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With special thanks to Mary Saba
The next six months in Lebanon will be packed with expectations by the donor community of Lebanon and by Lebanon of the donor community. Therefore, it is critical that these expectations remain realistic and grounded in facts to avert the frustrations of unfulfilled expectations and their consequences. There is now a unique opportunity to put Lebanon back on the road to social and economic recovery, but both Lebanon and the international community need to take a cue from the lessons of the past so as not to waste this opportunity in the present.

Two fallacies need to be dispelled at the outset on both sides:

**Fallacy I: Lebanon’s debt will be wiped out by a “deal” brokered with the donors:** This first fallacy is sometimes expressed by Lebanese observers wishfully hoping that somehow the donor community has the magic wand to wipe out this debt, or, at least, reduce it substantially in the context of a future deal with the Lebanese Government. Unfortunately, this hope is far from reality. Lebanon’s debt is the highest in the world in terms of GDP, 165 percent, or US$36 billion in absolute terms (excluding arrears and potential contingent liabilities) and held mostly by Lebanese creditors, not foreigners. By way of comparison, official assistance to the world stood at US$77 billion in 2003. The hope of a debt bailout by donors is, therefore, both unrealistic and counterproductive.

**Fallacy II: Lebanon does not need donor financing given its huge banking sector:** International observers, noting that Lebanese banks’ deposits exceed 250 percent of GDP, wonder why the world needs to come to the assistance of such a well endowed country. But a closer look at the Lebanese banks’ balance sheets suggests that while it is true that deposits are very large on the liability side, they are heavily invested (60 percent) in Lebanon’s huge sovereign debt (Government and Central Bank) on the asset side. In other words, the huge sovereign debt and the huge banking deposits are, to a large extent, the two sides of the same coin. The banking sector has played an important role in the past in reducing the public debt service and can play that role again in the future as part of an overall reform package, but it cannot be expected to shoulder the whole burden. Reducing public debt in Lebanon to levels that are sustainable requires concerted action by all parties over the next decade or so and the primary role will be that of the Lebanese, not the donors. This primary role will require stimulating economic growth above 5 percent over a long period; radically changing the patterns of public expenditure to ensure efficiency and equity of public spending; and dealing with the debt overhang. The donors will have an important role as well. Most importantly, donors can signal their support of the reform efforts in Lebanon, thus helping resume investor confidence in the country. Donors can also provide budget support as “shock absorbers” and debt restructuring to help smooth out debt maturity. Finally, donors can provide long-term financing for needed capital investments to replace local short-term debt financing, but only if Lebanon’s absorptive capacity of already committed foreign-financed projects is substantially improved. In any event, the donors’ role will always be supportive and complementary to that played by the Lebanese.

Going forward, two valuable lessons from the past need to guide the reform process:

**For Lebanon, a future reform plan needs to be comprehensive, actionable, credible; and most importantly rooted in a national consensus:** Slogans and piecemeal solutions to Lebanon’s economic and social problems are unlikely to convince the Lebanese public or international observers. By the same token, no government can create miracles and solve all problems in the short-term. Rather, a vision for the long-term needs to be articulated and translated into short-, medium- and long-term actions. This Government and its predecessor have moved in this direction. Credibility of such a reform plan can only come from broad public discussion and endorsement. The public needs to understand the rationale for reform, the short-term costs and how they would be shared among the various groups; and long-term benefits of the reforms. Otherwise, “reform fatigue” by the public and reversals by future governments will be hard to avoid.

**For the international community, sustained engagement is needed over the long-term:** Bringing about political and economic stability, economic growth, and a perception of
fairness across (and within) social and confessional groups will require intensive institution building and governance reform in Lebanon. This process can only be home grown, and cannot be rushed through. The donor community needs to guard against the tendency to want quick fixes, which in practice are then left unfulfilled or are short lived. The donor community should be clear that its support is conditional on monitorable progress towards tangible social and economic indicators, and enhanced measures of accountability, transparency, equality, and the rule of law.

The road to Lebanon’s full recovery and renaissance is a long one. The international community and organizations can play a supportive role, but the agenda for reform has to be made in Lebanon and Lebanese owned. The journey should start as soon as possible.

PUBLIC EXPENDITURE REFORM PRIORITIES FOR GROWTH AND POVERTY ALLEVIATION

■ Introduction

The rationalization of public expenditure lies at the heart of Lebanon’s reform agenda. Public expenditure containment is crucial to restore fiscal sustainability. Beyond its direct contribution to a higher primary surplus, cutting back on unproductive and inefficient public expenditures would: (i) send a strong and credible signal of Lebanon’s commitment to reform; (ii) improve the investment climate; (iii) strengthen social protection; and (iv) provide, effectively and efficiently, the public goods and services citizens deserve. Key areas of expenditure reform in Lebanon include: reducing the civil service and reforming pension schemes; reducing the loss and enhancing the productivity at autonomous public agencies; and improving budget processes and execution and expanding social protection. Some of the envisaged policy options could be rapidly implemented. In this context, reforming the pension system and the power sector is a high priority, which could save some 2-4 percent of annual GDP in public spending.

Other related actions would require immediate diagnostics to expand the options. They include: a civil service census and a review of public employees’ functions and remunerations; a re-evaluation of social spending coverage and targeting efficiency; the auditing of all extra-budgetary funds and government arrears; and the complete re-examination of existing public investment commitments. Turning to the medium term, there are choices that need to be made regarding the role of the State of Lebanon, and to adjust strategic policy design in the following areas: the structure of public pension schemes and wage and benefits; social protection and safety nets; provision of public infrastructure and regional development; performance-based budgeting; and roles and responsibilities of extra-budgetary funds in delivering public goods and services. The menu is long, but can be prioritized into short-, medium- and long-term actions. It is described further below by main subject areas.

■ Reducing the Size of the Public Labor Force for Better Service Delivery

Lebanon’s overall public wage bill is relatively low by international standards, yet opportunities exist for considerable savings through future retirements that should be used to build a competent civil service capacity. Lebanon’s public labor force is large, underpaid and unmotivated, prone to corruption and unresponsive to people’s needs, which is a major source of the citizens’ dissatisfaction with the State. On the whole, it is safe to say that the Government in Lebanon is severely overstaffed for the functions it currently performs. A better paid, more competent, smaller public force should be the objective. In the next 10 years, up to 45 percent of the current public labor force (some 220,000 workers, including civil servants, contractual workers, and military personnel) will retire. The Government should build on this opportunity to reduce its labor force through attrition. Funds saved from the current wage bill should be used to increase the salaries of civil servants, offer regular staff training, and cover reallocation costs of staff to new tasks.

In the short run, this would necessitate: (i) a review of employment needs and adequacy to Government’s objectives; (ii) a civil service census; (iii) a termination of the hiring and wage freeze in place since 1997; and (iv) restoration of the Civil Service Council’s full executive powers.
A rapid and effective rightsizing of the public labor force is conditioned on the need to reform civil and military pension schemes. Political acceptance of a large retirement reform plan is most likely contingent on the development of effective safety nets and sustainable pension schemes. Public employment has progressively become, in the post–war period, an expanded social safety net, which needs to be replaced with other more effective ones, to get the support of the population and satisfy citizens. At present, formal safety nets are inadequate and weak (see below), and public (civil and military) pension schemes are financially unsustainable—hence, unable to absorb large numbers of new retirees without seriously compromising the objective of restoring fiscal sustainability evoked above. Various options of reform to restore the financial sustainability of public pension schemes are feasible, and could yield significant additional fiscal and developmental benefits. World Bank staff calculations, indeed, suggest that a simultaneous reform of public and end-of-service indemnity schemes could encourage a rapid integration of the various public and private pension schemes, at low fiscal costs. This would eliminate the Government’s pension debt in the long run (currently above 50 percent of GDP), reduce inequalities between public and private employees (in terms of coverage) and facilitate labor mobility between the public and private sectors.

Revisiting the Role of Extra-Budgetary Entities

Lebanon’s budget is burdened with large transfers to extra-budgetary entities, whose activities need to be audited and consolidated into the budget. Public autonomous agencies, funds and enterprises operating outside Parliament’s control (hence, not concerned by the budget cycle) represented 19 percent of total public spending in 2004. While not part of the core activities of the Government, these entities have important fiscal implications. Very often, the absence of any binding budget constraint (governance problems, lack of accountability and accounts) prompts these entities to run large arrears and losses, which eventually are covered by the Government in the form of grants or loans. In 2004, 9 percent of non-debt public expenditures went to cover operational losses and debt repayment of public electricity and water authorities. Subsidies obviously could be justified in some instances, but need to be explicit to remain under Parliament scrutiny. To reduce the risk of public funds being spent on purposes other than for which they have been allocated, it is important that their accounting, reporting, oversight and governance structures be significantly improved.

Privatization should accompany fiscal adjustment, with a view to primarily promote growth. For heavily indebted countries like Lebanon, it is critical that privatization proceeds be used to reduce the debt stock. But if privatization proceeds are used to pay off the debt, the Government should make sure this is done as part of a package of sustainable financial measures which aims to reduce the stock of debt. Otherwise, the reduction in interest payments would be short lived, and a perverse debt dynamic would resume when the privatization proceeds run out. Therefore, the potential privatization proceeds would be wasted if they were not used in the context of an overall fiscal consolidation agenda. Moreover, privatization should aim first at promoting cost-effective private service delivery. Indeed, the incentive to increase the sale price (through granting monopolistic positions to new private incumbents or imposing low requests in terms of future capital investment outlays) might be at the expense of future improvement in the service. As tempting as it is to measure the efficacy of privatization in terms of sales price, it is the long-term impact on quality and price of service, and its contribution to spurring growth and economic development that are most critical.

Improving Current and Capital Expenditure Management

Expenditure management could be improved to raise public spending efficiency. The economy and Govern-
Although not yet addressed, the absence of competition among suppliers of goods and services purchased by the Government, a lack of planning and consolidation between current and capital expenditure, high fiduciary risks and corruption stemming from inappropriate control and audit framework. The Government has prepared a revised draft public procurement law, but it was not endorsed by the Parliament. However, if approved and implemented, the law would greatly enhance the efficiency and transparency of public procurement procedures, and also accelerate disbursement on donors’ projects. Recent steps taken by the Government to reform procurement practices regarding medicines and fuel purchases illustrate the extent of savings that could be made from greater competition among suppliers. The adoption of a competition law would definitely help generalize the practice in most Government purchases. The revision of the outdated Public Accounting Law and the development of ex-post performance evaluation would mitigate corruption risks stemming from a lengthy, complex and non-transparent expenditure control process, with a view to shift public practices from compliance to responsibility. Granting greater institutional independence to the Court of Accounts vis-à-vis the Government and reinforcing its capacities also would mark a crucial step in this direction.

The adoption of a Medium-Term Expenditure Framework (MTEF) would equally permit reducing wasted expenditures related to public investment decisions (i) not supported by sufficient counterpart budgets for operation and maintenance, or (ii) simply stopped before completion under the weight of limited macro-economic planning capacity at the Ministry of Finance and absence of accrual accounting.

In the short-term, the Government should immediately stop accumulating arrears. Although not yet audited and tentative (in the absence of accrual accounting), the amount of arrears accumulated as of end-2004 by the Government vis-à-vis the social security, government employees, suppliers and households is seemingly sizeable, at approximately 10 percent of GDP. Building-up arrears has various negative consequences: poorer fiscal transparency, higher tariffs for private services, weaker social safety nets and greater difficulties to implement investment projects. In this respect, not accumulating new arrears is a first immediate priority. However, addressing the stock is a much more difficult undertaking. One remedy is to transform some of the arrears into formal debt and progressively paying the rest over several years.

Capital expenditure levels must be protected and investment plans entirely reviewed. Public investment spending is not commensurate with outcomes. Despite large amounts disbursed since 1992, public investments are not yielding the benefits they should as evidenced by the number of projects not yet completed, the poor quality of the transportation system, the high costs of power and communications utilities, and the rapid deterioration of the environment. Nevertheless, this unfortunate verdict does not justify further compressing capital expenditures, as Lebanon has neared a point where its investment expenditures barely suffice to prevent the degradation of its current stock of infrastructures. Under these conditions, the marginal cost of further containing public investment in terms of foregone growth most likely exceeds the marginal gain stemming from its impact on public deficit. On the other hand, investment projects under preparation or already committed far exceed what Lebanon could realistically absorb in the next few years without severely undermining its capacity to adjust fiscally. Ultimately, priority should be given to the maintenance of existing facilities, within an overall envelope consistent with fiscal containment objectives. This would notably require limiting carry-forwards in the budget framework. A greater use of donors’ funds should also be sought, for its impact on debt service and maturity profile, but also because it would require moving on reforms that present other advantages: Refocusing the Council for Development and Reconstruction (CDR), Procurement Law, Parliament ratification procedures, public investment planning, and lower reliance on arrears.

Reinforcing Social Protection

From a functional perspective, public social spending requires particular attention, as it is a key element of a successful transition. Seemingly high levels of inefficiencies in social spending imply that the first order of priority in the social sector is to raise the productivity of public expenditure rather than increase the resource envelope. A reduction in social spending on benefits to government employees and its replacement with higher wages is one such priority. Savings would be channeled to improve the supply of public social service delivery to the needy. A more efficient method would be to regulate the pricing and quality of private provision and the coordination between the private and public sectors in the social arena. This ultimately requires the Govern-
ment to design a long-term strategic vision for its social policy: norms of social services and protection, choice of Government instruments for provision, financing and regulation of social services.

**In the shorter term, there is a pressing need to strengthen safety nets.** One basic objective of any social policy should be to protect human capital from irreversible losses occurring during crises (economic, political, natural disasters)

More generally, it is believed that Lebanon’s level and characteristics of social protection are not adapted to the developmental needs of a middle-income, small, open economy, and could actually be an impediment to growth. There is a need to reinforce existing safety nets and to plan for the mobilization of new ones. Properly designed social safety nets can serve as an automatic fiscal stabilizer and contribute to greater macroeconomic stability. They could bypass political pressures for panic allocation during a crisis, or for making spending permanent after the crisis is over.

In planning for safety nets, desirable principles to be observed include adequacy in terms of coverage and benefit levels, greater targeting efficiency and transparency to manage expectations that assistance is temporary. Various options could be envisaged in Lebanon, from scaling up some of the social programs to introducing conditional cash transfers. Nevertheless, most of these options would necessitate the availability of reliable and periodic data on the incidence of social spending to assess its efficiency and develop targeted and means-tested programs. This may be a top priority for Lebanon in terms of social policy. As for existing institutional safety nets, the Government needs to reinforce the end-of-service indemnity and guarantee of deposit systems by: (i) rapidly settling arrears accumulated with them and (ii) allowing them to diversify their investment portfolio for a better protection against various financial risks.
The economic and financial situation in Lebanon stabilized in the Spring of 2005. In the weeks following the assassination of former Prime Minister Rafic Hariri, tourism, commerce and construction activities dropped sharply, and the financial sector experienced massive conversions from Lebanese Pound-denominated deposits into foreign currency (US$5.2 billion between mid-February and end-March 2005), of which US$2 billion (4 percent of GDP) left the country.

In response to a looming crisis, the Central Bank (Banque du Liban, BDL) undertook a series of measures to limit conversions and capital outflows. Progress on the political front allowed the situation to stabilize, and as of end-March 2005, a rebound began. As of end-June 2005, the money supply had recovered 60 percent of losses incurred between February 14 and end-March 2005.

However, bringing the debt to sustainable levels will be costlier to achieve. The increase in borrowing costs, losses incurred by the Central Bank and a drop in tax collection, capital inflows and public investment resulted in additional costs in terms of foregone growth and higher fiscal deficit. This, in turn, adds to the already daunting task of inspiring growth, improving living conditions and regaining fiscal sustainability in the face of its world record high debt to GDP ratio (at 165 percent of GDP by end-2004 and even higher on a consolidated basis if Government’s arrears and Central Bank liabilities are taken into account).

In this context, the design and steady implementation of a comprehensive fiscal, economic and social reform plan is crucial. Lebanon’s vulnerability to financial disruption, while already high before, has sharply increased over the last six months. This requires immediate fiscal adjustment to counter the potentially highly damaging consequences of a systemic crisis for the population, economy and institutions. To succeed, fiscal adjustment policies should not be pursued for the sole purpose of gaining fiscal space. They need to be adapted to structurally improve Lebanon’s growth potential through better service delivery and investment climate and to reinforce social protection.\(^1\) Indeed, several important obstacles to growth and social protection are directly related to poor public expenditure manage-

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\(^1\) See the article on public expenditure reforms in the same issue.

The other sections of this note summarize recent developments in the real and financial sectors, public accounts and the balance of payments over the first six months of 2005.

### REAL SECTOR DEVELOPMENTS

The regrettable absence of updated economic statistics impedes rigorous monitoring of economic activity. National and external accounts are still missing. Also, there is no up-to-date information on households’ living conditions, wages or unemployment. Recent efforts exerted by the Government of Lebanon to develop quantitative information, notably national accounts (for the period 1997-2002), and households’ living conditions (for 2004) have started to fill this gap, but remain insufficient.\(^2\) Government efforts should be sustained to make permanent the production and dissemination of reliable statistics in these fields, among others, as a critical element for good governance.

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**First Six-Month Growth in the Coincident Indicator**

Source: World Bank staff calculations based on BDL.

Nevertheless, in contrast with 2004, all indirect indicators point to a sharp slowdown in private absorption in the first semester of 2005. Real GDP growth probably did not exceed 1 percent over the first six months of 2005.\(^3\)

\(^2\) In 2004, Lebanon ranked 109th out of the 117 countries of more than 1 million people listed by the World Bank in terms of statistical coverage (quality, periodicity and availability of data).

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months of 2005. And nominal GDP growth could be even lower, as preliminary indicators (from the Consultation and Research Institute and the Central Administration of Statistics) point to negative consumer price inflation in the first six months of 2005, compared with the same period in 2004. The coincident indicator computed by the Central Bank, supposedly reflecting real GDP variations, showed a 1 percent growth over the first six months in 2005, compared to last year’s corresponding first half. By way of comparison, the same indicator witnessed a 10 percent growth in the first six months of 2004, compared to that of 2003. Compensated checks (an indirect measure for nominal transactions) increased by only 3 percent between the first half of 2005 and the first six months of 2004, compared to 7 percent a year ago. Merchandise exports stagnated in nominal terms, while the value of imports increased by only 5 percent (against a 31 percent increase for the same period in 2004), which probably is lower than the sole increase in import prices (see below). The number of tourists declined by 17 percent and VAT receipts decreased by 4 percent, reflecting a drop in private consumption. In the construction sector, permits decreased by 13 percent, probably reflecting a drop in investment expenditures. The same trend is observed for imported equipment, which dropped by 13 percent compared to last year’s corresponding period.

In contrast, public absorption growth continued unabated. Primary expenditures were 10 percent higher in the first six months of 2005 than during the corresponding period in 2004 (see below). Government’s current expenditures rose by 17 percent, while capital expenditures decreased by 33 percent. The continued increase in primary expenditures clearly is a threat to fiscal sustainability, given the extraordinary high rate of public indebtedness. It further illustrates Lebanon’s inability to contain its transfers to extra-budgetary funds (the Public Electricity Company, in particular). On the other hand, the decrease in public investment expenditures, already very low with respect to GDP, could well mean that Lebanon has reached the point where its stock of public infrastructure simply cannot be maintained, thus affecting its growth potential.

Social development indicators are still lacking, but the recent completion of a household budget survey could help present a more accurate picture of the unemployment situation. Preliminary data from living conditions questionnaires have been processed and published, to be followed in the next semester by the expenditure questionnaires. This paves the way for an assessment of consumption-based poverty patterns that the World Bank is intending to conduct in partnership with the UNDP and the Ministry of Social Affairs. In the absence of a census, the survey estimates Lebanon’s resident population at 3.75 million in 2004, excluding Palestinian refugees. The active population stood that year at 1.17 million, with 8.2 percent declaring themselves as unemployed. Sixty-four percent of the unemployed are aged 15-29 – an age group that represents 33 percent of the active population. In other words, the frequency of unemployment among the youth, at 16 percent, is double the national average. These figures confirmed the findings of an earlier study conducted in 2001 (although not strictly comparable from a statistical sense), regarding the youth unemployment rate. However, the recent study estimated unemployment among females at 11.0 percent, compared to 7.5 percent for males. In contrast, the 2001 figures estimated female unemployment at double that of men.

**FISCAL DEVELOPMENTS**

Public deficit in 2005 so far has increased. The overall deficit rose by 3.7 percent, from US$560 million in the first six months of 2004 to US$580 million in 2005. This increase occurred despite a 3 percent decrease in total expenditures caused by a 23 percent drop in debt service. The latter continued to benefit in the first half of 2005 from the direct and induced effects of the Paris II conference in late 2002, and the subsequent financial engineering of borrowing costs. Public debt service in the first six months of 2005 was US$300 million lower than in 2004.

![Public Deficit and the Debt Service](chart)

**Source:** Ministry of Finance.

3 Kasparian, C. (2003), L’entrée des jeunes libanais dans la vie active et l’émigration, St-Joseph University, Beirut.
Government revenue has decreased by 5 percent, or US$131 million, so far, in 2005. The slowdown in economic activity had substantial impact on Government revenue, especially on VAT and profits from State-owned telecommunications companies (accounting for 69 percent of non-tax revenues in 2004). These decreased respectively by 4 and 17 percent in 2005, compared to last year’s corresponding period. The drop in these two revenue sources accounted for more than two-thirds (US$94 million) of the overall US$131 million drop in fiscal revenue. Besides, excise taxes on petroleum severely suffered from the ceiling imposed on domestic prices in May 2004 (following deadly riots), which forced the Government to lower excises to compensate for the increase in world oil prices. As a result, the Government lost another US$77 million.

On the other hand, revenues from direct taxation (on profits, wages and salaries, interest income, capital gains), and various fees rose by 6 percent, the result of continued progress in tax administration and of a prosperous year in 2004 (as some direct taxes are levied on previous year’s incomes).

<table>
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<th>Public Finance Results for the First Half of the Year (US$ million)</th>
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<td><strong>2003</strong></td>
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<td>Total Receipts</td>
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<td>Budget Receipts</td>
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<td>Tax Revenues</td>
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<td>Customs &amp; Excises</td>
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<tr>
<td>Other Tax Revenues</td>
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<td>Non-Tax Revenues</td>
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<tr>
<td>Treasury Receipts</td>
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<td>Total Payments</td>
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<td>Overall Deficit</td>
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<td>Primary Surplus</td>
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Source: Ministry of Finance.

Primary public expenditure grew by 10 percent and added US$200 million to the Government’s first six months bill. This increase is almost entirely due to the surge in Treasury transfers to the public electricity company [Electricite du Liban, (EDL)], plus US$204 million compared with last year’s first six months. In the first six months of 2005, the Treasury extended US$121 million in advances to cover EDL’s losses and pay for fuel purchases amid spiraling oil prices, as well as another US$92 million to reimburse accrued electricity bills on behalf of public administrations (including water authorities).

Despite a continually high fiscal deficit, the net debt so far has recorded moderate growth in 2005. While public deficit reached US$878 million over the first six months of 2005, the net public debt (gross debt minus public sector deposits) rose only by US$370 million (from US$32.96 billion in December 2004 to US$33.33 billion in June 2005; the gross debt went up from US$35.85 billion to US$36.09 billion during the same period). Part of the discrepancy stems from the depreciation (in LBP/US$ terms) of the debt labeled in Euros. The rest can be explained by the fact that public sector deposits also encompass extra-budgetary funds (Council for Development and Reconstruction, National Social Security Fund, etc.). As such, change in net debt cannot be compared strictly with central government financing needs, at least in the short term.

All government financing needs were met by the Central Bank in the first half of 2005. The US$878 million worth of Government financing needs were met by withdrawing US$579 million from the Treasury’s deposits (a subpart of public sector deposits) at the Central Bank, and borrowing an additional US$635 million from the Central Bank. In contrast, the Treasury reduced by US$330 million its engagements with other creditors.

Structure of the Public Debt by Holder (US$ billion)

Source: Ministry of Finance, World Bank staff calculation.
The Central Bank’s holding of public debt sharply increased. By financing all government needs in the first half of 2005, and discounting or swapping a large amount of T-bills and Eurobonds in the midst of financial turmoil, the Central Bank saw its public debt portfolio increasing by US$1.6 billion, from US$9 billion in December 2004, to US$10.6 billion in June 2005. This now accounts for 38 percent of Central Bank’s assets. Accordingly, the share of the public debt now held by public institutions (the Central Bank, other Lebanese public entities, bilateral and multilateral institutions) – the so-called “non-market debt” – now stands at 40 percent of the total gross public debt (against 34 percent a year earlier), of which 29 percent is detainted by the Central Bank.

The profile of the public debt continued to evolve towards longer maturities and higher dollarization. The average maturity of the LBP-denominated TBs reached 649 days at end-June 2005, against 407 days a year earlier and 546 days in December 2004. Weighted interest rates on the TBs portfolio decreased to 7.2 percent compared to 7.9 percent in June 2004, but increased compared to the 6.0 percent reached at end-2004. The average maturity on foreign currency denominated debt remained stable at 5.8 years compared to June 2004, but decreased in comparison to the average maturity of 6.0 years at end-2004. Weighted interest rates decreased to 7.4 percent compared to 7.7 percent a year earlier, but increased compared to the 7.2 percent of end-2004. The significance of this last trend, though, is limited given the fact that the Central Bank intervened massively over the last six months on the debt market. The share of the public debt labeled in foreign currency increased to 51 percent compared to 47 percent a year earlier. Outstanding debt in foreign currency rose by US$2.1 billion, of which US$1.5 billion were subscribed by the banking sector. At the same time, the Central Bank became the first holder of LBP-denominated debt.

The merchandise trade deficit increased by US$228 million (1 percent of GDP) in the first half of 2005. Customs data point to a stagnation in merchandise exports at US$875 million in the first six months of 2005 – the same as the year before. The deepening of the merchandise trade deficit is, hence, due to the increase in the import bill. In spite of a significant increase in import prices, nominal imports grew slightly, seemingly reflecting a decrease in real imports, in line with the slowdown in private absorption. For example, the 12 percent increase in the oil bill is the combination of a 25 percent price effect and a negative 13 percent quantity effect. The rise in the oil bill alone is responsible for 43 percent of the increase in the nominal value of imports. The appreciation of the Euro vis-à-vis the US$/LBP rate is responsible for another 31 percent of the increase in import value.

Tourism receipts seemingly declined. 2005 was expected to be a great year for tourism in Lebanon, and January witnessed an increase of 25 percent in the number of tourist arrivals compared with 2004. But, the dynamic was lost because of security threats, and over the first six months of 2005 the number of tourists declined by 17 percent. Tourism receipts might have declined even further, as the number of tourists from Gulf countries, traditionally spending more than the average tourist, declined even more rapidly. The combination of a deepening merchandise trade deficit – the result of negative terms of trade - and lower exports of services could have aggravated the current account deficit by at least a percentage point of GDP in the first half of 2005.

The Merchandise Trade Deficit and Banks’ Net Foreign Assets (US$ million)

The situation was further aggravated by a slowdown in capital inflows. Commercial and Central Banks’ net foreign assets (excluding gold) dropped by US$1.1 billion over the first six months of 2005 - which is seemingly higher than the increase in the current account deficit during the same period. This suggests a significant drop

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4 Based on customs data, it was estimated that the imports price could have grown by 17 percent in the first six months of 2005 compared with the corresponding period in 2004. By way of comparison, the same calculation for the first six months of the year before, point to an 8 percent increase in the price of imported goods. For the whole of year 2004, imported inflation was estimated at 13 percent.
in the capital account surplus, though it is likely that some of the savings withdrawn from commercial banks’ deposits actually stayed in the country in the form of cash in case of emergency.

FINANCIAL MARKET DEVELOPMENTS

Money supply decelerated in 2005, reflecting a net outflow of capital, partially compensated by money creation from the Central Bank. Net foreign assets (including gold) decreased by US$1.2 billion since December 2004. In contrast, other counterparts of money supply, including loans to public and private sectors, increased by US$531 million. This figure is the net of a US$1.6 billion increase in the LBP denominated TBs portfolio of the Central Bank and a US$1.1 billion decrease in the total lending of the commercial banks. All told, the broad money supply, M3, decreased by 1.4 percent since December 2004. This drop is the result of a 2.7 percent decrease between December and April, and of a 1.3 percent increase between April and June. The M3 is expected to grow by 3 percent in 2005, compared with 2004.

The dollarization of deposits rose again in 2005. The result of massive conversions, the dollarization rate of commercial banks’ deposits peaked to 79 percent in March 2005, to finally reach 75 percent in June. By way of comparison, the same indicator reached 67 and 70 percent respectively in June and December 2004.

The structure of bank’s assets continued to reflect the strong tie between the banking sector and the public sector (Government and Central Bank). The Central Bank became the largest debtor of the banking sector. The share of deposits with the Central Bank in the balance sheet of the banking sector rose to 31 percent in June 2005, compared to 29 percent in December 2004, and 30 percent in June 2004.

Commercial banks exposure to the sovereign risk in foreign currency has rapidly spiraled since the assassination of Prime Minister Hariri. Bank deposits at the Central Bank in foreign currencies and the Eurobonds portfolio are estimated at US$19.8 billion. This amount represents 30 percent of the total balance sheet, against 27 percent in December and 25 percent in June 2004. In fact, over 50 percent of the banking sector’s resources in foreign currencies are used to cover public sector’s financing needs.
IBRD Ongoing Projects

The current World Bank portfolio in Lebanon consists of seven projects for a total commitment amount of US$321.82 million, of which US$96.38 million has been disbursed through September 15, 2005.

Revenue Enhancement and Fiscal Management Technical Assistance Project (REFMTAP). (US$25.25 million). The Project seeks to support Government efforts to enhance revenue and strengthen fiscal management.

Education Development Project (EDP). (US$56.6 million). This Project is designed to support the Government’s efforts to enhance the capacity of the Ministry of Education to function as an effective manager of the education sector and to restore the credibility of the Public Education System.

First Municipal Infrastructure Project (FMIP-I). (US$80.0 million). This Project aims at addressing urgent municipal works while setting the stage for the gradual assumption of responsibility for municipal services at the local level.

Community Development Project (CDP). (US$20.0 million). This Project is designed to raise living standards in targeted poorer communities, and to raise economic activity levels in such communities by investing in grass-roots social and small infrastructure activities, and in employment creation.

Ba’albeck Water and Wastewater Project. (US$43.5 million). The major development objectives of the Project include: (a) improving the access of satisfactory water supply and wastewater services to the region’s residents; (b) introducing appropriate sector reforms— particularly the development and strengthening of the capacity of the existing Ba’albeck Hermel Water and Irrigation Authority and, once it is established, the Bekaa Regional Water Authority; and (c) involving the private sector in the operation and maintenance of water and wastewater facilities by preparing for a Management Contractor (MC) through a lease or concession contract that would secure the long-term financial needs for sector investments. The World Bank Board of Directors approved the Project in June 2002.

Urban Transport Development Project (UTDP). (US$65.0 million). The Project’s objectives are to provide the city of Beirut and the Greater Beirut Area with the basic institutional framework that is currently lacking, and to support critical investments needed to maximize the efficiency of existing urban transport infrastructure. The World Bank Board of Directors approved the Project in June 2002.

Cultural Heritage and Urban Development Project (CHUD). (US$31.5 million). The Project will finance site conservation, enhancement investments, and associated urban infrastructure improvements in selected sites, and provide technical assistance to strengthen the capacity of the Directorate General of Antiquities, Ministry of Tourism, and targeted municipalities in cultural heritage preservation and tourism development. A signing for implementation of the Project was held in July 2003.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Approval Year</th>
<th>Loan Amount</th>
<th>Amount Disbursed</th>
<th>Closing Date</th>
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<td>Dec. 2007</td>
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<td>80.00</td>
<td>53.37</td>
<td>June 2007</td>
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<td>20.00</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>321.82</strong></td>
<td><strong>96.38</strong></td>
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</tbody>
</table>
**IFC Projects in Lebanon**

**Uniceramic.** The Project supports the modernization of the company’s existing production line and the expansion of the plant’s capacity of glazed ceramic floor tiles.

**Bank of Beirut and the Arab Countries (BBAC) Credit Line.** The Project offers innovative residential mortgages to middle income customers.

**Banque Saradar SAL.** The Project involves an equity investment in common shares of the company.

**Byblos Bank Syndicated Credit.** The Project aims at providing long-term project finance to small- and medium-sized enterprises in Lebanon for infrastructure project finance, and to increase its housing loan portfolio.

**Société Générale Libano-Européenne de Banque.** IFC extended a Line of Credit to Société Générale Libano-Européenne de Banque to be utilized in support of its housing finance program.

**Fransabank.** IFC extended a credit line to Fransabank to support its housing finance program.

**Agricultural Development Company (ADC).** The Project is designed to rehabilitate and expand the existing facilities of ADC, which is involved in the poultry business, into an integrated broiler meat production facility.

**Lebanon Leasing Company (LLC).** The Project involves the establishment of Lebanon’s first leasing company, providing leasing finance to local small- and medium-size enterprises. It also includes two credit lines from IFC to fund LLC’s leasing activities.

**Middle East Capital Group (MECG).** The Project consists of the establishment of the first regional investment bank in the Middle East, and is headquartered in Beirut.

**Banque Libano-Française.** The Project offers innovative residential mortgages to middle income customers.

**Bank of Beirut Lebanon Credit Line.** The Project consists of credit lines to four Lebanese private sector commercial banks for on-lending to local small- and medium-sized private sector enterprises, and to middle income families to finance either the purchase of their first residence, or the expansion of their existing home.

**Idarat, SAL.** The Project funds the company’s investment program in hotels and restaurants, and is designed to help revive the tourism industry, which is a key sector in Lebanon.

**Idarat SHV (Société Hôtelière “de Vinci” SAL).** The Project supports the Company’s investment in a Greenfield 5-plus star “boutique” all suites hotel in an up-scale residential district of Beirut.

**MIGA in Lebanon**

Lebanon has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1994. Over the past decade, MIGA has received more than 20 preliminary applications from investors in Austria, Canada, France, Luxembourg, Saudi Arabia, and Spain for investments in Lebanon in the finance, infrastructure, telecommunications, and tourism sectors.

In addition, the Lebanese investor community has become increasingly interested in MIGA’s ability to provide non-commercial risk coverage for their investments into other developing countries. In fiscal year 2002, MIGA issued US$8.1 million in Guarantees to Investcom, a Lebanese-owned company, for a telecommunications project in Benin involving the installation of a new GSM mobile telephone network in Lebanon, which has one of the lowest teledensities in the world. In fiscal year 2003, MIGA issued US$56 million in Guarantees to Investcom’s investment in Spacetel, Syria’s second mobile telephone network. Also, Lebanese investors have submitted preliminary applications in the finance, infrastructure, and manufacturing sectors for investments in Cote d’Ivoire, Ghana, Sierra Leone, Gambia, Guinea, and Syria. Eligible investors include those from MIGA-member countries investing in Lebanon, Lebanese nationals repatriating funds for investments in Lebanon, as well as Lebanese investors investing in developing countries, including the Middle East region.

The Investment Development Authority of Lebanon (IDAL), Lebanon’s Investment Promotion Agency, has submitted to MIGA a needs assessment request. MIGA will perform the Needs Assessment by Fall 2005. The Needs Assessment will benchmark IDAL’s investment promotion capacity relative to international best practices and recommend steps to improve IDAL’s ability to attract FDI into Lebanon.

MIGA’s online investment promotion services (www.fdixchange.com and www.ipanet.net) feature 90 documents on investment opportunities and the related legal and regulatory environment in Lebanon.
The World Bank and its local and international partners in development are gearing up for a new initiative that provides seed money for innovative projects that would empower Lebanese youth to actively participate in shaping the future and voicing their views on governance issues.

Youth in Governance: Shaping the Future is the theme of the Lebanon Development Marketplace (LDM) for 2006. The competition, to be launched in October 2005, will solicit project proposals that address some of the most pressing social, economic and political concerns of young Lebanese aged 15 to 29.

Recent surveys show that youth constituted 33 percent of Lebanon’s active population of 1.17 million in 2004. However, the unemployment among this age group reached 16 percent, double the national average.

Complaints about the lack of job opportunities are rampant, especially among fresh graduates and in rural Lebanon. This has accelerated the pace of rural-urban migration, as well as emigration, or the brain drain that is depleting one of Lebanon’s most valuable assets: the human capital.

In focusing on youth in this year’s LDM, the Bank hopes to inspire a broad debate to identify initiatives that would improve conditions for this increasingly vulnerable group, through projects that open job opportunities and ensure wider youth involvement in public life.

For youth to be actively and effectively involved in any reform drive towards good governance, they need to be exposed to the concepts of accountability and transparency, and inspired to participate in the building of their future. In the LDM-2006, the private sector, academic institutions and student councils, non-governmental organizations and the civil society at large are invited to propose innovative initiatives that enable youth to better understand their duties, exercise their rights, discourage brain drain and inspire strong bonds between the Diaspora Lebanese and their motherland.

The themes of good governance and youth participation are broad and offer ample room for innovative proposals, which could include, among others:

- Elections and youth Parliament,
- Accountability and transparency on a national level,
- Accountability and transparency on a local (municipal) level,
- Empowerment in political parties,
- Empowerment in student councils,
- Anti-corruption network,
- Diaspora to homeland links,
- Publications and media outreach.

All these themes are central to the Bank’s global mission of poverty alleviation and at the core of its Country Assistance Strategy for Lebanon (2005-2008).

The LDM-2006 offers an open, transparent and competitive competition, which will be promoted among the most remote and marginalized Lebanese youth communities and civic groups at home and abroad. A web-page will promote the competition, provide detailed eligibility criteria and application guidelines and templates, and offer up-to-date information on progress. Country-level evaluators will be drawn from the technical expertise of well-known institutions and donor agencies with experience/interest in Governance.

Proposals would be invited from urban and rural communities, as well as expatriate communities in the Diaspora. The World Bank has allocated US$25,000 for administration costs and US$50,000 seed funding to the award pot, and is engaged in discussions with other donor agencies and governments, which have expressed interest in contributing to the cash prizes.

Depending on the number and size of finalist proposals and the contribution from other partners, it is envisaged that around 5 to 10 awards will be provided to participants.

An initial Call for Proposals will be made in early October 2005 after the partnerships have been finalized. Interested applicants will be asked to submit by mid-December an outline of their proposal conforming to established eligibility criteria. The brief description should include information on the project’s overall design, what makes it innovative, how it will be implemented, and proposed partners.

Proposal outlines will be reviewed by assessment panels comprising Bank staff, donor representatives, and experts in the field, who will select a list of the most promising proposals. The selected finalists will be asked to submit full proposals (mid-February 2006).
The competition will culminate in March 2006 with *Innovation Day*, where the winning proposals will be selected. An independent jury consisting of experts and representatives from the donor community, international NGOs, local development community organizations, and the private sector will evaluate each exhibited proposal against an objective score card and award funds to the winners. The Innovation Day is designed to share knowledge, build local networks, provide ways to access new resources, and build awareness of new solutions.

In both the first round of assessment and the final selection of winners, proposals will be evaluated along the following criteria:

- **Innovation**: Does the idea offer a new approach to achieve the ultimate goal?
- **Focus**: Is the proposal clear in terms of diagnosing the problem and explaining the objective and target audience?
- **Realism**: Is the project physically implementable and financially viable?
- **Sustainability**: Does the implementing party have the financial and organizational capacity to sustain the project?
- **Replicability**: Can the project be replicated on national or regional levels?

The World Bank is launching on October 3, 2005, its Global Development Marketplace competition for 2006. This theme of this year’s competition will be *Improving quality and access to water, sanitation, and energy services to the poor*.

The World Bank’s Development Marketplace (DM) is a competitive grant program that identifies and provides direct support for innovative, grassroots development ideas. The DM seeks to find solutions beyond established channels through an open, transparent, and competitive process with minimum cost and bureaucracy. These small-scale projects not only deliver results, but also have the potential to be expanded or replicated elsewhere.

Practically speaking, the DM brings visionaries and entrepreneurs together in an Innovation Competition where they “sell” their ideas to groups that can provide financial and technical assistance support.

The DM program operates on two levels: a Global competition generally held every 18-24 months in Washington, DC that also includes a knowledge forum, and National/Regional Country-level Development Marketplaces (CDMs) which are replicas of the global program but on a smaller scale. They are designed to include a competition and a knowledge forum that address national/regional development issues.

To date, the DM has awarded roughly US$35 million to more than 800 projects through Global and Country-level Marketplaces.

The 2006 Global Development Marketplace (DM2006) will focus on three key elements of the Millennium Development Goals (MDGs)—Water, Sanitation, and Energy. DM2006 seeks to support innovative, local-level solutions for improving the quality and access to water, sanitation, and energy services to poor communities in developing countries. The Call for Proposals will be launched in early-October 2005 and the window will stay open until late November. Proposals will be welcome from a range of development innovators—civil society groups, social entrepreneurs, private foundations, academia, private sector corporations, as well as staff from the World Bank and other donor organizations.

**For Further information, please contact:**
Mona Ziade, Communications Officer, mziade@worldbank.org

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**Global Development Marketplace 2006 – Improving quality and access to water, sanitation, and energy services to the poor**
WBI Attracts Regional Health Specialists for Training on Better Management of the Sector

The World Bank Institute (WBI), in collaboration with the Global Fund for Acquired Immune Deficiency Syndrome (AIDS), Tuberculosis and Malaria (GFATM) and the World Health Organization, offered a 5-day course on “Managing Procurement and Logistics of HIV/AIDS Drugs and Related Supplies.” June 26-July 1, 2005. The course was attended by participants from six Middle East countries - Egypt, Iran, Jordan, Lebanon, Morocco, and Yemen. The activity primarily sought to enable participants to have a better understanding of the various themes surrounding the procurement and supplies of HIV/AIDS drugs such as: (i) Intellectual Property Rights; (ii) Pharmaceutical Systems – Managing the Supply Side; (iii) Product Selection and Quantification; (iv) Quality Assurance; (v) Procurement; (vi) Financing and Pricing; and (vii) Priority Setting and Effectiveness. The workshop was described by the organizers as successful, allowing countries in the region to share their experiences and establish a network of professionals working in the health sector.

Separately, the WBI, in association with the American University of Beirut, delivered a two-week course on Quality and Public/Private Partnership for Health Services, June 20-July 1, 2005. The workshop was attended by 30 participants from Jordan, Egypt, Iran, Lebanon, Saudi Arabia, and Yemen. The main objectives of the course were to enable participants to: (i) Understand the meaning and value of quality; (ii) Distinguish between different types of incentives for quality improvement and understand the existing limitations of each; (iii) Use analytical techniques and evaluation for quality improvement; (iv) Identify the most relevant private sector actors for achieving specific goals in their country context; (v) Identify key capacities for public officials and agencies needed to implement strategies to engage the private sector; and (vi) Outline the key information required to assess current private sector activities. Participants benefited from the expertise of local and international consultants who attended the event.

Library for the Blind in South Lebanon

On September 8, 2005, the South Lebanese Society for the Blind (SLSB) opened a library for the Blind in Nabatiyeh, South Lebanon.

The opening of the library is the first phase of a project implemented by the SLSB with funding from the World Bank Small Grants Program 2005. The library is equipped with special Braille books, talking computers and internet access within the SLSB’s Center in Nabatiyeh. The Project’s aim is to facilitate the engagement of the blind and visually impaired, currently marginalized due to the lack of appropriate means and tools, in various civic society and development activities. The Project will provide 20 blind and visually-impaired persons with training on the use of library resources and receiving, hearing and/or reading material and information from Lebanese, as well as international resources on civic education and development and its dissemination to the rest of the visually impaired.

For more information on the project, please contact Zeina el Khalil, Public Information Associate, zelkhalil@worldbank.org
World Development Report 2006: Equity and Development (ISBN 0-8213-6249-6 SKU: 16249) The World Development Report (WDR) 2006 explores the role of equity in development. Inequalities in incomes, in health and in educational outcomes have long been a stark fact of life in many developing countries. When such inequalities in outcomes arise from unequal opportunities, there are both intrinsic and instrumental grounds for concern. Because inequalities in opportunities are often accompanied by profound differences in influence, power, and social status, whether at the level of individuals or groups, they have a tendency to persist. Inequity is inimical to long term development, and needs to be addressed by domestic and international policies and institutions.

The WDR 2006 describes current levels of, and recent trends in, inequalities along some key dimensions, both within and across countries. The Report discusses whether such inequalities matter and, if so, how it may be possible to reduce them in ways which, rather than harming economic efficiency and growth, may indeed help promote them. It also explores the role of domestic policies and international forces, and the potential for international action to reduce inequalities.

The Report complements both the WDR 2004, Making Services Work for the Poor, which focused on service delivery to the poor, and the WDR 2005, A Better Investment Climate for Everyone, which focuses on improving the investment climate – and thus the potential for economic growth – across the developing world.

Doing Business in 2006: Creating Jobs (ISBN: 0-8213-5749-2 SKU: 15749) Doing Business in 2006 is the third in a series of annual reports investigating regulations that ease doing business and those that constrain it. This edition focuses on job creation. New quantitative indicators on business regulations and their enforcement can be compared across 150 countries - from Albania to Zimbabwe - and over time. Doing Business in 2006 updates the indicators presented in previous reports: starting a business, hiring and firing workers, getting credit, protecting investors, enforcing contracts, and closing a business. Three new sets of measures are added: paying taxes, getting licenses, and trading across borders. The indicators are used to analyze economic and social outcomes, such as productivity, investment, informality, corruption, unemployment and poverty, and identify what reforms have worked, where and why.

Global Monitoring Report 2005: Millennium Development Goals: From Consensus to Momentum (ISBN: 0-8213-6077-9 SKU: 16077). The year 2005 marks an important juncture for development as the international community takes stock of implementation of the Millennium Declaration—signed by 189 countries in the year 2000—and discusses how progress towards the Millennium Development Goals (MDGs) can be accelerated. The MDGs set clear goals for reducing poverty and human deprivation, and for promoting sustainable development. What progress has been made toward these goals, and what should be done to accelerate it? What are the responsibilities of developing countries, developed countries, and international financial institutions? Global Monitoring Report 2005 addresses these questions.

Pensions in the Middle East and North Africa: Time for Change (ISBN: 0-8213-6185-6 SKU: 16185). This is the first comprehensive assessment of pension systems in the Middle East and North Africa. While other regions—Central Asia, Eastern Europe, and Latin America, in particular—have been actively introducing reforms to their pension systems, Middle East and North African countries have lagged behind. This is explained, in part, by the common belief that, because demographics remain favorable—the countries are young and the labor force is expanding rapidly—financial problems are far in the future; as a result, pension reform does not have to be a priority in the broader policy agenda.

However, aging is not the only factor behind a financial crisis; the problem is the generosity of the current schemes. Moreover, badly designed benefit formulas and eligibility conditions introduce unnecessary economic distortions and make the systems vulnerable to adverse distributional transfers.

Remittances: Development Impact and Future Prospects (ISBN: 0-8213-5794-8 SKU: 15794) New research shows the astonishing scope of remittances, with formally documented flows now estimated at US$90 billion for 2003. Globally, remittances now constitute the largest source of financial flows to developing countries after Foreign Direct Investment (FDI), and indeed, in many countries they now exceed FDI flows.
Remittances explores policy options for enhancing the poverty alleviation impact of remittance money in recipient countries, and addresses concerns about increasing migration and inequality. It looks at new technologies that allow remittance service providers to reduce direct transaction costs and open new channels, enhancing convenience for remitters and improving levels of transparency and accountability for regulators and policy makers.

Importantly, it also establishes a baseline for further research and collaborative effort, showing the areas where the international financial institutions, particularly the World Bank, can add value to enhance the positive impact of remittance flows and minimize less welcome effects.

Edited by Samuel Munzele Maimbo, who has already published authoritative articles on this subject, and Dilip Ratha, who first revealed the global significance of remittances, this book is intended for remittance service providers, as well as policy makers and researchers interested in financial sector, migration and development issues.

Fiscal Sustainability in Theory and Practice: A Handbook (ISBN 0-8213-5874-X). Fiscal Sustainability analysis is the use of a simple set of tools to analyze a government’s budget and its debt position, and leads to conclusions - given the government’s debt level - about the appropriateness of fiscal policy. Many economists are familiar with fiscal sustainability analysis, but there is no single reference work that explains it. Fiscal Sustainability in Theory and Practice fills this gap.

The handbook is organized around three themes: (i) basic theory and tools for everyday use, (ii) the effects of business cycles on public finance and the role of fiscal rules, and (iii) crises and their impact on fiscal sustainability. The first theme is central to the handbook’s purpose of bringing the basic theoretical literature together, along with a set of examples used to illustrate particular methods of analysis. The second and third themes develop the topic of fiscal sustainability further, by extending it to topics at the forefront of policy debates in the recent past.

Aimed at economists previously unfamiliar with fiscal sustainability analysis, this handbook will also serve as a useful reference work for all economists with either an advanced undergraduate or basic graduate level of training.

Reaching the Poor with Health, Nutrition, and Population Services: What Works, What Doesn’t, and Why (ISBN 0-8213-5961-4). This volume presents eleven case studies that document how well or poorly health, nutrition, and population programs have reached disadvantaged groups in the countries of Africa, Asia, and Latin America where they were undertaken. The studies were commissioned by the Reaching the Poor Program, undertaken by the World Bank in cooperation with the Bill and Melinda Gates Foundation and the Dutch and Swedish Governments, in an effort to find better ways of ensuring that health, nutrition, and population programs benefit the neediest. These case studies, reinforced by other material gathered by the Reaching the Poor Program, indicate clearly that health programs do not have to be inequitable. Although most health, nutrition, and population services achieve much lower coverage among disadvantaged groups than among the better-off, many significant and instructive exceptions exist. These show that the poor can be reached much more effectively than at present and point to potentially promising strategies for doing so.

Public Services Delivery (ISBN: 0-8213-6140-6 SKU: 16140) The globalization of information—satellite TV, internet, phone and fax—serve to enhance citizens’ awareness of their rights, obligations, options and alternatives and strengthens demands for greater accountability from the public sector. However, the power of accountability is significantly reduced if citizens are unable to measure their government’s performance in a meaningful way, which is precisely the topic of this timely book. The abstract concept of “government performance” can only be an effective tool in public debate when there are concrete statistics measuring performance and benchmarks against which current indicators can be compared.

Public Services Delivery offers a comprehensive view of government performance measurement. The first part examines systems or frameworks for measuring the performance of government at the national level and at local levels of government. The second part of the book focuses on particular sectors that form the core of essential government services: health, education, welfare, waste disposal, and infrastructure.

This book provides powerful tools to: i) development practitioners to evaluate projects, ii) to policymakers to reform their government’s policies, and iii) to public interest groups that wish to pressure their government for improvements in government services.

The Market for Aid (ISBN: 0-8213-6228-3 SKU: 16228). In an accessible style, Michael Klein and Tim Harford analyze some of the hot topics in the aid
industry today. They argue that the aid industry is changing, old models of aid are under pressure, and both donors and recipients will ask more and more of aid agencies in the future. The chaos of competition and the search for new ideas are frightening to some, and risk harming the people whom the industry is supposed to benefit. Yet at the same time, there is a tremendous opportunity for harnessing competition to improve performance and find better ways of helping the poor. Klein and Harford argue for rigorous methods of evaluation and creative use of the private sector to produce a more effective aid industry in which new experiments are encouraged.

**Getting to Know the World Bank: A Guide for Young People** *(ISBN: 0-8213-5914-2 SKU: 15914)*. As a knowledge bank, the World Bank produces a wide and varied range of information tools, from project documents, country assistance strategies, and development reports to monographs, electronic databases, and web sites. Generally, these products cater to the needs of its international partners and stakeholders, such as other multilateral organizations, governments, and civil society to name a few. However, a basic guide to the World Bank for young people cannot be found.

Getting to Know the World Bank serves as an excellent starting point for young readers who want to learn more about the World Bank. A general, accessible introduction to the World Bank, this guide provides an overview of the Bank’s history, organization, mission, and purpose. It is a good reference tool for young people interested in understanding what the Bank does and how it operates. The guide features graphics and sidebar Q & As on a wide range of topics, such as HIV/AIDS, education, and conflict prevention. It addresses such questions as: Why was the Bank founded? Where does it get its money? What are Millennium Development Goals? And what’s the difference between the Bank and the IMF?

**Also available:**

- *Gender and Development in the Middle East and North Africa: Women in the Public Sphere* *(ISBN: 0-8213-5676-3 SKU: 15676)*.