

# Financing the reconstruction program

## Achieved Financing

The achieved financing of the reconstruction program includes loan agreements approved by the parliament, loan agreements signed by the government, and grant agreements enforced by virtue of governmental decrees. At the end of 2008, the total amount of achieved foreign financing reached US\$ 938 million, including grants and loans; the total achieved foreign financing can be broken down as follows:

	Grants	Loans	Total
Amount in million US\$	2798	6590	9388
% of total	30%	70%	100%

The Council of Development and Reconstruction (CDR) adopts a general policy to secure soft loans for social services sectors and commercial loans for high profitability (productivity) sectors and projects. However, CDR is not the only governmental entity responsible for implementing the reconstruction program a number of ministries and governmental administrations also participate in implementing other parts of this program.

**The achieved foreign financing by source:** More than 45 foreign financing sources have contributed to the reconstruction program. Chart 1 shows the share of each source that contributed more than USD 50 million to the program.

It is noteworthy that 12 main foreign financing sources have contributed to more than 90% of the total foreign financing, which are in particular: The Arab Fund for Economic and Social Development (AFSED) (14%), the European Investment Bank (EIB) (12%), the state of Kuwait and the Kuwait Fund for Arab Economic Development (KFAED) (10%), The International Bank (9%), the Islamic Development Bank (IDB) (9%), Italy

(6%), the European Union (EU) (6%), France and French institutions (5%), the State of Qatar (3%), commercial banks (3%), Germany (2%).

Distribution of achieved foreign financing by sector: Chart 2 shows the updated distribution of the total achieved foreign financing based on the main sectoral groups. The share of the basic infrastructure sectors in the achieved foreign financing was 37%, covering mainly sectors of electricity, telecommunications, and air, land, and sea transportation. The share of social sectors amounted to 25%, covering sectors of education, public health, housing compensations, youth affairs and sports, land-use arrangement and environment. The share of basic services sectors stood at 18%, covering potable water supply, wastewater and solid waste sectors. Whereas the share of productive sectors and other sectors amounted to 20%, including agriculture, irrigation, industry, tourism, private sector services, IT, administration, fuel, and local and central administration.

## New Financing

The foreign financing secured during 2008 reflects the efforts made by CDR to translate foreign funding promises into achieved financing, which would only require completion of certain legal and administrative procedures to become effective (1). We also indicate that most of the financing achieved in 2008 was part of the Declaration of intents made during the Stockholm and Paris III Conferences. The total foreign financing secured during 2008 amounted to about US\$ 96 million in the form of loans, and US\$ 118 million in the form of grants. The main loan or grant agreements signed or approved in 2008 are listed as follows:

### People's Republic of China

To the effect of enforcing the Declaration of Intents made at Paris Conference, on Friday 01/02/2008, a grant in kind of 30 million yuan (about US \$ 4 million) was signed with China to provide technical assistance and equipments to public administrations.

(1) Medium-term loans are loans extended by certain donors, such as the World Bank and the European Investment Bank, at interest rates close to market rates, but which benefit from longer grace and repayment periods.

Excluding financial protocols and memoranda of understanding (MOUs) which always require additional financing agreements pertaining to the projects identified and agreed to in the protocols and MOUs

### **The Saudi Fund for Development (SFD)**

On February 4, 2008, a loan agreement of US\$ 15 million was signed with SFD to finance the construction of the Faculty of Science at the Lebanese University in Tripoli.

### **The Islamic Development Bank (IDB)**

- During the annual meetings of Arab financial organizations held recently in Sana'a, Yemen, on February 2, 2008, a framework agreement of US \$ 245 million was signed between Lebanon and IDB group. This agreement shall finance several projects in the following five sectors: infrastructure, health, roads, education and water. Among the projects included in this agreement the Bisri Dam construction project (exceeding 120 million m<sup>3</sup> in capacity), which will supply potable water to Beirut and its northern and southern suburbs.

- On November 2, 2008, a loan agreement amounting to 3,180,000 Islamic dinar (nearly US\$ 5 million) was signed with IDB in order to finance the reconstruction of Shebaa roads in the South of Lebanon.

- On November 24, 2008, a grant of 159.000 Islamic dinar (US\$ 250.000) was signed with IDB to finance the feasibility study preparation, and the preliminary designs for the development of the infrastructure in Saida.

### **Kuwait**

- Eleven agreements were signed on April 9, 2008, to finance a number of projects allocated within the grant offered by Kuwait.

The total amount of the ten-project agreements is US \$ 66,500,000, distributed on 11 projects in several Lebanese regions in the North, South, West Bekaa and Beirut.

- On November 7, 2008, a soft loan was signed with the state of Kuwait represented by the Kuwait Fund for Arab Economic Development (KFAED) amounting to 21 million Kuwaiti dinar (nearly US\$ 76 million), in order to secure further financing for the reconstruction project of Beirut's Eastern entrance - Hazmieh - Sawfar.

### **The Islamic Republic of Iran**

- On August 6, 2008, a grant agreement was signed with the Islamic Republic of Iran represented by the Iranian authority for the reconstruction of Lebanon to rehabilitate the Naqura – Marjeyoun road.

### **The Italian Government**

- Within the frame of the Declaration of intents made during the Vienna Conference held on June 23, 2008, a grant agreement of five million euro was signed on September 23, 2008. Such grant shall be allocated to reconstruct the infrastructure and different sectors of Nahr El Bared camp and its neighboring area in conformity with the priorities set by the Lebanese government during Vienna Conference.

- On October 7, 2008 a grant agreement of 25 million euro offered by the Italian government was signed to finance several projects as follows:

- a- 9 million euro to implement projects directly through the Italian embassy and Italian governmental organizations operating in Lebanon or locally.

- b- 1.4 million euro to finance consultancy services provided to help with the projects preparation.

- c- 4.6 million euro to finance the interventions of UN organizations operating in Lebanon, mainly UNRWA, ILO, UNIDO, UNDP, IOM.

- d- 8.8 million euro to support the Lebanese government in rehabilitating basic infrastructure facilities related mainly to health, potable water, environment, and cultural heritage.

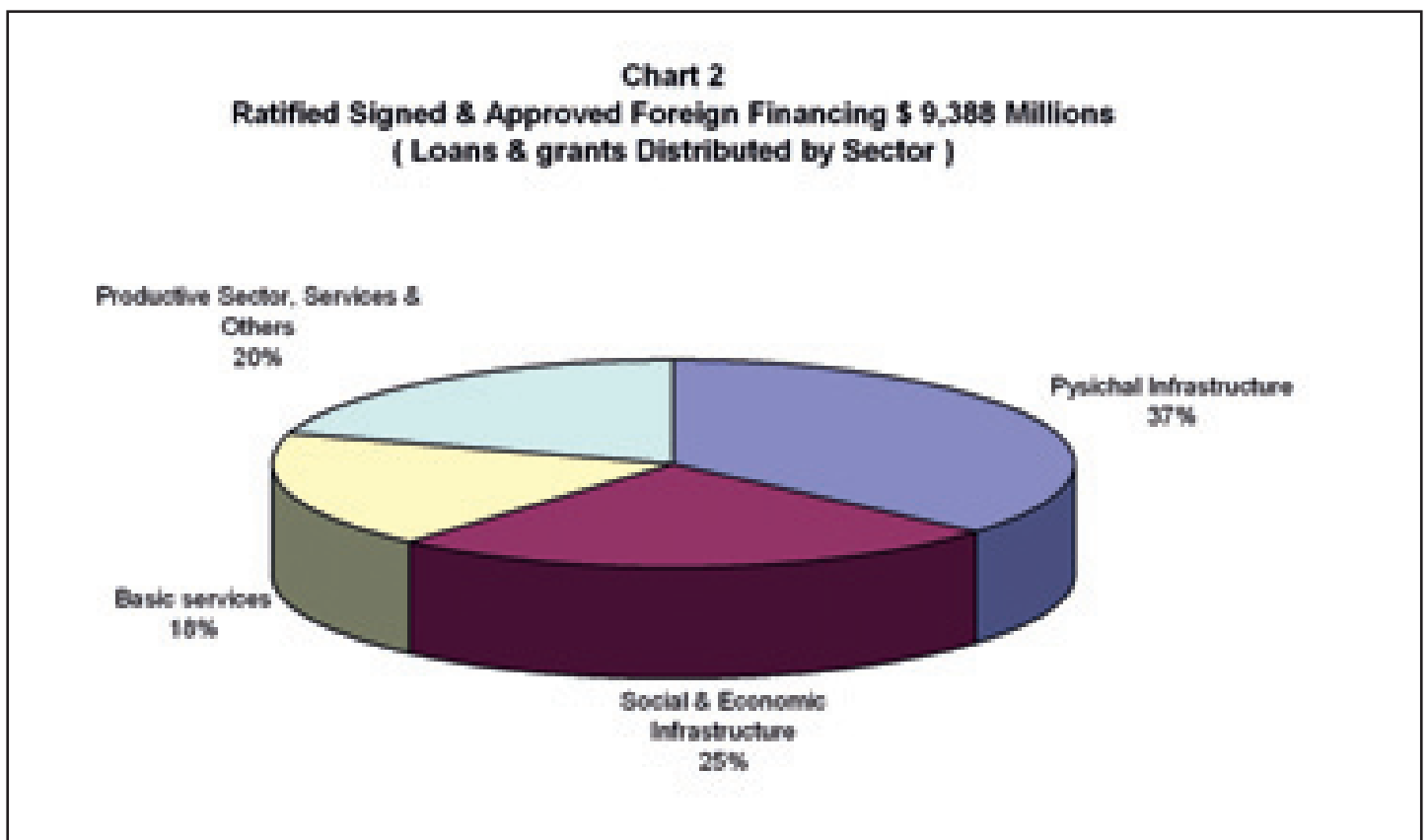
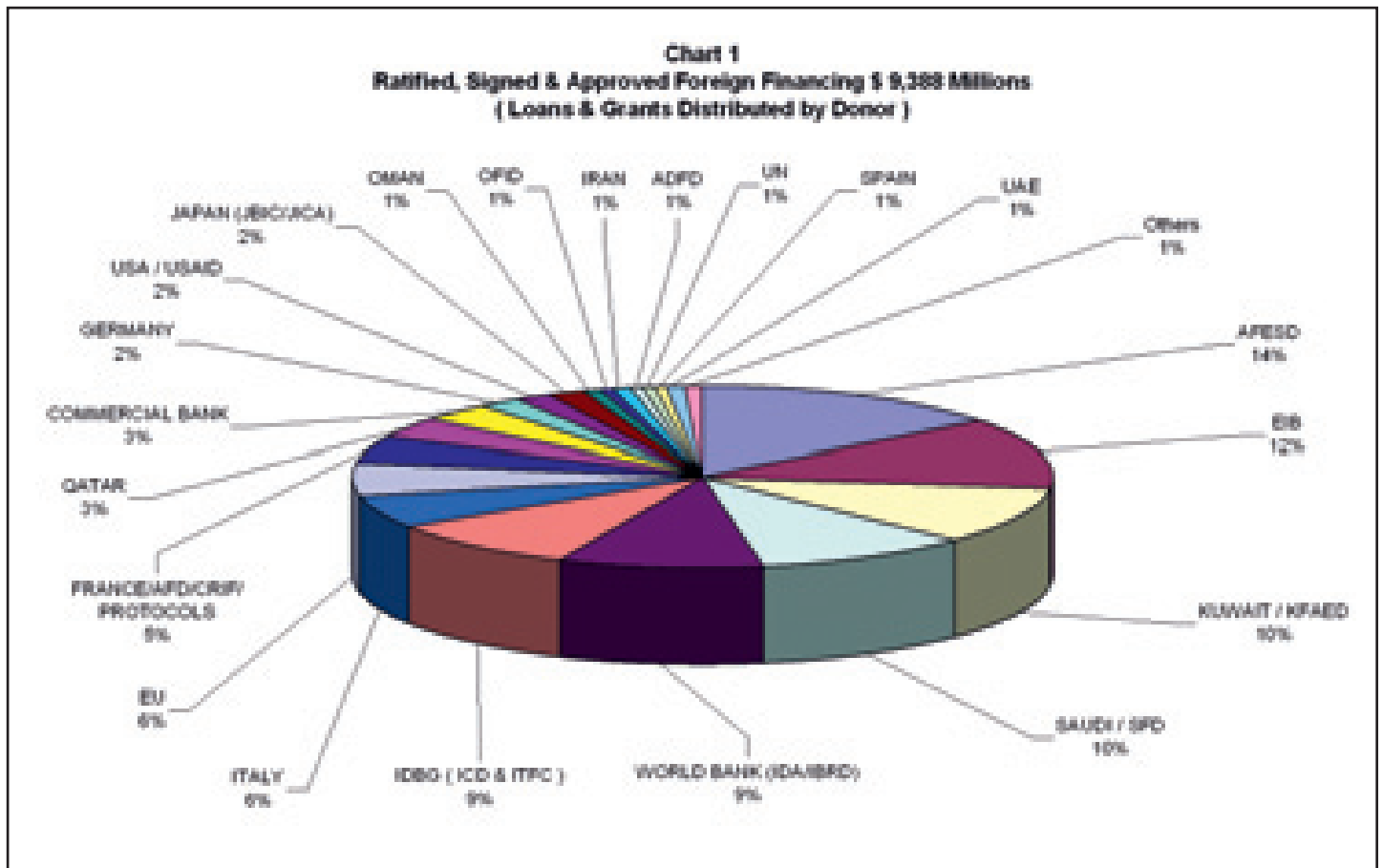
- e- 1.2 million euro to finance the reconstruction of infrastructures in a number of abandoned villages in Mount Lebanon under the direct administration of the Italian embassy in Beirut.

### **The Belgian Government**

Official correspondence was exchanged between CDR and the Belgian embassy as an official agreement between Lebanon and Belgium in preparation for the implementation of the rehabilitation project of Tibnine's governmental hospital. The project aims at completing the rehabilitation of the said hospital to become operative.

The implementation of the project shall be jointly run by Lebanese authorities (Ministry of Health and CDR) and Belgian authorities, notably CTB, the organism entrusted by the Belgian government to run the grant.

The total amount of the Belgian contribution reached



three million euro, including the cost of running the project implementation.

#### **The Greek Government:**

Pursuant to the decision number 49 of the Council of Ministers, dated April 13, 2007, approving the 920 million euro grant offered by the Greek government in order to contribute to the equipment of Saida Health Center (220.000 euro), and to rehabilitate and equip Kherbet Kanafar Health Center (700.000 euro). On December 5, 2008, the CDR signed a memorandum of understanding related to the implementation of the grant with EKEVYL, the Greek institution entrusted by the Greek government to run the grant implementation.

#### **Declarations of intents and agreements of the first half of the year 2009**

Agreements related to loans, soft loans, and grants signed between the Republic of Lebanon on the one hand, and granting authorities and countries on the other hand, in the first six months of 2009 are as follows:

#### **The World Bank (WB):**

- On January 30, 2009, an agreement for an additional loan amounting to US\$ 7,69 million was signed between the World Bank and the Republic of Lebanon represented by the head of CDR and the minister of Finance, for the purpose of developing the project of the urban transportation which aims at improving the economic and operational performance of the urban transportation, particularly main crossroads, traffic lights, parking lots, and traffic management in Greater Beirut.
- The World Bank also declared, in the frame of the declarations made during Paris III Conference, his readiness to contribute more than US\$ 100 million to the preliminary project to withdraw potable water to the area and suburbs of Beirut within the context of increasing water sources in the most populated area of Lebanon in order to decrease the deficit in meeting the demand on water.
- The World Bank also declared that it was reviewing the financing terms and reform steps required to obtain the second part of the grant allocated to supporting the budget (with nearly US\$ 75 million), as part of the declarations of Paris III Conference. The World Bank

is also reviewing its financing program for Lebanon for the next three years, 2010, 2011, 2012, which will be presented before the new government.

#### **The Arab Fund For Economic and Social Development (AFESD):**

- On February 4, 2009, the Republic of Lebanon and the AFESD signed a loan agreement by virtue of which the fund shall offer six million Kuwaiti dinar (US\$ 22 million) to complete the project of Sir Denniye – Jbab El Homr. The said project aims at developing land transportation services along the major axes of the road network, improving means of communication, and supporting development program in Northern regions of Lebanon by linking them to coastal regions and improving its basic infrastructures.
- On April 15, 2009, a technical assistance agreement (grant) of 250000 Kuwaiti dinar (nearly US\$ 850000) was signed to complete financing the construction and equipment of Saida's Museum.
- The fund also declared its willingness to participate with other Arab funds in financing the power project agreed upon with the Lebanese government.

#### **The European Investment Bank (EIB):**

On April 4, 2009, a 70 million euro soft loan agreement was signed between the Republic of Lebanon and EIB to finance the wastewater project of Kesrwan's littoral, which includes building a treatment plant, sea outfall, and part of collection networks.

This project is a part of the master plan on wastewater in Lebanon aiming at completing the protection of the Lebanese coastline from pollution in conformity with the Barcelona Convention on Protecting the Mediterranean Sea.

#### **The European Union (EU):**

An 18 million euro grant agreement was signed with the EU on July 20, 2009 to finance the local development project for the North of Lebanon which will be implemented by CDR.

#### **The French Agency for Development (AFD):**

Negotiations are currently held with AFD to approve the completion of financing wastewater networks pertaining to wastewater treatment plant project in Keserouwan which is financed by the EIB. The amount

required from AFD is around 40 million euro.

#### **The Greek Government:**

In the context of enforcing Vienna Conference resolutions related to reconstructing Nahr El Bared, and in the light of honoring the Greek government's commitments to such effect, a grant agreement of one million euro was signed with the Greek government to reconstruct Nahr El Bared camp. The said grant shall cover costs related to performing executive studies and supervising the execution, in addition to financing the construction of a part of the water network at the new camp.

#### **The Islamic Development Bank:**

On April 15, 2009, a US\$ 15,5 million grant agreement was signed to finance the project of developing the Mkalless interchange in Greater Beirut area. On June 12, 2009, the Council of Ministers approved the grant agreement draft amounting to US\$ 52,728 million to finance potable water supply and wastewater facilities in the plain of Akkar, and also approved entrusting the president of CDR with signing the said draft.

#### **The Kingdom of Saudi Arabia and the Saudi Fund:**

In the context of the commitment of the Saudi Fund made during the Paris III Conference, the fund agreed on offering a grant of US\$1000 million. Negotiations are currently held with the fund in relation to the sectors and projects which will be financed by this grant, mainly the sectors of electricity, wastewater, water, and social services, including education and health.

#### **The German Government:**

On May 27, 2009, three agreements were signed with the German government:

- A grant of 2,5 million euro, of which 4 million euro are an additional contribution to financing the projects of the Environment Fund which contribute to environmental projects. The grant is managed by GTZ, and 2,1 million euro as technical assistance aiming at establishing an IT system to protect the water sources of Jeita spring from pollution. The latter amount is managed by BGR.
- A grant of 4 million euro allocated to reconstruct areas affected by the events of Nahr El Bared camp, and

mainly to rehabilitate water and wastewater systems, Phase III.

- A soft loan ( term of loan is 30 years with an allowance period of ten years at an interest rate of 2%) amounting to 6 million euro allocated to elaborate a wastewater system in Kesrwan in order to protect water resources, mainly Jeita grotto; the loan is managed by the German Development Bank (KFW).

#### **The State of Kuwait and the Kuwaiti Fund:**

On April 6, 2009, the following agreements have been signed:

- A grant agreement of US\$ 4 million to finance the construction of Saida's Museum.
- A grant agreement of US\$ 1,750 million to finance the potable water project and the construction of protection wall in the district of Becharre.
- A grant agreement of US\$ 150,000 to finance the rehabilitation and equipment of Kamamine school in the district of Akkar.
- A soft loan agreement of 5,5 million Kuwaiti dinar was signed on July 5, 2009 in initials with the Kuwait Fund for Development.
- The State of Kuwait also declared through the Kuwait Fund for Development its willingness to offer a grant of US\$ 30 million to build the museum of Beirut.

**Grants**  
**Ratified Signed and Approved for Financing**  
**( \$ MILLION )**  
**01/01/2008 TO 31/12/2008**

Sector	JAPAN	(B/C/JICA)	WORLD BANK	(ID/IBRD)	AFESD	BELGIUM	CHINA	EIB	EU	FRANCE/AFDI/GRIF/PROTOCOLS	GERMANY	GREECE	IDBG (ICD & ITFC)	KOREA	KUWAIT / KSAED	OMAN	QATAR	SAUDI / SFD	SPAIN	TURKEY	UAE	USA / USAID	UN	OFID	OTHERS	TOTAL		
<b>Physical Infrastructure</b>																												
Electricity				5.00	0.36		6.02		5.23	12.01					24.11				7.03				0.05			53.70		
Fixed Lines (Telecomm.)									1.12														0.04			7.18		
Public & Private Land Trans. / Roads	1.30			1.01			1.27		0.81	10.97					40.70			106.71				30.00	0.23			196.00		
Air Transportation & Airport									0.86						2.84								2.35			5.75		
Maritime Transportation & Port									4.22	0.43																4.65		
Multisectorial Infrastructures				10.86					16.96				0.25		10.15			60.00								98.24		
<b>Sub Total</b>	1.30	5.00	11.22	6.02	0.00	6.02	1.01	27.65	14.11	0.00	1.27	0.25	10.97	0.00	77.80	0.00	0.00	168.71	7.03	0.00	0.00	30.00	2.44	0.00	0.23	395.61		
<b>Social &amp; Economic Infrastructure</b>																												
General Education	0.52								16.27				1.91	4.22	5.00				29.03								74.67	
Vocational & Tech.	1.24						1.21		0.12	0.44	20.78			0.49	4.00								0.03			28.31		
Culture & Higher		0.03	0.85				1.21		4.22	2.19			0.80		0.06	1.79		25.00	0.08				2.43			38.46		
Youth & Sports									0.56	0.11	6.33				21.23				10.44							32.23		
Land use & Environment									12.69	0.11			10.27									50.00	0.13			98.97		
Housing		0.96							1.79						135.00			211.14	325.00				13.50			728.24		
Health		0.50	10.86				4.22		1.79	1.11		1.29		26.14							20.00		3.31	0.19		145.24		
Social & Economic Development		0.50	10.86						58.97	1.11			55.37		11.59				43.96				4.32			315.50		
<b>Sub Total</b>	1.76	1.33	11.51	4.22	2.42	2.42	0.00	11.68	96.23	3.85	27.11	1.29	1.91	137.29	5.00	229.01	51.79	236.14	408.11	49.24	20.00	50.00	87.13	28.50	0.19	4.58	1,468.61	
<b>Basic services</b>																												
Solid Waste	0.28								3.19										20.00							0.15	23.62	
Water Supply	0.96	15.00					9.15	8.29	3.22	28.86			12.66		45.00				16.53							139.91		
Wastewater	0.81						2.53	47.01	0.33	28.73					22.20								0.01			101.62		
<b>Sub Total</b>	2.05	15.00	0.00	0.00	0.00	0.00	11.68	58.49	3.85	57.59	0.00	0.00	12.66	0.00	67.20	0.00	0.00	36.53	0.00	0.00	0.00	0.01	0.00	0.00	0.39	265.15		
<b>Productive Sector, Services &amp; Others</b>																												
Agriculture	0.28								25.18	4.04	0.17															59.49		
Irrigation	0.50								0.22						0.30								12.29			3.92		
Industry	0.30								14.52	1.07	0.36				2.20								1.08			17.03		
Tourism									0.70				3.10										0.37			9.42		
Private Sector Services									86.18	0.21													0.38			81.77		
Logistic & Wholesale Markets	1.46	1.39	3.21						190.21	7.80	5.15				1.09	13.50			8.50				13.44			8.50		
Management & Implementation									0.43																	247.44		
Fuel	0.56	30.06					0.60		59.44						14.35											174.43		
Local administration - municipalities									0.46	1.59					0.69											176.39		
Central Administration - Government Buildings									2.57						10.00											11.67		
Unallocated									358.10	14.27	5.68	0.00	5.05	17.42	0.00	21.53	23.50	91.00	53.17	0.00	0.00	23.00	28.40	0.00	2.75	706.92		
<b>Sub Total</b>	3.12	46.57	8.06	0.00	2.00	12.69	4.22	10.44	12.69	540.37	35.78	90.38	2.56	7.21	178.34	5.00	395.24	75.29	327.14	667.52	56.27	20.00	55.00	140.13	59.35	0.19	7.95	2,798.29
<b>Total</b>	8.23	68.20	30.79	4.22	10.44	12.69	4.22	10.44	12.69	540.37	35.78	90.38	2.56	7.21	178.34	5.00	395.24	75.29	327.14	667.52	56.27	20.00	55.00	140.13	59.35	0.19	7.95	2,798.29

OTHERS are : AGFUND, ARAB LEAGUE, ARGENTINE, IRELAND, METAP, NETHERLANDS, SWEDEN, GEF, HRELCOM AND PRON

**Loans**  
**Ratified Signed and Approved for Financing**  
**( \$ MILLION )**  
**01/01/2008 TO 31/12/2008**

Sector	JAPAN	(JICA)	WORLD BANK	(IDA/IBRD)	AFESD	BELGIUM	CHINA	EIB	EU	COMMERCIAL	BANK	FRANCE/AFD/CRI	F/ PROTOCOLS	GERMANY	IDBG (CD & ITC)	IRAN	ITALY	KUWAIT / KFAED	SAUDI / SFD	ADFD	USA / USAID	IFAD	OFID	TOTAL	
<b>Physical Infrastructure</b>																									
Electricity			104.73	467.93				85.82		302.11		109.25	72.27	131.46	25.33	258.04	62.65								1,619.59
Fixed Lines ( Telecomm. )			12.70									11.94	37.30	11.65											73.59
Public & Private Land Trans. / Roads			106.35	183.34				112.56				139.19	156.97	138.45	10.00									35.00	881.86
Air Transportation & Airport								126.63		0.50		27.88	54.32												208.83
Maritime Transportation & Port						0.83		126.63				3.39													131.35
Multisectorial Infrastructures				82.21										43.21											125.42
<b>Sub Total</b>	0.00		223.78	733.48		0.83	0.00	451.64	0.00	302.61		152.46	72.27	325.51	25.33	258.04	311.24	138.45	10.00	0.00	0.00	0.00	35.00		3,040.64
<b>Social &amp; Economic Infrastructure</b>																									
General Education			44.01	22.25					6.41			0.56		36.13				82.93	16.08						208.37
Vocational & Tech.			59.54	54.32								6.65		30.46										4.00	154.97
Culture & Higher				105.03								6.78		105.80	14.39				29.45						261.45
Youth & Sports																									0.00
Land use & Environment																				25.00					67.24
Housing				13.27																47.10					198.52
Health				35.42								6.12		94.77											20.00
Social & Economic Development				20.00																					20.00
<b>Sub Total</b>	0.00		172.24	210.57		0.00	0.00	0.00	6.41	0.00	20.11	0.00	267.16	0.00	14.39	82.93	92.63	25.00	0.00	0.00	0.00	19.11		910.55	
<b>Basic services</b>																									
Solid Waste			31.92																						31.92
Water Supply			81.95	130.87	66.64			103.43				89.42		72.13	13.81	14.04	108.65	34.45		10.00				5.00	730.39
Wastewater			50.02	10.33	48.53			291.93				99.89	22.83	50.15	6.91	86.97				17.50					685.06
<b>Sub Total</b>	131.97		173.12	115.17	0.00	0.00	0.00	395.36	0.00	0.00	189.31	22.83	122.28	20.72	101.01	108.65	34.45	27.50	0.00	0.00	0.00	5.00		1,447.37	
<b>Productive Sector, Services &amp; Others</b>																									
Agriculture			21.51									2.55										21.00	31.35	5.00	81.41
Irrigation			56.71	112.27														72.43							241.41
Industry						0.91		42.21		1.07		1.35													45.54
Tourism			31.50	90.54				42.21			16.88														181.13
Private Sector Services								225.11																	225.11
Logistic & Wholesale Markets														14.61	17.27										31.88
Management & Implementation			12.29	5.26	32.59			5.55																	55.69
Fuel								0.48						125.00											125.48
Local administration - municipalities				126.41				1.21																	127.62
Central Administration - Government Buildings				21.73										37.13						6.32					65.18
Unallocated				10.86																					10.86
<b>Sub Total</b>	12.29		241.39	267.99	0.91	7.24	309.53	0.00	1.07	57.91	0.00	139.61	17.27	0.00	72.43	6.32	0.00	21.00	31.35	5.00	21.00	31.35	64.11	6,589.87	
<b>Total</b>	144.26		810.53	1,327.21	1.74	7.24	1,156.53	6.41	303.68	419.79	95.10	854.56	63.32	373.44	575.25	271.85	62.50	21.00	31.35	64.11	21.00	31.35	64.11	6,589.87	



FUNDING SOURCE NAME	Abbreviation
Arab Fund for Economic & Social Development	AFESD
Saudi Fund for Development	SFD
Kingdom of Saudi Arabia	Saudi
Kuwait Fund for Arab Economic Development	KFAED
Kuwait	Kuwait
United Arab Emirates	UAE
Abu-Dhabi Fund for Development	ADFD
League of Arab States	ArabLeague
Economic and Social Commission for Western Asia	ESCWA
Arab Gulf Program for the Support of United Nation Development Commissions	AGfund
Argentina	Argentin
Sultanate of Oman	Oman
State of Qatar	Qatar
Islamic Republic of Iran	Iran
Islamic Development Bank	IDB
International Bank for Reconstruction & Development (The World Bank)	IBRD
European Union	EU
European Investment Bank	EIB
High Relief Commission (Lebanon)	HRC
United Nations Secretariat (Including country pledges) + Agencies	UN
Mediterranean Environmental Technical Assistance Program	METAP
Conseil Regional d'Ile de France	CRIF
International Fund for Agricultural Development	IFAD
OPEC Fund for International Development	OFID
Le Gouvernement Du Royaume De Belgique	Belgium
Republic of France, French Agency for Development (FAD), French protoco	France
Ireland	Ireland
Republic of Germany	Germany
Republic of Italy	Italy
Kingdom of Spain	Spain
Norway	Norway
Japan	Japan
People's Republic of China	China
Various Commercial Banks.	Comm. Banks
Swedish International Development Cooperation Agency (ASDI)	Sweden
Netherlands	Netherlands
United States of America	USA
Global Environment Fund	GEF