



REPUBLIC OF LEBANON
MINISTRY OF FINANCE



Implementing Paris III

Signing Ceremony with the World Bank

September 7, 2007



Presentation Outline



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Progress since Paris III - Update

2

World Bank Agreements Signing

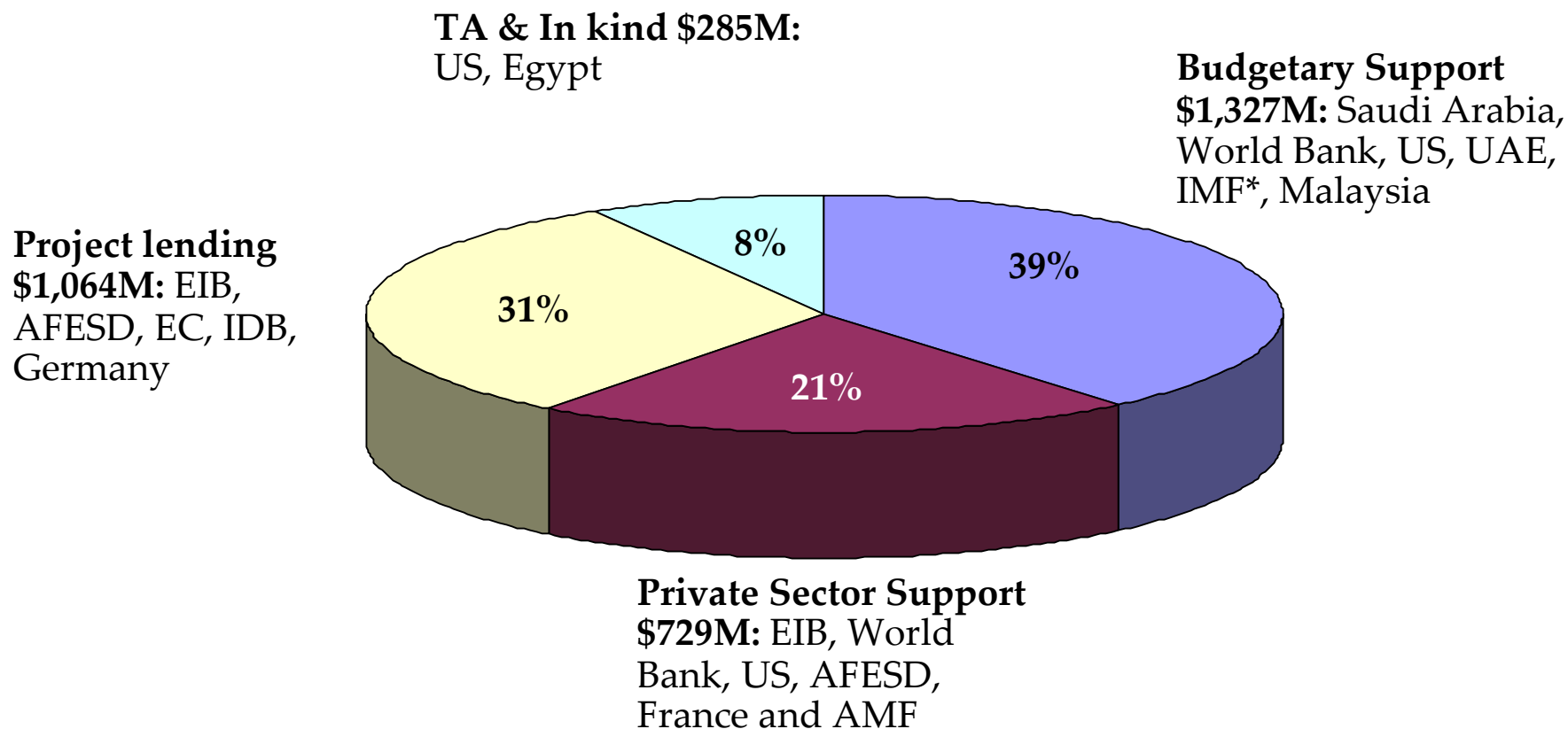


Significant Progress in Resource Mobilization since the Paris III Conference



- Over \$3,400 million mobilized in the last 7 months since the Paris III
- In addition to \$900 million in agreements expected to be finalized by year end
- Paris III marks a shifts in strategy to focus on sector reforms as well as growth and debt sustainability
- First Development Policy Loan being signed in Lebanon with the World Bank dedicated to the power sector

\$3,406 Million of Funding from Paris III Were Signed or Received to Date



Source: MOF

* Loan from IMF is for balance of payment support



Budgetary Support : \$1,327 Million **Received or Signed since Paris III**



Support received to date

- \$100 million grant received from Saudi Arabia and spent on debt servicing
- \$77 million loan from the IMF based on the signing of the EPCA program
- \$500 million debt restructuring agreement with Malaysia

Support signed to date

- \$300 million loan with the UAE for debt replacement
- \$100 million loan with the World Bank linked to power sector reforms
- \$250 million grant from the US. MOU signed on July 5th.



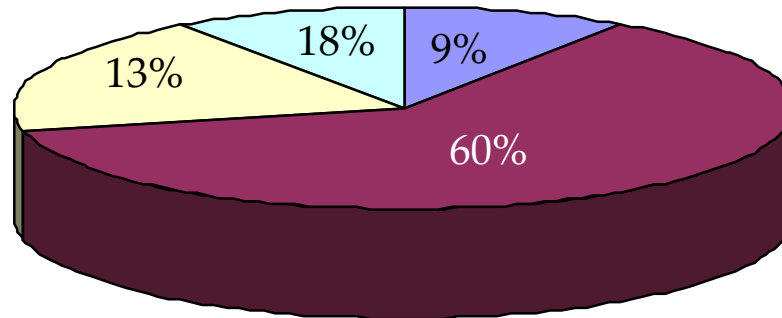
In addition, \$817 Million of Agreements will be Finalized by Year end



EC: Macro-financial Assistance package (€80 million) subject to EU Parliamentary approval, triggers under review (Q4 '07).

AMF: Loan for \$150 million for support to structural measures (H2 '07).

World Bank: Social sector DPL (\$75 million) under discussion to be negotiated in October '07



France: Loan for €375 million subject to French Parliamentary approval (Q4 '07).



Private Sector Support : \$729 Million Concessional Funding to Finance Growth & \$100 Million Being Finalized

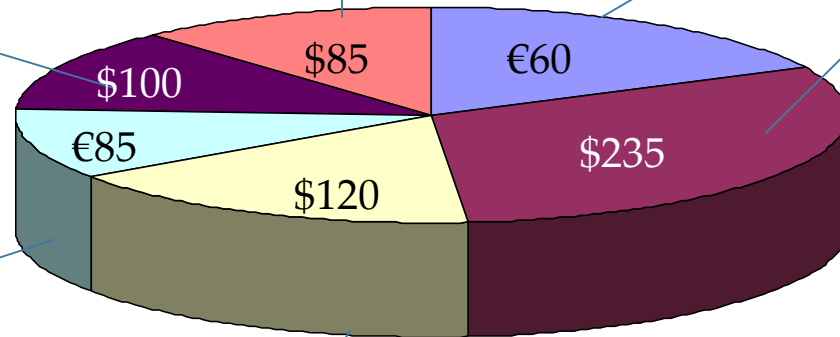


AMF: signed through the Arab Trade Financing Program with local intermediaries

AFESD: signed with CDR* (January 16, 2007)

EIB: €60M line of credit for SMEs signed & €100M SME reconstruction facility being finalized

France: signed through the AFD with local financial institutions



World Bank: signed through IFC with local institutions: credit line investments (\$90M); trade finance agreements (\$100M), risk sharing (\$25M) and investment in retail (\$20M)

US: signed through Citigroup and The Overseas Private Investment Corporation (OPIC) to local financial institutions

* Pending Parliamentary Approval



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Project Financing: \$1,064 million of projects Signed to date



Donor	Amount (US\$, million)	Description
EIB	260	Existing projects in the water & waste water sector, ports and roads
AFESD	337	Electricity Sector = KWD 35 million; damaged Infrastructure = KWD 30 million; support for admin reforms = KWD 9 million; water & waste water = KWD 25 million
EC	197	€ 105 million grants being executed for the recovery and reconstruction In the context of the European Neighborhood Agreement, €46 million worth of projects signed including support to socio-economic and political reforms, traffic control, support to municipalities, scholarship fund for Palestine refugees in Lebanon, facilitating access to credit and demining
IDB	245	Social sector: Hospital and Schools Infrastructure: Bisre Dam, Waste and waste water sector and roads
Germany	26	Signed agreement for €10 million in the vocational training sector & environment. €10 million for water & waste water
Total	\$1,064	

TA & In-Kind Contribution

Signed or Received to Date = \$285

- US: \$270 million support to the armed and security forces
- Egypt: \$15 million support to the power sector

Active Donor Coordination Mechanism and Fund Mobilization by the Government



- ❑ **Quarterly Donor Briefings:** two meetings and the next is planned early October

- ❑ **Core Group meetings** held at the sidelines of the IMF/World Bank spring and annual meetings

- ❑ **Thematic Donor meetings**, started with the Social reforms and will be followed by other Sectors

- ❑ **Donor consultations** through the Donor Coordination Unit at the Ministry of Finance. All information available on www.finance.gov.lb.



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World Bank Group Contribution



Paris III Support

**Budgetary Support
& Project Lending**
(\$700 million)

- **\$100 million power sector RIDPL being signed today**
- **\$75 million social sector RIDPL under discussion**

**Private Sector
Support through
the IFC**
(\$275 million)

- **Credit line facilities a total of \$90 million**
- **Trade Finance agreements for a total of \$100 million**
- **Risk sharing facility of up to \$25 million**
- **An investment in a retail institution of \$20 million**

Post War Support

**Grants for Recovery
& Reconstruction**
(\$71 million)

- **Signed: \$30 million for affected municipalities; \$15 million Bekaa water-power sector; \$15 million support to private sector; \$5 million for the power sector**
- **Being signed today: \$1 million for the social sector & \$338,000 for capacity building at the Institute of Finance**

Agreements Signed Today:

Power Sector RIDPL

Terms: \$100 million loan of 15 years maturity

Description: The budgetary support loan is conditional on the implementation of reforms and as such helps in achieving two main goals of Lebanon: reducing the debt burden, and expediting reforms in targeted sectors.

Sector Reform Support:

- Reform of the Energy Sector: the main focus of the agreement
- Improving the Business Climate
- Social Protection Reforms
- Modernizing Public Financial Management



Agreements Signed Today:

Social Sector Support - \$1 million



Modernization of the Social Insurance System (\$700,000)

- Technical assistance to set up electronic claims processing, utilization control system, registration & contributions collection system
- Technical assistance to identify and implement measures to secure financial sustainability of the health insurance branch
- Capacity building at the NSSF

Strengthening of Social Safety Nets (\$200,000)

- Improving targeting through the development of a “proxy means testing” targeting formula, procedures for new targeting mechanism, implementation of information management system, and TA to carry out testing and method of benefit distribution

Health Sector Cost Rationalization (\$100,000)

- Technical assistance to introduce utilization review function at the Ministry of Public Health
- Developing 30 inpatient admission criteria
- Technical Assistance to prepare a plan to realign MOPH towards a more cost effective services

Agreements Signed Today:

Capacity Building at the Institute of Finance



Terms: Grant amounting to US \$338,000

Description: to build capacity in public finance management through developing and providing a sustainable source of high quality, specialized training in public financial management for the MENA region

Planned Training Modules:

- Budget preparation
- Accounting
- Internal controls and audits
- Risk-oriented audit for supreme audit institutions
- Information technologies in Public Financial Management projects
- Financial management in Public Financial Management programs
- A pilot behavioral course in leadership.



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