

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 2009, the total amount of achieved foreign financing reached US\$ 9,688 million, including grants and loans; the total achieved foreign financing can be broken down as follows:

	Grants	Loans	Total
Amount in million USD¹	2,861.34	6,826.45	9,688
% of total	30%	70%	100%

The CDR adopts a general policy to secure soft loans for social services sectors and commercial loans for high profitability sectors and projects. However, the 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 40 foreign financing sources have contributed to the reconstruction program. Chart 1 shows the share of each source that contributed

more than US\$ 50 million to the program. It is noteworthy that 13 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) (13.71%), the European Investment Bank (EIB) (13.33%), Kuwait and the Kuwait Fund for Arab Economic Development (KFAED) (9.91%), the International Bank for Reconstruction and Development (IBRD) (9.79%), the Kingdom of Saudi Arabia and the Saudi Fund for Development (9.7%), the Islamic Development Bank (IDB) (9.67%), the European Union (EU) (5.95%), Italy (5.77%), France (4.8%), Qatar (3.38%), commercial banks (3.14%), Japan (2.18%) and Germany (1.8%).

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 37.66%, covering mainly sectors of electricity, telecommunications, and air, land, and sea transportation. The share of social sectors amounted to 24.98%, covering sectors of education, public health, housing compensations, youth affairs and sports, land arrangement and environment. The share of basic services sectors stood at 17.75%, covering

¹ The total of grants and loans is expressed in US dollars according to exchange rates registered at the end of 2009.

potable water supply, wastewater and solid waste sectors. Whereas the share of productive sectors and other sectors amounted to 19.43%, including agriculture, irrigation, industry, tourism, private sector services, IT, administration, fuel, and local and central administration.

New Financing

Foreign financing secured during 2009 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 effective². The total foreign financing secured during 2009 amounted to about US\$ 325.07 million and US\$ 263.05 million in the form of loans, and US\$ 26.02 million in the form of grants. The main loan or grant agreements signed or approved in 2009 are listed as follows:

The Arab Fund for Economic and Social Development (AFESD):

On February 4, 2009, Lebanon and the AFESD signed a loan agreement by virtue of which the fund shall offer six million Kuwaiti dinar (i.e. approximately US\$ 22 million) to complete the project of Sir Deniye – Jbab El Homr- Hermel.

The said project aims at developing land transportation services at basic axes on the road network, improving means of

telecommunication, and supporting development program in Northern regions of Lebanon by linking them to coastal regions and improving its basic infrastructures. The annual interest rate will be of 3% (three percent) and shall be settled over 22 years, including the authorized period of five years.

The World Bank (WB):

On January 30, 2009, an agreement for an additional loan amounting to US\$ 69.7 million was signed with the World Bank. The purpose of this loan is to develop the project of urban transportation which aims at improving the economic and operational performance of the urban transport, in Beirut and its northern, eastern and southern suburbs. The CDR had already ensured a loan from the World Bank amounting to US\$ 65 million for this project, in addition to participations from the Abu Dhabi Fund, and the Arab Fund particularly for major crossroads. This additional loan targets the continuation of the elements of the main project, the execution of which started in 2004 by the CDR and is resumed as follows:

1. Support budget through funding local contracts, so that the participation of the World Bank becomes 100% and through funding additional costs resulting from price differential of materials, supposed to be covered by local funding.
2. Funding of remaining works of

main project, among which three crossroads (Musharrafieh crossroad, Dekwaneh crossroad and Jal el-Dib crossroad), and the completion of park meters, equipping policemen with necessary tools to activate the enforcement of traffic Laws.

It is worth mentioning that funding conditions for this loan are appropriate, since they include a 6 year grace period followed by 20 years for settlement at Libor interest rate with a margin of 0.75.

The European Investment Bank (EIB):

On April 4, 2009, a 70 million euro soft loan agreement was signed between Lebanon and EIB, with a technical assistance grant of 4 million euro and a promise of investment assistance of 6 million euro.

The grant is dedicated to finance the Keserwan coast wastewater project, which includes the execution of a network and treatment plant as part of the Waste water Master Plan project in Lebanon aiming at completing the protection of the Lebanese coast from pollution in conformity with the Barcelona Convention. Furthermore, the French agency for development also expressed its readiness for additional funding in order to complete the second phase of this project.

The Greek Government:

In the context of enforcing Vienna Conference resolutions related to the reconstructing of Nahr El

² 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

Bared camp and in the light of honoring the Greek government's commitments to such effect, a grant agreement of 1 million euro was signed with the Greek government on April 8, 2009.

The said grant shall cover costs related to the reconstruction of Nahr El Bared camp, performing executive studies and supervising the execution, in addition to financing the construction of a part of the water network in the new camp.

The German Government:

On May 27, 2009, three agreements were signed between the Lebanese and German governments totally amounting to 15.2 million euro.

The three funding agreements are a proof of the European countries' interests in assisting the Lebanese government in protecting water sources and sanitation.

The agreements include three projects: the first project deals with the problem of the water quality of Jeita spring. It is an urgent issue, as Jeita waters cover almost 80% of the potable water distributed to Greater Beirut. Therefore and considering the urgency of treating wastewater issue, the German government will fund the infrastructure to protect Jeita water from pollution. The second project comprises phase II of the "Environmental Fund for Lebanon" created by Germany and aiming at reducing the environmental hazards and economic impacts resulting from July 2006 war, and to support activities with economic benefits

aiming at preventing environmental pollution due to small and medium size enterprises.

The third project is a grant allocated for the reconstruction of water and wastewater of infrastructure Nahr El Bared camp.

The European Union Commission

1. Grant agreement to fund the promotion of competitiveness in the private sector

This agreement aims to participate in increasing competitiveness of the Lebanese economy through assisting businesses with the following priorities:

- Improving business environment,
 - Promoting the capacities for growth and development within the private sector,
 - Facilitating the compliance of Lebanese products and services with the international standards.
- The grant amounts to **14 million euro** and includes the main amounts as follows:
- 1.3 million euro in services and equipment for improving business environment,
 - 7.7 million euro in services, financial grants and equipment to promote the private sector capacities for growth and development,
 - 1 million euro in services and equipment to facilitate the compliance of Lebanese products and services with the international standards.

The execution period extends over 4 years as of signature of this agreement. The Project

Administration Office at the presidency of Cabinet manages and executes the project.

Grant agreement to fund the modernization of the Lebanese judicial system

This agreement aims at participating in increasing the capacities of the Lebanese judicial system through assisting in works, with the following priorities:

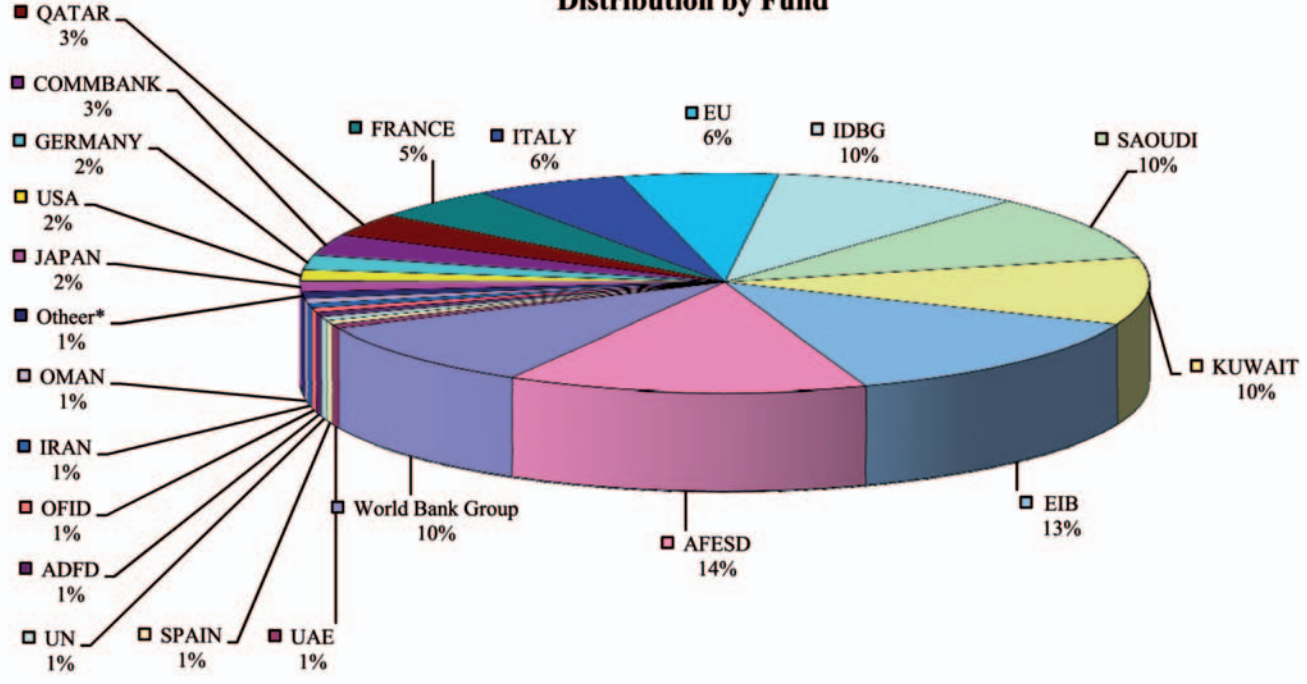
- Increasing efficiency and transparency in all Courts in Beirut through automation,
- Supporting communication and awareness among citizens and judiciary,
- Developing performance through training programs for the staff of the judiciary system and lawyers.

The grant amounts to **10 million euro** and includes the main amounts as follows:

- 7 million euro in services and equipment to increase efficiency and transparency in all Courts in Beirut through automation,
- 1 million euro in services to support communication and awareness among citizens and the judiciary,
- 1 million euro for training programs for the staff of the judicial system and lawyers.

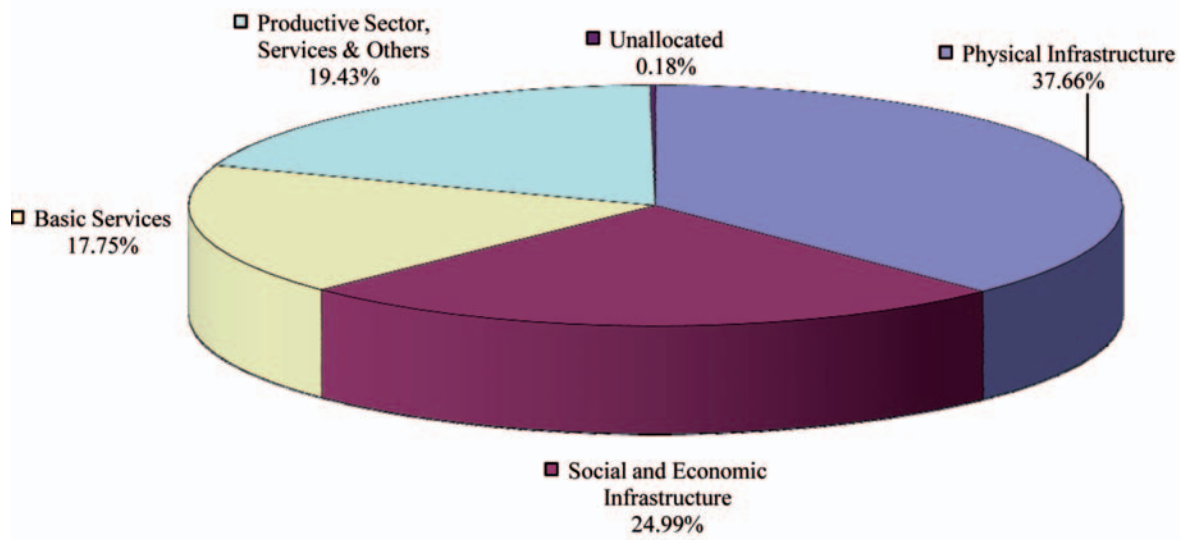
The execution period extends over 4 years as of signature of this agreement. OMSAR and UNDP will carry out the management and execution of the project, with the cooperation of the Ministry of Justice.

Chart 1
Percentage Share of Loans & Grants
Ratified Signed and Approved Foreign Financing
Distribution by Fund



* Other Donors contribution with more than 5 millions USD are: AGFUND, ARAB LEAGUE, ARGENTINA, BELGIUM, CHINA, GREECE, IFAD, IRELAND, KOREA, KUWAIT, METAP, NETHERLANDS, SWEDEN, TURKEY, GEF,

Chart 2
Percentage share of Loans & Grants
Ratified Signed & Approved Foreign Financing
Distributed by Sector



Grants
Ratified Signed and Approved
Distribution by Sector and Donor
(In Millions of USD - From Untill 31/12/2009)

Sector \ Funding Source*	World Bank (IDA, IBRD)	AFESD	CHINA	EIB	EU	FRANCE (AFD, French Protocols, CRIF)	GERMANY (KfW, GTZ)	IDBG (ICD, IDA, ITFC)	ITALY	JAPAN (JICA/IBIC)	KOREA	KUWAIT (KAFED)	OMAN	QATAR	SAUDI (KSA, SFD)	SPAIN	TURKEY	UAE	USA (USAID, USA)	UN/UNDP	Others*	Total
Physical Infrastructure	5.00	10.80	6.02	1.03	28.08	14.36	5.73	0.25	11.18	1.28		76.71			169.71	7.17			30.00	2.44	2.95	372.71
Electricity	5.00	0.35			5.33	12.23						23.42				7.17				0.05		53.55
Fixed lines (Telecom)			6.02		1.15															0.04		7.21
Public & Private Land Trans (Roads)				1.03		0.82			11.18	1.28		40.70			109.71				30.00	2.35	1.52	196.24
Air Transportation (Airport)						0.87						2.44										5.66
Maritime Transportation (Port)					4.30	0.44																4.74
Multisectorial Infrastructures		10.45			17.30		5.73	0.25				10.15			60.00						1.43	105.31
Social and Economic Infrastructure	1.33	11.08	3.60		117.49	3.92	35.08	1.91	142.04	1.73	5.00	235.59	58.79	236.14	408.11	50.17	20.00	50.00	87.13	28.51	10.53	1,508.15
General education					16.58			1.91	4.30	0.52	5.00	15.51			29.03					0.96	1.40	75.21
Vocational & Tech. Education			1.21		0.12	0.45	21.18		0.50	1.21		4.00	10.00							0.03		38.70
Culture & Higher Education	0.03	0.63	1.21		4.30	2.23			0.82			0.06	1.79	25.00	0.08					2.43		38.58
Youth & Sports					0.57							21.23			10.44							32.24
Land use & Environment			0.50		13.14	0.11	13.90		10.46			7.00						50.00	0.13	13.51	1.82	110.57
Housing					1.82							135.00	40.00	211.14	325.00					5.31		718.27
Health	0.80				1.43	1.13			26.64			48.24			43.56					1.95	6.62	150.37
Social & Economic Development	0.50	10.45	0.68		79.53				99.32			11.55				50.17			87.00	4.32	0.69	344.21
Basic Services	15.00			11.90	59.59	3.62	58.67		12.90	2.03		68.95			36.53					0.01	0.40	269.60
Solid waste					3.25					0.28					20.00						0.16	23.69
Water Supply	15.00			9.32	8.44	3.28	29.40		12.90	0.96		46.75			16.53						0.24	142.82
Waste Water				2.58	47.90	0.34	29.27			0.79		22.20								0.01		103.09
Productive Sector, Services & Others	46.87	8.63	2.00		362.24	14.55	5.80	5.07	17.73	3.08		24.78	13.50	91.00	49.76			5.00	23.00	28.40	2.75	704.16
Agriculture					25.65	4.12	0.18		7.81	0.28		2.85								12.29		53.18
Irrigation		2.79				0.23				0.48		0.30										3.80
Industry					14.79	1.09	0.37													1.08		17.33
Tourism		1.22				0.72			3.15	0.30		6.20								0.37	2.39	14.35
Private Sector Services	15.00				67.43	0.22														0.38		83.03
Management and Implementation	1.39	3.09			193.80	7.73	5.25	5.07	5.05	1.46		1.04	13.50							13.44	0.36	251.18
Public information		0.17	0.18																			0.35
Miscellaneous															8.50				23.00			31.50
Fuel						0.44																0.44
Local administration	30.00		0.60						1.72	0.56		14.35		90.00	41.26					0.84		179.33
Central Administration	0.48	1.36	1.22		60.57							0.04		1.00				5.00				69.67
Unallocated					2.62							0.69			3.41							6.72
Total	68.20	30.51	11.62	12.93	570.02	36.45	105.28	7.23	183.85	8.12	5.00	406.72	72.29	327.14	667.52	57.34	20.00	55.00	140.13	59.36	16.63	2,861.34

Other Funding Sources contributing with less than 5 Millions in Grants are : AGFUND, ARABLEAGUE, ARGENTINA, BELGIUM, GREECE, IRELAND, METAP, NETHERLAND, SWEDEN, GEF, OFID, HRC and Private Donors.

Loans
Ratified Signed and Approved
Distribution by Sector and Funding Source
(In Millions of USD - Untill 31/12/2009)

Sector \ Funding Source*	IBRD	AFSD	EIB	COMBANKS	FRANCE (AFD, French Protocols, CRIF)	GERMANY (KfW, GTZ)	IDBG (ICD, ITFC, IDB)	IRAN	ITALY	JAPAN (JICA/IBIC)	KFAED	SAUDI (KSA, SFD)	ADFD	USA (USA, USAID)	IFAD	OFID	Other*	TOTAL
Physical Infrastructure	293.31	726.36	560.48	303.04	155.33	73.63	396.28	25.80	258.04		299.36	138.50	10.00			35.00	0.85	3,275.98
Electricity	104.73	450.06	87.44	302.53	111.31	73.63	131.46	25.80	258.04		60.26							1,605.26
Fixed lines (Telecom)	12.70				12.16		11.94				35.88							72.68
Public & Private Land Trans (Roads)	175.88	197.23	114.68				156.94				150.97	138.50	10.00			35.00		979.20
Air Transportation (Airport)			129.01		28.41						52.25							209.67
Maritime Transportation (Port)			129.01	0.51	3.45												0.85	133.82
Multisectorial Infrastructures		79.07	100.34				95.94											275.35
Social and Economic Infrastructure	172.24	202.53			20.50	8.60	270.83		14.66		79.77	92.68	25.00			19.11	6.53	912.45
General education	44.01	21.40			0.57		37.73				79.77	16.08					6.53	206.09
Vocational & Tech. Education	59.54	52.25			6.78		31.09									4.00		153.66
Culture & Higher Education		101.01			6.91		106.37		14.66		29.47							258.42
Land use & Environment						8.60												8.60
Housing	13.27	27.87											25.00					66.14
Health	35.42				6.24		95.64					47.13				15.11		199.54
Social & Economic Development	20.00																	20.00
Basic Services	173.12	110.77	402.82		193.49	23.26	122.62	21.11	102.81	128.20	104.50	34.46	27.50			5.00		1,449.66
Solid waste	31.92																	31.92
Water Supply	130.87	64.09	105.38		91.11		72.47	14.07	14.20	80.04	104.50	34.46	10.00			5.00		726.19
Waste Water	10.33	46.68	297.44		102.38	23.26	50.15	7.04	88.61	48.16			17.50					691.55
Productive Sector, Services & Others	241.39	247.31	315.36	1.09	59.01		139.60	17.59		12.69	69.67	6.32		21.00	33.73	5.00	8.17	1,177.93
Agriculture	21.51				2.60						69.67			21.00	33.73	5.00	5.55	89.39
Irrigation	56.71	107.98																234.36
Industry			43.00	1.09	1.38												0.93	46.40
Tourism	31.50		43.00		17.20													91.70
Private Sector Services		87.08	229.36															316.44
Management and Implementation	5.26	31.35								12.69								49.30
Public information					37.83													37.83
miscellaneous							14.60	17.59										32.19
Fuel							125.00											125.00
Local administration	126.41																1.21	127.62
Central Administration		20.90										6.32					0.48	27.70
Unallocated																		10.45
Total	880.06	1,297.42	1,278.66	304.13	428.33	105.49	929.33	64.51	375.51	140.89	553.29	271.95	62.49	21.00	33.73	64.11	15.55	6,826.45

Loans and Grants
Ratified Signed and Approved
Distribution by Sector and Funding Source
(In Millions of USD - Until 31/12/2009)

Sector \ Funding Source*	World Bank (IDA, IBRD)	AFESD	BELGIUM	CHINA	EIB	EU	COMBANK	FRANCE (AFD, CRIF, French Procoefs)	GERMANY (KfW, GTZ)	IDBG (ICD, IDB, IFC)	IRAN	ITALY	JAPAN (JBIC/JICA)	KOREA	KUWAIT (KAFD, KFWA)	OMAN	QATAR	SAUDI (KSA, SFD)	SPAIN	TURKEY	ADFD	UAE	USA (USA, USAID)	IFAD	UN/UNDP	OHID	Other*
Physical Infrastructure	298.31	737.16	0.85	6.02	561.51	28.08	303.04	169.69	79.35	396.53	25.80	269.22	1.28		376.07			308.21	7.17		10.00		30.00		2.44	35.00	2.95
Electricity	109.73	450.41			87.44	5.33	302.53	123.54	73.62	131.46	25.80	258.04			83.68				7.17						0.05		
Fixed lines (Telecom)	12.70			6.02		1.15		12.16		11.94															0.04		
Public & Private Land Trans (Roads)	175.88	197.23			115.71			0.82		156.94		11.18	1.28		191.67			248.21			10.00		30.00		35.00	1.52	
Air Transportation (Airport)					129.01			29.28							54.69										2.35		
Maritime Transportation (Port)			0.85		129.01	4.30	0.51	3.89										60.00									1.43
Multisectorial Infrastructures		89.52			100.34	17.30			5.73	96.19					10.15												
Social and Economic Infrastructure	173.57	213.61	4.30	3.60		124.01		24.41	43.69	272.74		156.70	1.73	5.00	315.36	58.79	236.14	500.79	50.17	20.00	25.00	50.00	87.13	28.51	19.30	6.04	
General education	44.01	21.40				23.10		0.57		39.64		4.30	0.52	5.00	95.28			45.11						0.96		1.40	
Vocational & Tech. Education	59.54	52.25		1.21		0.12		7.22	21.18	31.09		0.50	1.21		4.00	10.00								0.03	4.00		
Culture & Higher Education	0.03	101.64		1.21		4.30		9.14		106.37		15.48			0.06	1.79	25.00	29.55						2.43			
Youth & Sports						0.57									21.23			10.44									
Land use & Environment				0.50		13.14		0.11	22.51			10.46				7.00						50.00	0.13	13.51		1.82	
Housing	13.27	27.87				1.82									135.00	40.00	211.14	325.00			25.00			5.31			
Health	36.22		4.30			1.43		7.37		95.64		26.64			48.24			90.69		20.00						2.13	
Social & Economic Development	20.50	10.45		0.68		79.53						99.32			11.55				50.17				87.00	4.32		0.69	
Basic Services	188.12	110.77			414.71	59.59		197.11	81.93	122.62	21.11	115.71	130.23		173.45			70.99			27.50			0.01	5.00	0.40	
Solid waste	31.92					3.25						0.28			20.00											0.16	
Water Supply	145.87	64.09			114.69	8.44		94.39	29.40	72.47	14.07	27.10	81.00		151.25			50.99			10.00				5.00	0.24	
Waste Water	10.33	46.68			300.02	47.90		102.72	52.53	50.15	7.04	88.61	48.95		22.20						17.50			0.01			
Productive Sector, Services & Others	288.25	255.93	0.93	9.24	315.36	362.24	1.09	73.55	5.80	144.67	17.59	17.73	15.77		94.45	13.50	91.00	56.08				5.00	44.00	33.73	28.40	5.00	2.75
Agriculture	21.51			5.55		25.65		6.71	0.18			7.81	0.28		2.85								21.00	33.73	12.29	5.00	
Irrigation	56.71	110.77						0.23				0.48			69.97												
Industry			0.93		43.00	14.79	1.09	2.47	0.37															1.08			
Tourism	31.50	1.22			43.00			17.92				3.15	0.30		6.20									0.37		2.39	
Private Sector Services	15.00	87.08			229.36	67.43		0.22																	0.38		
Management & Implementation	6.64	34.43				193.80		7.73	5.25	5.07		5.05	14.15		1.04	13.50								13.44		0.36	
Public information		0.17		0.18				37.83																			
Miscellaneous										14.60	17.59							8.50					23.00				
Fuel								0.44		125.00																	
Local administration	156.41			1.81								1.72	0.56		14.35		90.00	41.26						0.84			
Central Administration	0.48	22.26		1.70		60.57								0.04			1.00	6.32				5.00					
Unallocated						2.62									0.69			3.41									
Total	948.25	1,327.92	6.08	18.86	1,291.58	576.54	304.13	464.76	210.77	936.56	64.50	559.36	149.01	5.00	960.02	72.29	327.14	939.48	57.34	20.00	62.50	55.00	161.13	33.73	59.36	64.30	12.14

* Other Funds financing less than USD 5 Millions in Loan & Grants are the following: AGFUND, ARAB LEAGUE, ARGENTINA, GREECE, IRELAND, METAP, NETHERLANDS, SWEDEN, GEF, HRC and Private Donors.

FUND	Acronym
Abu-Dhabi Fund for Development	ADFD
Agence Française de Développement	AFD
Arab Fund for Economic & Social Development	AFESD
The Arab Gulf Program for United Nations Development Organizations	AGFUND
League of Arab States	ARAB LEAGUE
Argentina	ARGENTINA
Le Gouvernement Du Royaume de Belgique	BELGIUM
People's Republic of China	CHINA
Various Commercial Banks	Comm. Banks
Conseil Regional d'Ile de France	CRIF
European Investment Bank	EIB
European Union	EU
Republic of France, (AFD), French Protocols, CRIF	FRANCE
Global Environment Fund	GEF
Republic of Germany	GERMANY
Deutsche Gesellschaft fur Technische Zusammenarbeit	GTZ
High Relief Commission (Lebanon)	HRC
International Bank for Reconstruction & Development (The World Bank)	IBRD
Islamic Corporation for the Development of the Private Sector (IDBG member)	ICD
Islamic Development Bank (IDBG member)	IDB
Islamic Development Bank Group	IDBG
International Fund for Agricultural Development	IFAD
Islamic Republic of Iran	IRAN
The Republic of Ireland	IRELAND
Republic of Italy	ITALY
International Islamic Trade Finance Corporation (IDBG member)	ITFC
Japan	JAPAN
Japan International Cooperation Agency (previously known as JBIC)	JICA
Kuwait Fund for Arab Economic Development	KFAED
Kreditanstalt fur Wiederaufbau	KFW
State of Kuwait	KUWAIT
Mediterranean Environmental technical Assistance Program	METAP
The Netherlands	NETHERLANDS
OPEC Fund for International Development	OFID
Sultanate of Oman	OMAN
State of Qatar	QATAR
Kingdom of Saudi Arabia	SAUDI
Saudi Fund for Development	SFD
Kingdom of Spain	SPAIN
Swedish International Development Cooperation Agency (ASDI)	SWEDEN
Republic of Turkey	TURKEY
The United Arab Emirates	UAE
United Nations Secretariat (including country pledges) + Agencies	UN/UNDP
United States of America	USA
US Agency for International Development	USAID
Hellenic Republic of Greece	GREECE