutical Reform		
Re-price all drugs registered from 2000 to 2006		<u>Initiative completed</u> - 1037 drugs were re-priced and average price decreased by 14 percent
Review and improve current registration system		No progress on this initiative
Review and improve current reference pricing system		<u>Initiative completed</u>
Adopt code of ethics for marketing and promotion of drugs		Code of ethics developed and consensus-building is in process
Develop and implement generic drug policies		A national committee was created to update the list
Develop prescribing and dispensing guide for physicians and pharmacists regarding generic substitution		<u>Initiative completed</u>

IMPLEMENTATION OF THE REFORM PROGRAM

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2. ECONOMIC REFORM PROGRAM

Ministry of Finance (MoF)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Undertake Budget and Financial Management Reform		
Adopt a top-down approach to reform the budget preparation process	Prepare Medium Term Macro Fiscal Framework for the preparation of the 2010 budget	Medium-term macro-fiscal framework 2010-2012 prepared as basis for the preparation of the 2010 budget proposal
Link the budget preparation to a medium-term expenditure framework (MTEF)	Prepare budget circular with global budget ceiling	2010 Budget circular with global budget ceiling was prepared (April 2009)
Prepare medium-term expenditure framework in coordination with spending agencies	<ul style="list-style-type: none"> i. Assist the Institute of Finance (IoF) in developing training curricula on modern budget techniques ii. Disseminate budget reform among various stakeholders, (e.g. civil society, Parliament and public administration) 	Action step completed: Assisted the IoF in the evaluation of the bidding documents for curricula development and coordinated in the development of curricula
Prepare for introduction of performance budgeting	Continue work with the MEHE to prepare results-oriented shadow budget in multi-year framework	Continued collaboration with the Ministry of Education and Higher Education to prepare results-oriented shadow budget in multi-year framework
Improve cash management	Institutionalize Cash Management Unit; Upgrade the IT system; Restructure the treasury functions; and Link debt to cash management	Unit institutionalized by a decree in Q1 2009. Three MOF staff members were assigned to the newly formed unit
Prepare the introduction of a Treasury Single Account (TSA)	Prepare legislation and decrees required for managing the TSA	No progress on this initiative - Draft law in Parliament awaiting ratification (presented in December 2004)
Build the capacity within the different directorates involved in the expenditure cycle	Develop curricula to meet the training needs associated with the reform plan (Institute of Finance)	Initiative partially completed. One-day training provided for new recruits at the Institute of Finance on August 12, 2009
Program 2: Undertake Revenue Management and Administrative Reform Toward a Function-Based Structure		
Reorganize revenue administration along a function-based structure with strong headquarters	<ul style="list-style-type: none"> i. Finalize draft law ii. Define staffing requirements and job descriptions 	i. Action step completed: Draft law prepared in June and under discussion by the Tax Administration and the Tax Reform Team
Establish taxpayer services in satellite offices	Launch satellite offices gradually starting with the most important sub-regions in terms of fiscal coverage	Logistic arrangements being prepared in order to launch a minimum of two satellite offices in Metn and Jbeil by Q2 2010

Ministry of Finance (MoF)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Expand Large Taxpayers' Office (LTO) coverage to include other taxes and fees	<ul style="list-style-type: none"> i. Propose changes to the current decree ii. Integrate the remaining tax types iii. Modify the system integrated government automated system (SIGTAS) to suit the new requirements 	Action step initiated: Adjusted criteria being prepared for Large Taxpayers Office; threshold, categories and related companies
Establish a unit for medium taxpayers (MTO) <ul style="list-style-type: none"> • Medium taxpayers office • Potentially develop a simplified scheme for the small tax payers 	<ul style="list-style-type: none"> i. Set the new organizational structure ii. Finalize the draft law iii. Define the staffing requirements and job descriptions 	Action step completed: The draft law was finalized in June and is under discussion by the Tax Administration and the Tax Reform Team
Finalize the development of the comprehensive database of employees, and extend the reformed operations to regional offices within DASS reform	Extend the reformed operations to all regional offices	The initiative was completed in the Mount Lebanon regional office in Q1 and deployment was initiated in two other regional offices (Nabatieh and Bekaa)
Introduce the Tax Procedure Code (TPC) that unifies and harmonizes the various tax procedures	<ul style="list-style-type: none"> i. Regulations approval by the Council of State ii. Regulations approval by the Council of Ministers iii. Develop procedures and necessary automated functions 	Initiative almost completed. Regulations were approved by Council of Ministers on 3 July 2009 and are being implemented
Global Income Tax (GIT): Finalize the draft law and work in progress for the development of related regulations and procedures	<ul style="list-style-type: none"> i. Launch consultations with sectors' representatives ii. Develop forms and guides and business processes and procedure 	No progress on this initiative. In Q1 2009, GIT draft was submitted to CoM, which transmitted it to a committee for consultation
Introduce electronic registration of taxpayers	<ul style="list-style-type: none"> i. Launch communication campaign ii. Launch electronic registration process 	<ul style="list-style-type: none"> • A communication campaign is being prepared towards the launching of e-services, planned for the end of 2009 • E-registration ready to be implemented
Launch electronic filing (e-filing) and electronic payment (e-payment through commercial banks)	<ul style="list-style-type: none"> i. Finalize the systems and procedures ii. Launch a communication campaign iii. Launch e-filing 	Forms for the Deduction at Source of Income Tax on Salaries (DASS) and the Value-Added Tax (VAT) were accomplished in Q1 and forms for income tax are being prepared

IMPLEMENTATION OF THE REFORM PROGRAM

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Programs/Initiatives	Action Steps for 2009	Progress in Q2 & Q3 2009
Rely on mail services to simplify taxpayers filing obligations	i. Finalize handling all built property tax transactions ii. Launch new services through LibanPost	<u>Initiative completed in Q2</u> : All built property tax transactions managed by LibanPost, but not exclusively
Improve collections of receivables		No progress on this initiative: this objective will be attained after the implementation of the TPC
Implement Tax Procedure Code	i. Prepare executive regulations and procedures ii. Prepare and disseminate new audit manual	Initiative under implementation
Enhance revenue collection through improved communication with taxpayers and improved taxpayers' services		New tax guides informing taxpayers of their rights and obligations under preparation; Taxpayers' Charter under preparation
Program 3: Strengthening Debt Management		
Draft implementation decrees for the organization and recruitment of newly created modern Public Debt Department	i. Appoint consultant ii. Circulation of implementation decrees iii. Submission of draft implementation decrees to Council of Ministers	Action step completed: World Bank International Consultant contracted (under the Emergency Fiscal Management Implementation Support - EFMIS Project); has already initiated work in early October 2009
Enhance the medium-term debt strategy model to improve cost and risk analysis	Upgrade the current model	Initiative almost finalized: Cost and risk analysis were enhanced with some risk indicators published on a quarterly basis
Strengthen debt statistics function and reporting	Standardization of the debt data reporting Review the overall process	<u>Initiative completed</u> : Standardization of weighted average interest rates computation, the overall process for foreign debt was already internally reviewed and will be shared with the international consultant in 2010
Develop a formal debt management strategy for 2009-2010	Circulate a draft version of the document; Get approval; Publish	Action step completed in early 2007: draft version has been further improved. Last version was refined and updated in Q2 2009
Study the implementation of new debt instruments	Develop secondary market liquidity in Lebanese liras by introducing longer maturity instruments Explore new debt instruments and study their implementation	<u>Initiative completed</u> • Internal assessment of new debt instruments was performed during Q2 2009 • Auctioning of 60 month LL T-bills on a bi-weekly started on July 23 rd , 2009

Ministry of Finance (MoF)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 4: Facilitate Trade		
Facilitate imports/automate operations in customs offices/ lower import costs	Automation of the manifests/declarations in the port of Tripoli and Rafic Hariri International Airport and Port of Beirut	<ul style="list-style-type: none"> Automated the customs declaration and manifest in the port of Tripoli; application launched on May 1st 2009 (ASYCUDA World/NAJM) Automated the manifest and declaration in Rafic Hariri International Airport and Port of Beirut. Training and equipment already established in Rafic Hariri International Airport - launching date: 1 November 2009
		Integrated fast cargo inside the application
		Integrated the bill of lading low and high values inside the application
	Quittance issued from the National Social Security Fund (NSSF)	Integrated the quittance issued from the NSSF inside the application (Data is being transferred on a daily basis, but still waiting for the MoF acceptance to correct invalid data)
Electronic Payment: Ability to pay 24/7 any declaration via the internet and through the customs application. Paperless electronic government: Removal of all the attached papers to the customs declarations	Cars data interchange with the Interpol & Registration Directorate	Cars data interchange with the Cars Registration Directorate is in its final stages
		Approval of the EU on the MOF proposal regarding electronic payment inside the Ministry. The terms of reference of the project are being prepared accordingly

Beyond Paris III

Programs/Initiative	Progress in Q2 & Q3 2009
Undertake Revenue Management and Administrative Reform Towards a Function-Based Structure	
Portal of the MoF	<ul style="list-style-type: none"> All components upgraded and completed A communication campaign is being prepared The launch of the new portal and e-applications are expected by end of 2009
Facilitate Trade	
Increasing Customs Controls	<ul style="list-style-type: none"> Automated all kinds of procedures (seizure, outside manifest, excess and shortage, suspicious, screening & joining, breaking up, packaging) Automated the settlement of duties and the inspection result Achieved addition to the bill of lading write off upon payment of the corresponding declaration Automation of the port of Beirut gates in order to monitor the physical control of goods (on-going)

IMPLEMENTATION OF THE REFORM PROGRAM

PROGRESS UPDATE APRIL 2009 - SEPTEMBER 2009
ON PARIS III AND NON-PARIS III INITIATIVES

Ministry of Economy and Trade (MoET)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Encourage Investment		
Streamline business registration procedures	Enact amendments to the Commercial Law on starting a business	No progress on this initiative Proposed amendments awaiting parliamentary committees to re-convene
Improve business environment for Small and Medium sized Enterprises (SMEs)	<ul style="list-style-type: none"> i. Create program to remove barriers to start-up and other immediate needs ii. Identify funding sources for activities of a new extension phase of the SME Support Program, including business development centers 	<ul style="list-style-type: none"> • Final financing and programming details were completed. New focus will be on improving competitiveness and will build on improving the business environment, the strengthening of services to enterprises, and the upgrading of national quality management systems¹. • No progress in this action step as funding not yet identified. However, the SME Unit is working on exploring modes of cooperation to establish a satellite business development center for the Naqoura and southern Lebanon regions. It will join forces with the Tyre Municipality and BERYTECH
Program 2: Promote and Strengthen IP Protection		
Copyright and trademark draft laws	Propose amendments to harmonize draft intellectual property laws under consideration by Parliament	No progress on this initiative
Strengthen intellectual property national awareness	Work with World Intellectual Property Organization (WIPO) and national stakeholders to create and implement a program to strengthen awareness of intellectual property concepts nationally	<p>Several awareness and training activities were held during this period, including:</p> <ul style="list-style-type: none"> • A workshop on intellectual property rights enforcement organized with the US Patent and Trademark Office (USPTO), and in which 38 officials from the armed forces, Customs, concerned ministries and private sector participated • Program participation (Around 150 lawyers including other experts) in an evaluation workshop on draft intellectual property laws, held by the Association for the Protection of Industrial Property in the Arab World (APPIMAF) and Beirut Bar Association. The workshop resulted in recommendations that will be presented to Parliament

Ministry of Economy and Trade (MoET)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
		<ul style="list-style-type: none"> Participation in a series of trainings on detecting counterfeit products organized by USAID, AMIDEAST and the Brand Protection Group-Lebanon. Around 200 officials including inspectors from the armed forces, Customs, concerned ministries and the private sector benefited An artistic expression and academic research competition on the theme of "Intellectual Property Protection: Duty or Necessity", in which 73 public schools participated. This was jointly organized with the MEHE Training for approximately 100 university students from leading universities in Lebanon on intellectual property rights issues
Strengthen MoET Intellectual Property Protection Office (IPPO)	<ul style="list-style-type: none"> Collaborate with a leading private Arab company to provide training to intellectual property staff and raise awareness Ongoing training 	On-going training offered by WIPO, the European Patent Office, and the Chinese Embassy in Lebanon IPPO is also in the process of receiving equipment from WIPO to strengthen its information management system, and to replace outdated equipment
Program 3: Further Facilitate Trade and Enhance Trade Competitiveness		
National Committee on Trade and Transport Facilitation		No progress on this initiative
Lebanon Export Promotion Agency	Ensure enactment of LEBEX Law	<ul style="list-style-type: none"> No progress on this initiative Proposed draft law awaiting Parliament approval
International Trade and Import Licensing Law	Ensure approval of submission decree by President of Council of Ministers	<ul style="list-style-type: none"> No progress on this initiative Proposed draft law awaiting Parliament approval
Program 4: Enact Laws to Improve the Business Environment		
Standardization Draft Law	Ensure approval by Council of Ministers and enactment of draft law	The Ministry of Industry (Mol) submitted the draft law to the CoM and is awaiting approval (The finalized Arabic version of the draft law was completed jointly by LIBNOR, the Mol and the Quality Programme at the MoET)

IMPLEMENTATION OF THE REFORM PROGRAM

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Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Technical Regulations and Conformity Assessment Law	Ensure approval by the Council of Ministers and enactment of draft law	The draft law was approved by the MoET and was submitted to CoM in June 2009, where it is still pending. (The final version of the draft law was reviewed and amended following the outcomes of the revision of the new approach by the European Commission.)
Information Technology Law	Ensure enactment of draft law	The draft law is now at the Parliamentary Joint Committee for consideration
Program 5: Review Corporate Governance Laws		
Amendments to corporate governance laws	Ensure enactment of corporate governance related laws by Parliament	No progress on this initiative

¹ MoET is pursuing this initiative with support from the European Commission through the Project Administration Office (PAO) at the Presidency of the Council of Ministers.

Beyond Paris III

Harmonization and strengthening of border IPR verification and enforcement measures	No progress on this initiative
Adherence to international IP treaties	<ul style="list-style-type: none"> • No progress on this initiative • Awaiting parliamentary enactment
Increase public access to IP information	Work on-going. IPPO is working with the European Patent Office (EPO) to publish registered patents with priorities. IPPO established a new MIS system that will help it regularly release updated reports on intellectual property issues via its website
Digitization and automation of public application processes	<p>No progress on this initiative</p> <p>MoET has been consulting with international partners to obtain technical assistance to develop the online security infrastructure for automated applications</p>
Trade integration needs assessment	Initiative Completed in QII. Recommendations were presented to representatives of the public and private sectors
Enact the Food Safety Law to create the Food Safety Agency	<ul style="list-style-type: none"> • No progress on this initiative • Awaiting the appointment of new parliamentary committees
Promote awareness on quality issues, and assist public institutions and private enterprises to receive relevant international quality accreditation.	QUALEB - the Quality Programme (EU-funded project), continued the awareness campaign on quality-related issues by delivering to private and public sector representatives a series of seminars, training modules and conferences on specialized quality matters. Support enterprises, laboratories, and certification bodies were also briefed on how to get certified and accredited according to international standards
Transport Sub-committee	The Presidency of the Council of Ministers formed a transport sub-committee, which has been convened to address some findings and to propose solutions arising out of the initial report of the National committee Trade and Transport Facilitation(see Trade Facilitation Program above). This sub-committee is headed by the Prime Minister and is currently addressing issues related to the Port de Beirut

IMPLEMENTATION OF THE REFORM PROGRAM

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

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Promote Governance and Transparency in the Public Sector		
Modernize procurement code to help bring procurement procedures to international standards	Ensure enactment of the Public Procurement and Public Procurement Administration draft laws	The two draft laws were updated based on remarks from the Minister of Agriculture and re-sent to the Presidency of the Council of Ministers for review
Address corruption at agency level starting with two important ministries	Follow-up with MOF to secure approval of expert terms of reference and sign an MOU to start the project Duplicate approach of terms of reference and MOU with the Ministry of Transport and Public Works Prepare and implement action plan	Initiative transferred to the MoF; will be implemented within the context of World Bank-funded project(EFMIS, see above)
Enact new draft law by Parliament for grade 1 and non-grade 1 public sector recruitment		No progress on this initiative. Draft law awaiting Parliament approval
Develop modalities for outsourcing relevant public sector tasks to private sector	Develop terms of reference and scope of work for outsourcing consultant	Initiative to be initiated soon as funding was secured through the Arab Fund
Program 2: Modernize and Upgrade Capabilities within the Public Sector		
Government e-payment gateway action plan	i. Develop terms of reference and scope of work for implementing government e-payment gateway ii. Finalize government e-payment gateway action plan	No progress on this initiative: the e-payment gateway has not been launched pending the set-up of a coordination system with various entities involved in the project
Develop human resources and HR policies for the public sector	i. Enact law by parliament ii. Draft HR units organizational decree by committee	No progress in the enactment of the law. OMSAR obtained preliminary approval for financing from the EU and is preparing to carry out training for the units upon the law issuance
Implement training plan for the Ministry of Public Health and other institutions	i. Develop terms of reference and scope of work for training consultant ii. Develop and implement training program for the Ministry of Public Health	Training needs assessed. Terms of reference under development. Financing to be secured from the Arab Fund for Economic and Social Development

Beyond Paris III

Mechanism for appointing grade 1 civil servants		The mechanism was completed and forwarded to the Prime Minister in 2008 and is awaiting COM endorsement
Revitalize position classification project	Establish sub-committees to take on activity	OMSAR started implementation in ten public administrations in cooperation with the concerned authorities
Administrative procedures simplification	Create skills network across the administration Develop action plan for each cell within the created network	OMSAR obtained a preliminary approval for financing from the EU and established a network of skilled staff for simplification throughout the administration
Implementation of the master plan for the automation of courts		Finalized the Technical and Administrative Provisions of the financing agreement with the EU. (16 September 2009)
Government information technology network		OMSAR prepared an agreement with OGERO and Ministry of Telecommunications to establish a government network based on DSL technology. The agreement was approved by the CoM (June 2009)
Strategic planning		OMSAR obtained a preliminary approval for financing from the EU and is preparing to initiate pilot projects in the administration and roll out subsequently

IMPLEMENTATION OF THE REFORM PROGRAM

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Banque du Liban (BdL)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Maintain Floor on BdL Gross Reserves		
Maintain floor on BDL gross reserves		IMF reserves targets under the EPCA II program were successfully met. Gross reserves exceeded the required floor by a hefty margin to reach USD 22.9 billion end of June 2009
Program 2: Enhance access of businesses to credit		
Undertake measures to enhance access of businesses to credit		On-going: The BdL pursued the issuance of circulars ² that pertain to Legal Reserve Requirements (LRR) exemptions on micro-credit loans, medium and long-term loans extended to the industrial, tourism and agricultural sectors, loans that finance environmentally friendly projects, loans funded or guaranteed by the IFC, EIB, OPIC, AFD, AFESD etc...
Program 3: Divest BdL's portfolio		
Sell part of BdL's shares in MEA		No progress on this initiative, pending favorable market conditions
Sell part of BdL's shares in Intra Investment Corporation		No progress on this initiative, pending favorable market conditions
Program 4: Transfer Regulatory Responsibility		
Transfer of regulatory responsibility for MIDCLEAR from BdL		A final draft of the financial markets law was issued by the Public Administration and Justice Committee and is expected to be passed by the new Parliament
Transfer of regulatory responsibility for securities business from BdL		A final draft of the financial markets law was issued by the Public Administration and Justice Committee and is expected to be passed by the new Parliament
Implement regulatory changes to allow registration of private credit bureaus		Société Financière Libanaise (SFL) discussed with Lebanese banks means of implementing IFC's recommendations with regard to the creation of a prospective private credit bureau in Lebanon. Related discussions are being undertaken on the form and the entity of the private credit bureau. The IFC was hired by SFL almost 18 months ago to examine the feasibility of establishing such entity

² The latest being intermediary circulars # 185 date 5/9/2009, # 186 date 5/9/2009, #197 date 6/26/2009, # 198 date 7/11/2009 and # 199 date 8/21/2009

3. INFRASTRUCTURE AND PRIVATIZATION REFORM PROGRAM

Ministry of Energy and Water (MEW)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 1: Strengthen Sector Policy-Making Capacity		
Appoint qualified advisors at the Ministry of Energy and Water to support strategic planning and evaluation of electricity policy reforms		<p>The Ministry's Consultant Decon completed the formulation of a medium and long-term fuel sourcing strategy (May 2009) and the preparation of the relevant implementation plan (June 2009). The fuel sourcing strategy focuses on the following priority investments and actions:</p> <p><u>Priority investments</u></p> <ul style="list-style-type: none"> • Fast-track addition of 600 MW of reciprocating engines in the short term • A regasification plant at Zahrani • A new coal plant at Salaata • A new 500 MW CCGT plant at Zahrani <p><u>Priority actions</u></p> <ul style="list-style-type: none"> • Tariff adjustments • Fuel diversification and security • Pre-feasibility study of Floating Storage Regasification Unit (FSRU) versus land-based regasification plant at Zahrani • Conducting lifecycle cost assessment of coal versus LNG • Completing the generation, transmission and distribution master plans
Establish national control center to properly dispatch EdL generation and transmission system		Considerable progress was achieved in installing the communications infrastructure covering 75 sites
Hire consultants to develop a master plan for the power sector		EdF will deliver a new draft of the generation master plan by the end of September 2009. The revised document will incorporate the recommendations of the Ministry of Energy and Water as well as the key findings of the fuel sourcing strategy

IMPLEMENTATION OF THE REFORM PROGRAM

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ON PARIS III AND NON-PARIS III INITIATIVES

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 2: Improve EdL Operational Efficiency		
Appoint consultancy team at EdL to perform operational, financial, accounting, legal and contract management activities, including coordinating and assisting the Higher Council for Privatization (HCP) and its advisory team in the corporatization and privatization of EdL		The contract of EdL consultant Azorom, which ended on March 27, 2009, was further extended through May 31, 2009. Reports were delivered by the consultant relating to an evaluation of EdL's present condition as well as recommendations on: improving generation efficiency, safety and security, improving procurement (of which, a computerized material management system), improving transmission and distribution, improving commercial aspects, improving financial management, coordinating with the power sector restructuring consultants. Also, an exit condition report was submitted by the consultant Azorom summarizing the improvements in technical and financial performance of EdL
Award contracts for the supervision of the KEPCO Operation & Management activities for Beddawi and Zahrani plants		EdL's consultant (KEMA) submitted the assessment report for the KEPCO operation and maintenance activities
Decide on the viability of the Zouk and Jieh plants, and rehabilitate viable existing power plants		The rehabilitation of existing power plants awaits the Government's decision on building economic base load power generation
Complete the auditing of the EdL financial statements from 2002 to 2006		Initiative ongoing: Financial Audits for 2002, 2003 and 2004 completed. The financial audit for 2005 will be completed by end of 2009
Complete the expansion and rehabilitation of the 220KV Transmission network (EdL)		Following a CoM decision, the conductor installation to be completed from Bsalim to Aramoun (10km)
Commit the supply of natural gas to the Beddawi plant		The first batch of Egyptian gas arrived at the Beddawi plant September 2009. Commissioning to convert one turbine on natural gas was completed in Q3 2009. Commercial quantities for the second turbine are expected to arrive in October/November 2009

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Program 3: Corporatize and Privatize EdL		
Retain consultants to assist Higher Council for Privatization (HCP) with the corporatization and restructuring of EdL		The consultant Mercados prepared the draft reports for the planning phase for the sector restructuring and EdL corporatization. Awaiting approval of Restructuring Strategy by Council of Ministers for further discussion with involved stakeholders
Establish the Electricity Regulatory Authority (ERA) and define its financial and organization structure		A draft budget and organizational structure of the ERA was proposed by HCP's consultant (Decon) and is under review by Ministry of Energy and Water
Launch and award tender for the installation and operation of remote meters		No progress on this initiative
Launch and award tender for service contracts for distribution		No progress on this initiative
Develop additional generation capacity through Independent Power Project (IPP), install additional capacity in Deir Ammar with private sector participation		The use of Public-Private-Partnership (PPP) is being considered by the GoL for the creation of additional generation capacity
Undertake asset registration and valuation of EdL assets		Awaiting the corporatization of EdL

Beyond Paris III

Programs/Initiative	Progress in Q2 & Q3 2009
Fast track addition of ~ 300 MW of Reciprocating Engines at Existing Thermal Plant Sites	
Add ~ 300 MW of reciprocating engines to the generating system of EdL	The MoEW, EdL and CDR completed the terms of reference for carrying a feasibility study and preparing tender documents for the fast track provision of additional generation capacity (~300 MW) at the existing thermal plant sites in Lebanon. Also, the MEW launched a Request For Information for the procurement of 2- and 4- stroke reciprocating engines for additional generation capacity (~300 MW) at the existing thermal plant sites

IMPLEMENTATION OF THE REFORM PROGRAM

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ON PARIS III AND NON-PARIS III INITIATIVES

Telecom Regulatory Authority (TRA)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
TRA establishment and institution building	<ul style="list-style-type: none"> i. Developing internal policies and procedures MIS implementation ii. Financing iii. Building capacity (staffing, training...) 	<ul style="list-style-type: none"> • Preparing terms of reference for projects to be funded by various international organizations • Participation in international and local workshops • Completing the tender process for the monitoring of Quality of Service (2 options were considered: the purchase of Quality of Service equipments or the subcontracting for the audit of monitoring services)
Regulatory Framework	<p>Finalize the revision of the consultation received</p> <p>Draft remaining regulations</p>	<p>Issued the following draft regulations for public consultation:</p> <ul style="list-style-type: none"> a. Code of Practice for Value Added Services b. Broadband Licensing Plan and broadband technical requirements c. Opinion for determining spectrum rights to use fees and Spectrum Administrative charges <p>Issued the following final regulation in the Official Gazette:</p> <ul style="list-style-type: none"> a. Significant Market Power Regulation b. Type Approval Regulation c. Quality of Service and Key Performance Indicators Regulation d. Interconnection Regulation
Broadband Licensing	<ul style="list-style-type: none"> i. Preparing the Request for Application ii. Finalizing the draft decrees to be submitted to the Minister of Telecommunications iii. Finalizing all needed documents (Licenses, reforming plan...) 	<ul style="list-style-type: none"> • TRA submitted a broadband licensing plan to the Minister of Telecommunications • Reviewing the replies received through the public consultations on the broadband licensing plan and the broadband technical requirements • Preparing the final version for the broadband licensing plan and broadband technical requirements • Worked on the economic impact of broadband liberalization (based on the recommendations received from the World Bank)

Programs/Initiative	Action Steps for 2009	Progress in Q2 & Q3 2009
Mobile Privatization	<p>Re-launch the process upon political decision</p> <p>Under the Management Agreement regime: Monitoring the Quality of Service</p> <p>Monitoring the distribution rules to avoid black market</p>	<ul style="list-style-type: none"> • Continuous follow up with the investment banks on the valuation and the multiples (Final Value / EBIDTA) in the region • Regular updates on the internal models developed by the TRA to assess the impact of liberalization on penetration growth and revenues • Under the Management Agreement: <ol style="list-style-type: none"> a. follow up on black market and distribution issues b. prepare for quality of service monitoring
FM and TV broadcast		<ul style="list-style-type: none"> • Improving the quality of FM broadcasting: Follow up on the interference claims and coordinate with the Lebanese operators and the neighboring countries to decrease the power and to free up the unlicensed bands • Migration from analog to digital broadcasting: Reviewing the replies received on the public consultation related to the digital migration strategy for TV broadcasting

UPDATED RESULTS OF THE CONFERENCE
AS OF SEPTEMBER 30, 2009

UPDATED RESULTS OF THE CONFERENCE AS OF SEPTEMBER 30, 2009

By end September 2009, 76 percent (\$5,697 million) of the Paris III pledges were signed into agreement and 50 percent (\$3,772 million) of pledges were fulfilled. As detailed in the last progress report, with the exception of project support, the near totality of pledges was signed into agreements.

- Budget support agreements reached \$2,134 million and disbursements amounted to \$1,610 million, an increase of \$118 million from the first quarter attributed to the receipt of funds from the United States (\$50 million), the European Commission (€ 25 million) and the Arab Monetary Fund (\$32 million).
- Project support agreements increased to \$209 million, up from \$107 million in the first quarter.
- Signed agreements for private sector support reached \$1,536 million and disbursements increased to \$1,183 million.

Table 1. Updated Status of Pledges by Type of Support (millions of US\$)

	Pledged	Signed	Received
Budget support*	1,737	2,134	1,610
Banque du Liban	43	43	43
Project support	3,481	1,233	209
In kind	362	327	303
Private sector support	1,463	1,536	1,183
Support through the UN	334	326	326
Support through civil society organizations	99	99	99
Under review	12		
Total	7,532	5,697	3,772

Source: MOF collected data by September 30, 2009

* Includes Malaysia debt transaction for \$500 million

UPDATED RESULTS OF THE CONFERENCE

AS OF SEPTEMBER 30, 2009

Table 2. Updated Signed Grant and Loan Agreements (above \$10 million, US\$ million)				
Donor	Total Pledged	Grants Signed	Loans Signed	Total Signed
European Investment Bank	1,248		943	943
Saudi Arabia	1,100	100		100
World Bank Group	975		475	475
United States	890	770	260	1,030
Arab Fund for Economic & Social Development	750		442	442
France	650		599	599
European Commission	486	167	65	232
United Arab Emirates	300		300	300
Islamic Development Bank	250	5	245	250
Arab Monetary Fund	250		375	375
Italy	156	59		59
Germany	134	57	21	78
International Monetary Fund	77		114	114
Spain	53	48		48
Egypt	44	15		15
United Kingdom	35	35		35
Belgium	26	13	13	26
Turkey	20	20		20
Canada	17	2		2
Norway	15	15		15
Oman	10	10		10
Other*	47	28		28
Malaysia			500	500
Total	7,532	1,344	4,352	5,696

Source: MOF, CDR and Presidency of the Council of Ministers, data collected by September 30, 2009

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

With a view to conducting Article IV consultations and reviewing the performance under the economic program supported by Emergency Post-Conflict Assistance (EPCA), which ended on June 30, 2009, an IMF mission visited Lebanon on September 10-18, 2009. The IMF mission concluded that Lebanon is starting to reap the benefits of prudent macroeconomic policies. The two key objectives of EPCA—reducing the government debt-to-GDP ratio and strengthening international reserves—were clearly met, buoying confidence and economic activity, despite the difficult international environment and recent delays in forming a government.

Performance through end-June under the EPCA-supported program remained broadly favorable despite little progress on the program's monitorable actions. The IMF pointed out that the global financial crisis and recession have had only a limited impact on the Lebanese economy and the economic growth is likely to be stronger than projected with real GDP growing possibly at around 7 percent this year (instead of 4 percent forecasted earlier in the year). The IMF mission's Aide Mémoire is reproduced in Appendix A.

A Lebanese delegation participated in the World Bank/IMF Annual Meetings on October 3-7 in Istanbul, Turkey. The delegation updated the main donors on progress achieved in the implementation of the reform program and discussed funding requirements and issues in a number of bilateral meetings.

A. SUPPORT TO THE PUBLIC SECTOR

	Budget Support	Project Financing	BDL	In-kind	Total
Grants	400	533		362	1,295
Loans	1,337	2,948	43		4,327
Total	1,737	3,481	43	362	5,622

Source: MOF collected data by September 30, 2009

1. Budget Support

As of end September 2009, budget support signed agreements reached \$2,134 million and disbursements stood at \$1,610 million, an increase of \$118 million attributed to funds from the United States (\$50 million), the European Commission (€ 25 million) and the Arab Monetary Fund (\$32 million). The only remaining unsigned Paris III budget support pledge is by the World Bank for an amount of \$200 million.

United States

The United States disbursed the third tranche of the \$250 million grant pledged at Paris III signed on 28 May 2009 as a direct payment to the World Bank to decrease Lebanon's debt. The last and pending tranche of \$75 million is linked to the sale of a majority stake in the two mobile phone companies.

The European Commission

The EC disbursed the € 25 million loan from the first tranche on 5 June 2009. The second tranche of € 80 million, composed of a € 15 million grant and a € 25 million loan is pending and is conditioned upon a positive evaluation by the European Commission, on behalf of the European Community, of progress made with respect to specific reform measures relating to public finance management, as well as the power and social sectors.

Arab Monetary Fund

The Arab Monetary Fund disbursed the \$32 million structural adjustment loan on 24 June 2009. MOF signed an oil facility for \$85 million with the AMF on 22 December 2008 based on COM approval on 20 December, 2008. This oil facility is pending Parliament ratification. The MOF signed a trade facility agreement on 22 December 2008 for \$45 million. The agreement is still pending Parliament ratification.

UPDATED RESULTS OF THE CONFERENCE

AS OF SEPTEMBER 30, 2009

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

Donor	Grant Budget Support	Loan Budget Support	Signed	Received
Saudi Arabia	100		100	100
World Bank		300	100	100
United States	250		250	175
France		488	488	222
European Commission	39	65	104	55
United Arab Emirates		300	300	300
Arab Monetary Fund		107	167	32
International Monetary Fund (EPCA I)		77	77	77
Greece		1,2	1,2	1,2
Oman	10		10	10
Slovenia	0,13		0,13	0,13
Malaysia			500	500
International Monetary Fund (EPCA II)			37	37
Total	400	1,337	2,134	1,610

Source: MOF collected data by September 30, 2009

2. Project Financing

Signed agreements amounted to \$1,233 million out of \$3,481 million pledged for project financing. Disbursements increased to \$209 million from \$107 million as reported in the first quarter report. Table 5 shows commitments and disbursements for project financing.

The main developments since end March 2009 are as follows:

Greece

On 8 April 2009, Greece and the CDR signed an agreement for supporting the construction of the Nahr El Bared "new camp" and for reconstruction of the camp's off-site infrastructure. The grant is for € 1 million, of which € 600,000 was disbursed to CDR on 16 April 2009.

Islamic Development Bank

On 14 April 2009, Islamic Development Bank and CDR signed a loan agreement for \$15.5 million for upgrading the Mkaless intersection in Beirut. On 13 May 2009, the Council of Ministers transferred the loan agreement to Parliament for ratification.

Germany

On 27 May 2009, Germany and the CDR signed three agreements for a total amount of € 15.2 million. The first agreement, to be implemented by GTZ, consists of a € 5.2 million grant for the preparation of studies on the protection of the Jeita source and the replenishment of the Environment Fund. The second agreement concerns a loan of € 6 million for the construction of a waste water system to protect the Jeita spring, to be implemented by KfW. The third agreement consists of a grant of € 4 million for the rehabilitation of water and

sanitation systems in the Nahr El Bared and adjacent areas, to be implemented by KFW. The loan agreement was approved by the Council of Ministers on 13 May 2009.

European Commission

On 20 July 2009, the EC signed a € 18 million grant agreement with the Council for Development and Reconstruction (CDR) for socio-economic support at the local level in North Lebanon.

Saudi Arabia

On 30 July 2009, Saudi Arabia announced the release of a soft loan \$50 million for the completion of the Arab Highway.

Italy

On 3 August 2009, Italy disbursed an additional grant of € 2.8 million to the CDR for the rehabilitation of the Saoufar bridge. This disbursement brings Italy's total contribution for the rehabilitation of the Saoufar bridge to € 7 million.

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

Donor	Grant Project Finance	Loan Project Finance	Signed	Received
European Investment Bank	20	520	346	82
Saudi Arabia		1,000		
World Bank		400	70	
Arab Fund for Economic & Social Development		665	357	0,3
European Commission	358		103	22
Islamic Development Bank	2	245	247	
Italy	26	98	26	26
Germany	113	21	78	78*
Spain	5			
Belgium	4		4	0,1
Canada	4			
Norway	1		1	1
Denmark	1		1	
Total	533	2,948	1,233	209

Source: MOF, CDR and Presidency of the Council of Ministers collected data by September 30, 2009

*Most German financed projects in Lebanon are managed and implemented by KFW and/or GTZ

UPDATED RESULTS OF THE CONFERENCE

AS OF SEPTEMBER 30, 2009

3. In-Kind Contributions

Signed in-kind contributions totaled \$328 million at end September 2009, of which 93 percent were implemented.

Turkey

Turkey's support was earmarked for a hospital for trauma and rehabilitation of the physically disabled. The project will be implemented by the Turkish International Cooperation and Development Agency and is currently in the tendering stage.

China

China signed a grant agreement with CDR for Yuan 30 million (\$4 million). Included are equipment for the telecommunications' sector and for the implementation of a Confucius Institute. The agreement with the Institute has not yet been completed and the telecommunications' sector project is still pending the Minister's approval.

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

Country	In-kind	Signed	Fulfilled
United States	286	286	286
Egypt	44	15	15
Turkey	20	20	
Greece	5	1,3	1,3
China	4	4	
South Korea	1		
Brazil	1	1	1
Malaysia	1	1	1
Total	362	328	304

Source: MOF, CDR collected data by September 30, 2009

B. SUPPORT TO THE PRIVATE SECTOR

In the second and third quarters of 2009, new agreements were signed between donors and the private sector. Total commitments reached \$1,536 million and disbursements increased to \$1,183 million from \$819 million as reported in March 2009 due to disbursements from the European Investment Bank, Belgium and the United States. During the Paris III conference, the Arab Fund for Economic and Social Development pledged to the private sector KWD 25 million which is still pending Parliament ratification.

Table 7. Summary of Private Sector Support (US\$, million)			
Donor	Pledged	Signed	Disbursed
European Investment Bank	709	597	467
World Bank Group	275	305	250
United States	120	260	260
Arab Fund for Economic & Social Development	85	85	
France	163	111	111
Arab Monetary Fund	100	165	82
Belgium	12	12	12
Total	1,463	1,536	1,183

Source: MOF and CDR, collected data by September 30, 2009

*Signed amounts include additional support pledged post-Paris III conference

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

Belgium

In July 2009, the Office National du Dueroire (ONDD), Belgium's export credit agency, put in place an export credit guarantee facility for Lebanon for € 10 million.

The United States

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

UPDATED RESULTS OF THE CONFERENCE

AS OF SEPTEMBER 30, 2009

C. SUPPORT THROUGH THE UNITED NATIONS

Signed agreements for support channeled through the UN are estimated at \$326 million up from \$317 million in the first quarter of the year, out of a total \$334 million pledged. Italy signed additional agreements with various UN agencies, such as ILO, FAO, UNRWA, UNFPA and UNICEF for € 5.8 million.

Table 8. Updated Summary of Support Through UN (US\$ million)

Donor	Pledged	Signed
United States	185	185
European Commission	21	21
Italy	20	21
Spain	37	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	334	326

Source: MOF collected data by September 30, 2009

D. SUPPORT THROUGH CIVIL SOCIETY ORGANIZATIONS

As of end September 2009, all support through civil society organizations was fulfilled (\$99 million). The major donors to CSOs are the United States (\$50 million pledged), Italy (\$13 million pledged), Spain (\$11 million pledged) and Norway (\$11 million pledged).



APPENDIX

INTERNATIONAL MONETARY FUND

Lebanon

Staff Visit Aide-Mémoire

September 10-18, 2009

An International Monetary Fund mission visited Lebanon September 10 - 18, 2009 discuss developments through end-June 2009 under the authorities' program supported by Emergency Post-Conflict Assistance (EPCA) and the outlook for 2009. The mission met with the Minister of Finance, the Governor of the Banque du Liban (BdL), and other high-ranking officials. The mission is grateful for the open and constructive dialogue, the warm hospitality, and the excellent cooperation.

A. Strong economic and financial performance in line with EPCA objectives

Lebanon is starting to reap the benefits of prudent macroeconomic policies. The two key objectives of EPCA—reducing the government debt-to-GDP ratio and strengthening international reserves—were clearly met, buoying confidence and economic activity despite the difficult international environment and recent delays in forming a government.

. **The most recent cyclical indicators point to ongoing strength in economic activity.** The global financial crisis and recession has had only a limited impact on the Lebanese economy. Merchandise exports, which account for only a small share of the economy, have clearly been negatively affected by lower external demand, but construction activity appears to hold up well, and tourism and financial services continue to expand almost unabated. The limited data available do not suggest a sharp drop in remittances inflows. As a result, economic growth is likely to be stronger than projected at the time of our last visit: real GDP could grow at around 7 percent this year (instead of 4 percent). Inflation has dropped and, under the peg, is likely to remain subdued, given the benign inflation outlook in trading partners.

. **Sustained growth and fiscal discipline in line with EPCA targets have allowed for a further reduction in the government debt-to-GDP ratio.** Buoyant tax revenues in light of sustained economic growth and improved efficiency in tax collection have helped to widen the primary surplus despite increased expenditure pressures. Continued fiscal discipline paired with the favorable macroeconomic situation has led the debt-to-GDP ratio to drop from 160 percent at end-2008 to 153 percent at end-June 2009. With this, the ratio has dropped by 27 percentage points since 2006, though it remains among the highest in the world.

. **Financial indicators point to ongoing strength in the banking sector and the balance of payments.**

Commercial bank deposits are continuing to grow at about 20 percent year-on-year and deposit dollarization has dropped, helped by ongoing confidence and attractive domestic interest rates. As a result, the BdL has continued to accumulate international reserves at a fast pace: at \$24.8 billion (end-August), reserves have doubled over the last 18 months. In part thanks to prudent banking sector supervision, banks have virtually not been affected by the global financial crisis and have remained profitable and well-capitalized. Eurobond and Credit Default Swap spreads have moderated, and now move around the emerging markets average.

B. End-June performance under EPCA

Performance through end-June under the EPCA-supported program has remained broadly favorable, despite a few slippages.

. **International reserves exceeded the end-June indicative target by a wide margin.** Strong deposit inflows and ongoing dedollarization have enabled the BdL to accumulate international reserves at a rapid pace, easily surpassing the program target.

. **The primary balance target was also met.** Strong growth and the reintroduction of gasoline excises boosted tax revenues. Higher tax revenues compensated for lower telecom receipts and higher transfers to the Higher Relief Council and Electricité du Liban (EdL), resulting in a primary balance above the program floor.

. **Despite these favorable outcomes, government net borrowing from the BdL was substantially higher than the program ceiling, although the BdL's monetary interventions more than offset the impact on reserve money.** The net borrowing target was missed by 44 percent (LL 2.6 trillion) reflecting a drawdown of government deposits at the BdL and further T-bill purchases by the BdL. This overrun was in part a result of the commercial banks' preference to purchase high-yielding 5-year Certificates of Deposit (CDs) offered on tap by the BdL rather than lower-yielding 3-year T-bills. Conducting monetary operations through CDs helped attract inflows, build reserves and support confidence during the global crisis, but crowded out the demand for lower-yielding T-bills and increasingly weighed on the BdL's finances. In July, the BdL discontinued all issuance of CDs, and government net borrowing declined somewhat, also in light of a sizeable reduction in the BdL's holdings of Lebanese government Eurobonds.

. **There has been limited progress on the program's monitorable actions.** The BdL has adopted formal policies for the selection, appointment, and rotation of the BdL's external auditors (end-June monitorable action). However, the introduction of a Treasury Single Account (end-June monitorable action) was postponed because parliament did not pass the corresponding legislation. There has also been little progress on the revision of energy tariffs and the Global Income Tax law (end-December 2008 and end-March 2009 monitorable actions, respectively) because of the difficult political environment in the run-up to the election. Moreover, privatization of the mobile telephone companies (end-March monitorable action on the issuance of a request for applications), which had been postponed due to market conditions, would require a renewed political decision by the incoming government.

C. Economic and financial policies

Strong economic growth offers an opportunity to move decisively towards fiscal consolidation. Despite the recent successes in reducing the government debt-to-GDP ratio, the still very high debt remains a key vulnerability that needs to be addressed through higher primary surpluses. In the near-term, buoyant fiscal revenues provide a window of opportunity to move in this direction. In this environment, strict expenditure discipline would ensure that the strong revenues can be used to reduce the large fiscal deficit. On unchanged policies, a primary surplus (excluding grants) of 0.9 percent of GDP this year appears achievable (up from 0.6 percent in 2008), implying an overall fiscal deficit of 10.6 percent of GDP. With this, the debt-to-GDP ratio could decline to 151 percent by the end of the year.

With continued fiscal discipline, the government will likely be able to obtain the necessary financing from the market during the remainder of 2009. In light of continued strong commercial bank deposit inflows and the gradual unclogging of international capital markets, financing conditions are broadly favorable. Sufficient market financing will hence likely be available for the government during the remainder of 2009. The discontinuation of BdL CD issuance will also be beneficial in this respect. The government should continue to closely coordinate its foreign exchange financing policy with the BdL. Following the formation of a new government, swift authorization by parliament for additional issuance would substantially help in this respect.

Decisive action by the incoming government will be necessary to reach the substantial primary surpluses required to move the fiscal position towards sustainability over the medium term. The incoming government should strive to quickly restore the fiscal consolidation agenda set out under Paris III. Top priorities include a reduction in the need for budgetary transfers to EdL and an increase in the VAT rate. In addition, the authorities should work towards a substantial reform of the energy sector to spur growth, and reconsider the privatization of the two mobile phone providers in light of evolving market conditions.

Interest rates should gradually decline further in line with market conditions. Prior to the welcome discontinuation of CD issuance (mainly 5-year maturities), the BdL had reduced 5-year interest rates to 9 percent, a decline of 100 basis points over a 2^{1/2} month period. At an 8.4 percent yield, the newly issued 5-year T-bills trade even lower. Deposit inflows have so far not reacted to lower policy rates, perhaps in part due to lags, and it may be too early to evaluate the full impact. Further declines should therefore be implemented at a gradual pace, to allow adequate time for a fuller evaluation of the effects of earlier reductions. Making use of parts of the BdL's large T-bill portfolio to absorb excess local currency liquidity would help prevent an overly quick decline in yields and allow the BdL to reverse the second quarter increase in net lending to government. Although these steps will likely help to reduce the cost of sterilization, over the medium term, a strategy to strengthen the BdL's balance sheet would be welcome.

The increased confidence in the Lebanese pound has also helped to reduce dollarization. The share of U.S. dollar deposits in total bank deposits has declined to 66 percent in July 2009, down more than 10 percentage points since early 2008. However, dollarization of bank credit to the private sector has declined only marginally and still stands at 83 percent. Lower interest rates in Lebanese pound would increase the attractiveness of local currency loans and over time also reduce the need for subsidized local currency lending as a means to encourage loan dedollarization.

D. Other issues

- . The authorities' interest in continued close engagement with the Fund following the expiration of EPCA is highly welcomed. Possible modalities can be explored once a new government is in place.
- . The authorities have expressed interest in an updated financial sector assessment under the Fund's Financial Sector Assessment Program (FSAP). Staff could aim to arrange for a mission before end-April 2010, soon after the installment of a new Board of the Banking Control Commission (BCC), or else in late 2010 or beyond depending on the availability of Fund and World Bank staff resources.
- . Staff recommends Lebanon to consent to the amendments of the Fund Articles of Agreement for the creation of an investment authority and for the "quota and voice" reform. Both proposed amendments were approved by the Fund's Board of Governors in early 2008 and await acceptance by at least 60 percent of Fund member countries before becoming effective. The amendments constitute modifications of an international agreement, and hence measures might be required under Lebanese law to enable Lebanon to consent.
- . Despite recent progress, the statistical system remains an important area for improvement. Real sector statistics should be compiled on a timely basis by the Central Administration for Statistics (CAS). The development of comprehensive statistics in the areas of real estate and labor markets would constitute a key improvement. Increased resources for the compilation of the balance of payments statistics would also be welcomed.









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