THE REPUBLIC OF LEBANON

The World Bank Group

SECOND QUARTER 2004

A Quarterly Publication of the Lebanon Country Office

37122

Lebanon Quarterly Update

In this edition

Page

Editorial: Visible Commitment and Urgent Action are needed for the Economy 3

- Energy in Lebanon and the Role of the World Bank 4
- Recent Economic Developments 7
- Bank Group Operations 12
- Exchange Innovative Ideas at the Country Development Marketplace 14
- Measurement of Poverty: The International Experience and Lebanon - A Poverty Alleviation Workshop 15
- News, Recent and Upcoming Activities 17
- Recent World Bank Publications 18

World Bank Contacts – Washington

Joseph Saba, Country Director
Tel. (202) 473-2992 - Fax (202) 477-1482
E-mail: jsaba@worldbank.org

Osman Ahmed, Lead Country Officer
Tel. (202) 473-7063 - Fax (202) 477-1482
E-mail: oahmed@worldbank.org

Carlos Silva-Jauregui, Senior Economist
Tel. (202) 473-1859 - Fax (202) 477-0432
E-mail: csilvajauregui@worldbank.org

Shaha Riza, Acting Manager
External Relations and Outreach
Tel. (202) 458 1592 - Fax (202) 522 0006
Email: Sriza@worldbank.org

Sophie Warlop, Operations Analyst
Tel. (202) 473-7255 - Fax. (202) 477-1482
E-mail: swarlop@worldbank.org

Sabah Moussa, Executive Assistant
Tel. (202) 473-9019 - Fax (202) 477-1482
E-mail: smoussa@worldbank.org

Sereen Juma, Communications Officer
Tel. (202) 473-7199 - Fax (202) 522-0003
E-mail: sjuma@worldbank.org

World Bank Address:
1818 H Street, NW
Washington, DC 20433

www.worldbank.org

To Order World Bank Publications:
http://publications.worldbank.org/ecommerce

For Information on World Bank Programs in Lebanon:
www.worldbank.org/mna/lebanon

World Bank Contacts – Beirut

Omar Razzaz, Country Manager
Tel. Ext. 228
E-mail: orazzaz@worldbank.org

Bassam Ramadan, Lead Operations Officer, Human Development
Tel. Ext. 226
E-mail: bramadan@worldbank.org

Haneen Sayed, Lead Operations Officer, Human Development
Tel. Ext. 229
E-mail: hsayed@worldbank.org

Sebastien Dessus, Senior Economist
Tel. Ext. 225
E-mail: sdessus@worldbank.org

Robert Bou Jaoude, Senior Financial Management Specialist
Tel. Ext. 230
E-mail: rboujaoude@worldbank.org

Imad Saleh, Senior Procurement Specialist
Tel. Ext. 224
E-mail: isaleh@worldbank.org

Mona Ziade, Communications Officer
Tel. Ext. 239
Email: mziade@worldbank.org

Chadi Bou Habib, Economist
Tel. Ext: 233
Email: cbouhabib@worldbank.org

Hadia Samaha Karam, Operations Officer
Tel. Ext. 241
E-mail: hsamaha@worldbank.org

Mouna Couzi, Program Assistant
Tel. Ext. 231
E-mail: mcouzi@worldbank.org

Zeina El Khalil, Program Assistant
Tel. Ext. 234
E-mail: zelkhalil@worldbank.org

The World Bank Office in Beirut
United Nations House, Sixth Floor
Riad El Solh 1107-2270
P. O. Box: 11-8577
Beirut – Lebanon

Tel. (961-1) 987-800
Fax (961-1) 986-800
www.worldbank.org.lb

Editorial Team:

Anna Bjerde
Chadi Bou Habib
Sebastien Dessus
Zeina El Khalil
Omar Razzaz
Joseph Saba
Thirumalai Srinivasan
Paolo Zacchia
Mona Ziade

With special thanks to Mary Saba

EDITORIAL

VISIBLE COMMITMENT AND URGENT ACTION ARE NEEDED FOR THE ECONOMY

The challenges that any Government faces in the current political context are: i) a more complex international environment; and ii) a population, which continues to be skeptical of any government's ability to carry out needed social and economic reforms.

To instill the confidence needed to go forward and overcome these challenges, Lebanon's governing institutions (legislative, executive, and judicial) should commit to a comprehensive reform agenda. The agenda should be time-bound with an agreed direction expressed in advance by the relevant parties to make sure that the non-action which has characterized the last two years does not persist. As the scope left by Paris-II narrows the Government will not be able to tackle all pending policy reforms at once. But, certain actions early on in the life of the next Government (say the first 100 days) would send a very clear signal of the Government's intentions, and either pump a new sense of optimism or contribute to a state of social and economic malaise, in a tense international context. As far as economic development and poverty alleviation are concerned, five policy areas will require clear signals and immediate actions: governance, macro economy, poverty, privatization, and business environment.

Visible commitment to freedoms, transparency, and accountability. One of Lebanon's unique trademarks in the region has been its relative good record in terms of respect for freedoms (*see article on "Governance" in our Update - Fourth Quarter 2003*). The next Government will have to take upon itself not to dispel this important capital, and to commit itself to safeguarding, and even extending, freedoms in the country. Transparency and accountability, on the other hand, have not been the country's strength, and have contributed to strong perceptions among the public of mismanagement of public funds and widespread corruption. The Government needs to move aggressively towards more transparency and accountability in public decision-making and appointments. This would send a clear and positive signal to the public that the general economic interest is being pursued, with a potentially large, positive impact on private sector development. One area for quick

tangible reform on transparency and accountability is procurement for which a draft law currently awaits review and approval.

Dealing with Lebanon's macro-economic imbalances. There are no quick solutions here. But in the short term, the gains of the past few years need to be protected and consolidated, namely, improved fiscal conditions due to higher revenues and lower expenditures in the form of lower debt service and a containment of non-debt outlays. Whether or not Lebanon is able to re-establish its cooling relations with some of its key economic supporters, it will be well advised to look at homegrown solutions. A national dialogue has to be launched immediately on a social/economic recovery plan to drastically reduce the debt; distribute the burden of the economic adjustment fairly among the population; and put the country back on a sustainable path towards growth (*see "Recent Economic Developments" section of this issue*).

Social spending versus poverty alleviation. Social spending does not amount to poverty alleviation. Understandably, the past ten years have perhaps necessitated patterns of social spending, which aimed to maintain internal peace, rather than target poverty per se. But Lebanon should wean itself off such patterns of broad/untargeted social spending as it can no longer afford it. This is especially true at a time when abject poverty (estimated to be 5 to 10 percent of the Lebanese population) is still to be addressed in a systematic way, and social programs, such as social security, are in desperate need to be restructured (*see "Proceedings of the Workshop on Poverty" in this issue*).

Privatization and the urgent case of the power sector. Privatization is not an end in itself, but a means to achieving an end. The end should not be to get cash to reduce the debt, but more importantly, to develop the market structure to spur economic growth. The most

pressing case is perhaps that of the power sector. The desired end should be clear: to stop the financial bleeding, reduce the cost to consumers, and improve the service. The country is losing over US$1 million per day (excluding interest on debt) to this sector and no restructuring plan is yet in sight. While full-fledged privatization is not an immediate option, measures can be taken to reduce the loss and begin restructuring the sector (*see article on the "Energy Sector" in this issue*).

Monopolies and oligopolies. About half of all Lebanese markets in agriculture, manufacturing, and services are considered oligopolistic or monopolistic; and a third of them have a dominant firm with a market share of about 40 percent. The reasons for high concentration (and hence, little internal competition) are of different natures, but always relate in one-way or another to barriers to entry and operation, most of which are regulatory in nature. Cutting down monopolistic profits, while reducing administrative obstacles for small and medium firms, will reduce the pressure on consumers and make producers and exporters more competitive (*see "Recent Economic Developments" section in this issue*). Telecom, fuel oil, LPG, pharmaceuticals, and others would all deserve focused strategies and action plans to bring their prices more in line with international rates.

With the formation of the next Government, the World Bank, along with other donors and international agencies, will be ready and available to assist Lebanon in its efforts to overcome physical, economic, and social legacies of the war and to occupy its prominent place in the region and the world.

ENERGY IN LEBANON AND THE ROLE OF THE WORLD BANK

By Anna Bjerde
Senior Infrastructure Specialist

Introduction

The Republic of Lebanon has no proven fossil fuel resources, thus this lack of domestic energy sources and an increase in the demand for energy are major contributors to Lebanon's chronic trade and current account deficits. In 2002, Lebanon's trade deficit accounted for more than US$5.3 billion, or about 30 percent of the annual Gross Domestic Product (GDP) and the country's Public Debt stood at US$29.5 billion, equivalent to 170 percent of GDP.[1] Also in 2002, the oil import bill reached about US$720 million, which was nearly 60 percent of the country's revenues from tourism and exports of merchandise.. Electricité du Liban (EDL), the national power utility, is incurring annual operating losses estimated at US$400 million, financed by Treasury.

EDL's high reliance on imported oil and the lack of cash generation are very closely linked. With oil prices at an all time high, and given Lebanon's already high retail tariffs (see Figure 1), the Government is rightly concerned. To address the ailing financial position of the power sector and improve the country's public finances, the Government has decided to introduce natural gas to the Lebanese energy market, initially targeting the segment of power generation. An increased usage of natural gas and subsequent substitution of the relatively more expensive fuel and gas oil is expected to have a positive impact on Lebanon's foreign exchange position, trade balance and the financial viability of the power sector. The introduction of natural gas will also have positive effects on the environment, and promote increased competition among various sources of energy for commercial and domestic usage. However, the critical factor for successful introduction of gas will be a turnaround of the extremely fragile power sector, given that natural gas consumption will be anchored in the power sector.

[1] Ministry of Finance. *Public Finance Prospects 2002—Ministry of Finance Yearly Report (January–December 2002)*. Obtained at http://www.finance.gov.lb in October 2003.

Figure 1. Electricity Tariffs in the Middle East and North Africa Region (US cents per kWh)

Country	Industry	Household	*(Household as % of Industry)*
Algeria	3.84	1.72	(-55%)
Egypt	2.80	2.50	(-11%)
Iran	1.80	0.70	(-61%)
Jordan	6.0	5.90	(-2%)
Lebanon	12.0	7.20	(-40%)
Morocco	6.92	9.53	(+38%)
Oman	4.90	5.20	(+6%)
Saudi Arabia	3.10	1.30	(-58%)
Syria	2.00	2.00	(-)
Tunisia	4.61	6.47	(+40%)
WBG	15.00	15.00	(-)
Yemen	8.90	6.00	(-33%)

Data: IEA 2002, WB 2003

The Lebanese Power Sector

The power sector in Lebanon is dominated by EDL, which is organized under the Ministry of Energy and Water (MEW). EDL's assets, human resources and administrative facilities were severely damaged during the civil war in Lebanon, and most efforts in the post-war period concentrated on the rehabilitation of assets, with a lesser focus on strengthening the company from an institutional, administrative and financial perspective. As a result, the company is characterized by a lack of technical and managerial capacity, inefficient systems to manage and monitor performance and severely depleted finances. Retained losses now exceed US$1 billion. At the operational level, losses, primarily non-technical (i.e., theft), are approaching 45 percent (see Figure 2 for a comparison with the rest of the region) and continued transmission constraints and unreliable service have resulted in a surge in self-generation. Attempts to privatize EDL have been undermined by the lack of financial performance required to attract private investors and the absence of political consensus on a privatization framework. The fiscal drain EDL poses has reached critical dimensions and options to improve the performance of the company, and the sector in general, are desperately needed. Fuel switching to natural gas, while an important measure, will not alone solve the financial crisis of the sector.

Figure 2. Transmission and Distribution Losses in the Middle East and North Africa Region

Data: IEA 2002, WB 2003

The World Bank's Recommendations for Introducing Natural Gas to Achieve Sustainability

Between June 2003 and June 2004, the World Bank worked closely with officials from the Ministry of Energy and Water and EDL to formulate a plan for the introduction of natural gas (Hydrocarbon Strategy Study, 2004; Report No. 29579-LE) to Lebanon. The plan formulates a comprehensive strategy to introduce natural gas to meet the Government of Lebanon's goals of reduced power production costs; cleaner energy for the environment; and a more efficient and economic way to market hydrocarbon products. The main findings and conclusions of the Study are:

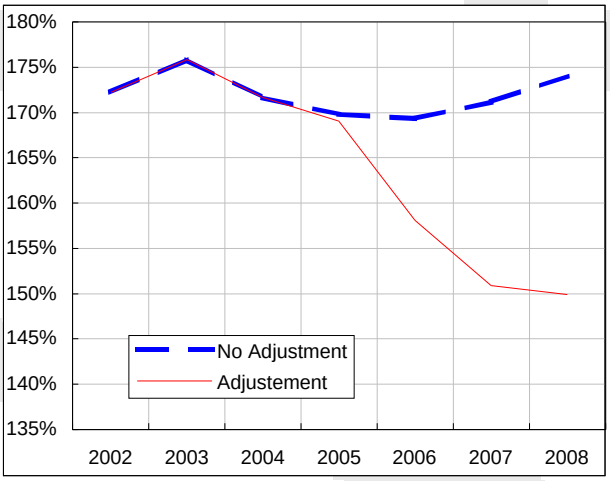
- The introduction of natural gas to Lebanon will be very beneficial, contributing to an improvement in the financial position of the power sector through reduction of power generation costs (estimated to be between US$140 million and US$300 million per year); avoidance of damage costs to the environment and public health sector of at least US$740 million over a 15-year period; and an improvement of security in the energy supply due to fuel-mix diversification..
- However, the introduction of natural gas will require significant development in infrastructure. With the deteriorating financial and operational performance of the power sector, there is a significant risk that: (i) the natural gas sold to the power sector will not be paid for; and (ii) the investment required to build the natural gas transport infrastructure will not be forthcoming due to creditworthiness risks associated with the power sector, the main consumer of the natural gas. Therefore, immediate restructuring of EDL, through an interim management contract, is recommended in parallel with the formulation of a long-term sector strategy aimed at increased private sector participation and efficient competition.
- Since Lebanon is strategically located in a gas-rich region and surrounded by several supply options, including: piped gas, LNG and potentially, even its own offshore resources, the Study recommends a phased approach to infrastructure development in line with natural gas sources becoming available, and an increase in demand for natural gas to avoid over-investment. In particular, the Study recommends that natural gas volumes (under the existing contract with Syria) be optimized and used in power plants, where savings potential is the greatest.
- However, as the natural gas volumes from Syria are limited, Lebanon will, in the not too distant future, be faced with multiple sources of natural gas, thus giving rise to competition. Likewise, a competitive market will likely develop in the import, shipping and supply of natural gas. To achieve efficient competition, a market structure based on the following three policy and regulatory principles is recommended: (i) unbundling of monopoly transportation activities from competitive import, shipping and supply businesses through - at a minimum - separate accounts; (ii) separating commodity gas contracts from transportation contracts; and (iii) creating regulated third party access to the transportation network. A downstream gas law and subordinate legislation and a regulatory agency should legally enforce this market, which could be a joint gas and electricity regulator.

The World Bank is committed to assist the Government of Lebanon develop a power sector framework which will allow the power sector to improve its performance and play the critical role needed in order to achieve economic growth and poverty alleviation.

ECONOMIC DEVELOPMENTS IN THE SECOND QUARTER OF 2004

Fiscal and debt conditions improved at a faster pace than initially expected during the first six months of the year 2004, as a result of accelerated economic activity. Tax collection was favored by greater economic activity - booming trade with Iraq and increased tourism and construction activities - compared to the first half of 2003, a period during which these growth catalysts were depressed by the war in Iraq. The negative impact of oil price surge on domestic activity seems to be offset by greater capital inflows from Gulf countries (remittances, tourism, portfolio and direct investments). In terms of expenditure, Lebanon continued to exert a containment of non-debt expenditures and to benefit from the mechanical effect of the Paris II financial package on the debt service. As a result, the debt to GDP ratio could thus decrease by 4 percentage points. The primary surplus could itself grow by approximately one percentage point, up to 4.3 percent of the GDP, which should accordingly lessen the sensitivity of fiscal accounts to interest rates fluctuations.

Figure 1. Debt to GDP Ratio Under Different Scenarios



Source: World Bank Staff calculations.

Though obviously welcome, this acceleration in economic activity will, nevertheless, be insufficient to decisively put the debt to GDP ratio on a steep declining slope. Most of the financial benefits of the Paris II package will expire after 2005 (soft loans from commercial banks in particular) and the external environment might not always be as favorable to Lebanon as it is today – particularly with regard to nominal interest rates. While the risk of a financial contingency is limited in the short run – as most of the foreign currency denominated-debt maturing in 2004-2005 has already been rolled over, Lebanon has not yet emerged from its macro-imbalances and will remain vulnerable to a sudden reversal in confidence until it manages to restore full credibility through sound fiscal consolidation.

Additional fiscal reforms are needed to push the debt ratio on a steep declining slope and restore a macroeconomic environment more conducive to growth. Lebanese authorities are fully cognizant of the need to reduce fiscal imbalances and have already undertaken major efforts in this regard, mainly through increased tax collection, debt restructuring, and the adoption of privatization laws. Nonetheless, debt sustainability analyses suggest that privatizations and tighter debt management will not suffice to place the debt to GDP ratio on a steep declining curve, unless accompanied with much higher primary surplus than what is forecast for 2004. Furthermore, raising taxes and reducing public expenditures are obviously costly for the society. As such, support for economic reform can only be gained if: (i) the risks of non-action are clearly spelled out and understood; and (ii) the burden of the adjustment equally shared across the population. Beyond technical solutions or the recourse to the international community for additional financial assistance, Lebanon will fix its imbalances through greater consensus on the pace and design of fiscal reforms.

REAL SECTOR DEVELOPMENTS

The regrettable absence of updated economic statistics precludes the rigorous monitoring of economic activity. National accounts are missing, and there is no up-to-date information on households' living conditions and unemployment, which makes any policy step speculative. The World Bank is encouraged by recent efforts by the Government to develop quantitative information, notably regarding national accounts and households' living conditions. The Government's efforts should be sustained to make permanent the production and dissemination of reliable statistics in these fields, as a critical element for sound governance.

Indirect indicators point to a significant acceleration of economic activity in the first six months of 2004 compared with the same period in 2003. The International Monetary Fund estimates that real GDP could grow by 5 percent in 2004 (against 3 percent in 2003), while Audi Bank estimates that it could grow by 3 percent. While most indirect indicators registered higher growth rates between the First Half of 2003 and the First Half of 2004, it is believed that this is largely due to the fact that the First Half of 2003 was a period of particularly

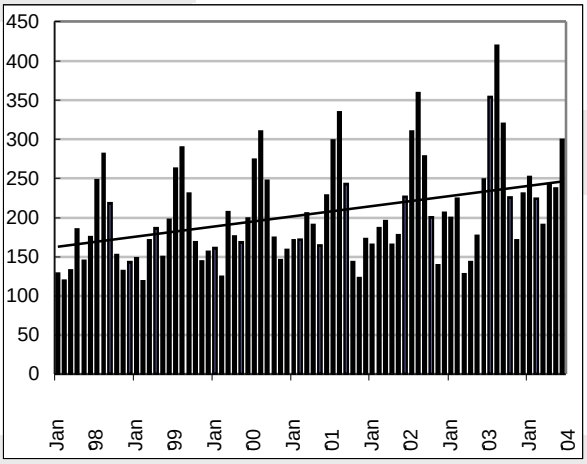
depressed activity because of the war in Iraq. Indeed, most of the current growth catalysts are sensitive to the regional environment: tourism, workers' remittances, export to Iraq, and construction financed by the Gulf countries' capital.

One of the most reliable indicators of economic activity and transactions is the evolution of compensated checks, which grew by 5.5 percent in real terms (7.5 percent in nominal terms) in the first six months of 2004 compared with the first six months of 2003. Cement deliveries, +9.6 percent, construction permits in Beirut and Mount-Lebanon, +6.6 percent, airport passengers, +28.9 percent and tourists' numbers, +35 percent, suggest a rise in construction and tourism activities. Another service sector seems to have benefited tremendously from recent regional developments, foreign trade, with imports and exports (including transit trade and re-exports) growing by 34 percent over the period. The industry, on the other hand, seems to be lagging behind, as the demand for electricity grew much less rapidly.

Imports of merchandises grew by 31 percent in nominal terms, and could mirror a significant increase in overall private absorption (under the assumption that the domestic demand for Lebanese goods grew in similar proportions or the like). On the other hand, the relative stagnation of the Consumer Price Index (CPI) mitigates the view that domestic absorption could have skyrocketed. According to the Consultation and Research Institute, the CPI grew by 2.3 percent in 2004 compared with 1.4 percent in 2003 during the first six months of the year, and as such does not suggest that the output gap significantly narrowed during this period. A careful examination of imports suggests that – once accounted for exchange rate fluctuations, the depreciation of the United States Dollar (US$), in particular vis-à-vis major other currencies, imported inflation and clearly identifiable re-exports – import volumes actually grew by 19 percent between the first six months of 2003 and the first six months of 2004. Oil and oil derivatives import volumes grew 40 percent, while other products (mostly manufactured goods) approximately grew by 15 percent. Audi Bank estimates that private absorption could have grown by 17 percent over the period in real terms.

Private absorption and exports became the main drivers of growth between 2003 and 2004. Seemingly, GDP growth was driven in the First Half of 2004 by exports of goods (some of which are re-exports) and services (tourism in particular), investment (construction) and private consumption (encouraged by tourists' expenditures), of domestic goods in some measure – although the share remains unknown. On the other hand, non-debt government spending was – unlike recent years – somewhat contained (+3 percent in nominal terms in the first six months of 2004). Some of these trends have now been sustained for several years, and could continue to represent major sources of growth in the foreseeable future should the regional situation stabilize. In particular, tourism activity seems to be very promising, with an annual growth rate in the number of tourists to approximately 6-7 percent a year since 1998, with a strong acceleration over the last two summers. Lebanon seems to have regained part of its market shares and reputation enjoyed before the war, in particular vis-à-vis neighboring Arab tourists, which constitute the bulk of newcomers.

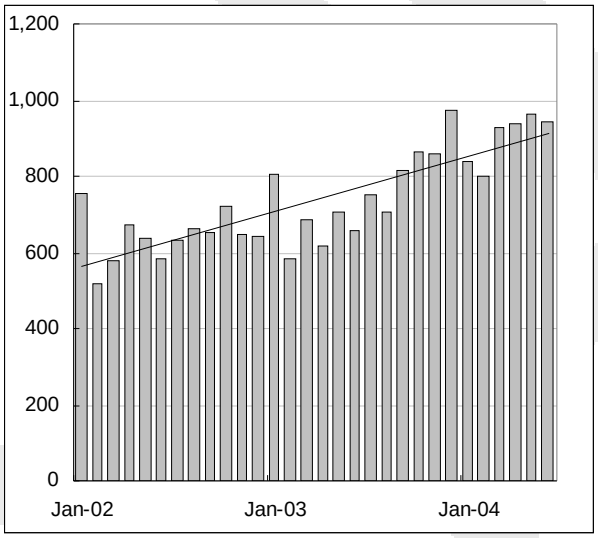
Figure 2. Passengers at Beirut International Airport



Source: Banque du Liban.

Trade activity has also been on the rise for a couple of years now – since 2002 in particular, with an average annual growth rate of approximately 15 percent (that is, much more rapidly than GDP), and could indicate that Lebanon also regained some market shares as a regional trade center. The increase in exports, of jewelry to Europe (+38 percent since 2002), and to Iraq (multiplied by eight compared with 2003, and mostly constituted in intermediate inputs and equipments), largely contributed to such a growth. The surge in re-exports and transit trade over the last year confirms this trend, with growth rates respectively at 73 percent and 256 percent in the first six months of 2004 compared with the first six months of 2003. The extent to which these growth rates could be maintained in the near future remains to be seen. The deceleration of export growth to Europe could suggest that it was mainly driven by the depreciation of the Lebanese Pound vis-à-vis the Euro over the years 2002-2003. Future exports to Iraq will obviously depend, for the most part, on the stabilization of the political situation.

Figure 3. Foreign Trade, Imports, Exports, Re - Exports, Transit (US$ million)



Source: General Directorate of Customs

The last component of GDP - investment - seems to also be on the rise, but such a trend still needs to be confirmed. Beyond construction, which might be biased towards residential investments, the growth of imported industrial equipments, +46 percent over the first six months of 2004 suggests a significant increase in productive capacities (although part of it could have been re-exported). Public investment could also grow by 7 percent in 2004, according to the International Monetary Fund. A continuous decline in lending rates could further encourage investment. Indeed, the unabated high demand for subsidized loans (Kafalat) indicates that investment projects could develop more rapidly with lower borrowing costs. But, structural reforms to enhance domestic competition could also exert a great leverage on domestic and foreign direct investment by reducing barriers to entry in some key sectors (see box on domestic competition).

Fiscal Accounts

Public finance improved significantly in 2004. Total deficit decreased to 26 percent of total payments from 39 percent in the first six months of 2003. Primary surplus increased to 15 percent of expenditures against 7 percent a year earlier. As a ratio of GDP, and if recent trends are confirmed, primary surplus could reach 4.3 percent of GDP at year-end, against 3.3 percent in 2003. We estimate the primary surplus requested for the stabilization of the debt ratio at 2.1 percent of GDP.

Public revenues increase rapidly, in absolute terms and as a proportion of GDP. Revenues increased by 16 percent in 2004, and by 19 percent on annual basis since 2001. Yearly nominal GDP growth over the same period did not exceed 5 percent. Therefore, the share of public revenues to GDP is estimated to have grown tremendously over the said period, from 17.6 percent in 2001 to 24.5 percent in 2004 - a seven-percentage points adjustment in four years. The main increases in revenues in 2004 were steered by VAT, telecom receipts, and tax on interest and customs, which together represent up to 96 percent of the total increase in budget revenues. VAT collection increased by 35 percent due to the lowering of the turnover level of exemption. The increase in VAT explains 42 percent of the total revenue increase. Telecom receipts have increased by 28 percent during the First Half of the year, which represents 28 percent of total increase in revenues. Finally, tax on interest contributed to 14 percent of the revenue increase, while customs revenues, which rose by 4 percent, contributed by 6 percent to the total increase in revenues.

Table 1. Fiscal Accounts

Figures in US$ million	2001	2002	2003	2004
Total receipts	**1,493**	**1,872**	**2,187**	**2,475**
Budget receipts	1,382	1,736	2,014	2,344
Tax revenues	949	1,316	1,473	1,734
VAT	0	236	402	542
Customs	489	504	505	526
Other tax revenues	459	576	565	667
Other	434	420	542	609
Treasury receipts	111	137	172	131
Total payments	**2,660**	**3,159**	**3,581**	**3,322**
Excluding debt service	1,020	1,049	1,197	1,320
Debt service	1,327	1,489	1,652	1,332
in LBP	1,116	1,094	1,082	782
in FX	211	395	570	550
Treasury payments	313	621	732	670
Surplus / Deficit	**-1,167**	**-1,287**	**-1,395**	**-847**

Source: Ministry of Finance.

Public expenditures decreased by 7.3 percent, the result of declining interest rates on debt service. The share of public expenditure (Budget plus Treasury, debt and non-debt expenditures) to GDP remains stable, around 34 percent since 2001. The recent drop in expenditures is mainly due to a substantial drop in debt service, which declined by 19 percent in the first six months of 2004 compared with the same period in 2003. Debt service is absorbing 54 percent of revenues, against 73 percent in 2003 and 93 percent in 2001, respectively. Primary expenditures slightly increased by 3.1 percent. The increase in primary expenditures is linked to the rise in capital expenditures, transfers to municipalities, to Social Security and to hospitals.

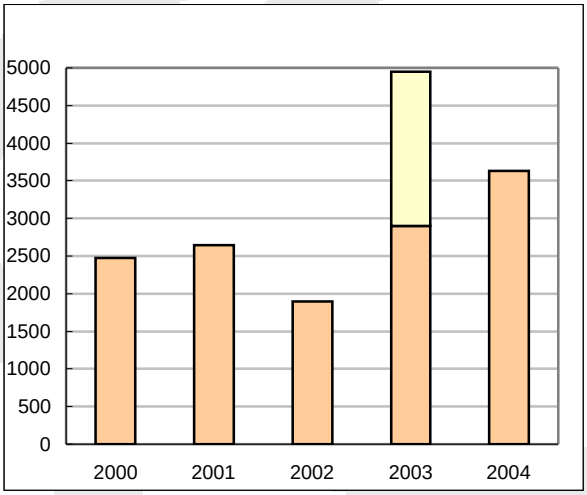
Public Debt continues to grow, but at a slower pace. The double impact of fiscal consolidation and Paris II financial engineering entailed a deceleration in Public Debt growth, which stood (in gross terms) at US$34.8 billion in June 2004, up from US$32.3 billion a year earlier. As GDP grows faster, the gross debt to GDP ratio could be lower by the end of 2004 than in 2003, at about 172 percent (against 178 percent). Weighted average life of the Lebanese Pound (LBP) reached 407 days against 393 days in June 2003. Average life of Eurobonds is 5.8 years. The share of Public Debt in LBP slightly increased to 53 percent in June 2004, from 51 percent a year earlier, due to the new issuance of LBP-denominated Treasury Bills subscribed by the commercial banks. The share of commercial banks in total debt is at present 47 percent, while the Central Bank's share is at least 20 percent. Other public institutions, such as Social Security and the Institute of Guarantee of Deposits, hold 4.5 percent of the debt, while the public bears 4.8 percent.

External Accounts

Net capital inflows decreased compared to the First Half of 2003. Cumulated net capital inflows in June 2004 reached US$3.6 billion, against US$5 billion in June 2003. However, if we exclude the US$2 billion Paris II inflows, net private capital inflows for the first six months of 2004 largely exceed that of the same period in 2003 - by US$733 million. The increase in tourists' arrivals largely contributed to the rise in capital inflows. Lebanon also benefited from the global rise in capital inflows to the region linked to the increase in oil prices.

Foreign assets of commercial banks and the Central Bank remained stable in the First Half of 2004. In cumulated terms (over the first six months of 2004), change in Lebanon's net foreign assets was limited to US$264 million. Gross reserves at the Central Bank remained stable at US$10.2 billion. This stability reflects two opposite trends: on the one hand, increased dollarization (see below) mechanically reduced the Central Bank's reserves. On the other hand, the emission of US$1.2 billion worth of Eurobonds in May, (temporarily) deposited by the Government at the Central Bank, and the creation of special deposits labeled in US$ (which attracted another US$1.2 billion from commercial banks) permitted to maintain gross reserves unchanged.

Figure 4. Cumulated Net Capital Inflows at Mid Year (US$ million)

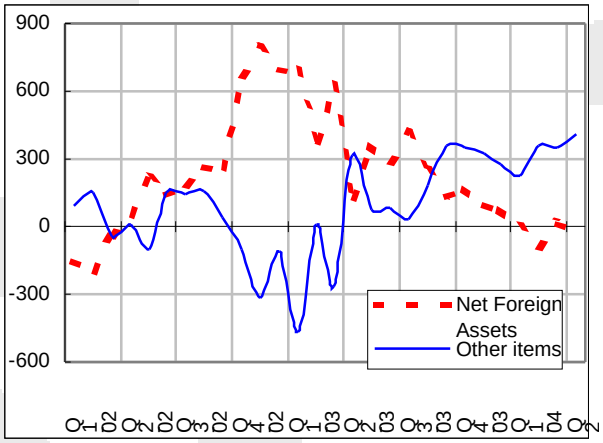


Source: World Bank Staff calculations.

Financial Markets Developments

Money growth continued unabated in the First Half of 2004, but at a slower pace. Money supply growth remains critical to finance Government deficit. Money supply increased by 4.4 percent since end-December 2003, that is one percentage point below the increase between end-2002 and June 2003. Growth in money supply was driven by the increase in domestic credits, especially to the public sector, while net foreign assets remained stable at their level of end-2003. Credits to the private sector increased by 1.3 percent since end-2003, and by 1.1 percent compared to June 2003.

Figure 5. Money Supply M3 (US$ million)



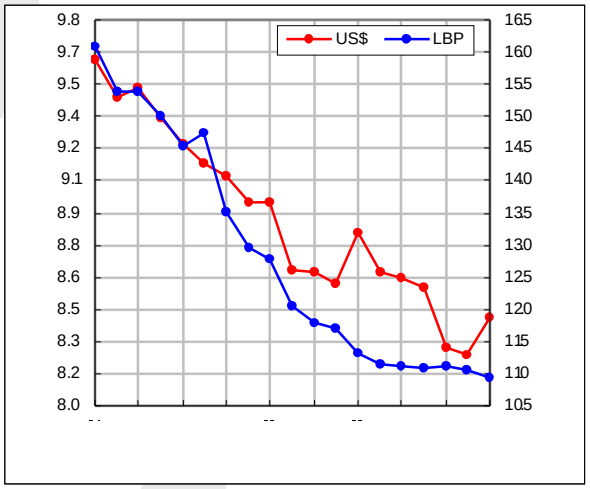
Source: World Bank Staff calculations.

The dollarization rate increased over the past six months, to reach 67.1 percent of commercial banks' deposits in June 2004 against 66.2 percent in December

2003. The recent drop in the spread between US$ and LBP remuneration on deposits might have contributed to this rebound. Average interest on US$ denominated loans to the private sector grew to 8.41 percent in June after a historical minimum of 8.24 percent reached in May, possibly the result of the recent rise in LIBOR. On the other hand, interest rates on LBP loans to the private sector continued to decrease, reaching lower than 11 percent in June (10.95 percent). Since December 2003, spread between lending rates and depositors rates increased in LBP and remained stable in US$. The decrease in the return on Government bonds probably pushed the banks to maintain the spread over their loans to the private sector (so as to maintain their profitability in the short run) – and, accordingly, lending to the private sector hardly increased in the first six months of 2004 (+ 1 percent compared with the same period in 2003). However, both the decrease in the spread: (i) between US$ and LBP depositors rates; and (ii) between US$ deposits in Lebanon and LIBOR, underline a decrease in risk to Lebanon as perceived by the market after Paris II.

Structure of assets confirms the growing exposure of the banking sector to the public sector. Deposits with the Central Bank account for 30 percent of the banks' assets, and loans to the Public Sector in LBP and foreign currencies absorb another 24 percent. Foreign assets of banks reached 17 percent of total assets in June 2004 compared to 15 percent a year earlier. Banks might be tempted in the near future to invest this poorly remunerated liquidity in government Eurobonds. Indeed, the Ministry of Finance has recently announced the swap of US$2.25 billion Eurobonds maturing in 2005 at the implicit rate of 7.76 percent for five years, and 8.36 percent for seven years.

Figure 6. Average Lending Rates



Source: Banque du Liban

Domestic Competition and Investments in Lebanon

A recent Study for the Lebanese Ministry of Economy and Trade* measured concentration indexes in agriculture, manufacturing and services, separating the economy into some three hundred and twenty homogenous markets (excluding non profit activities). The Study suggests high concentration indexes: about half the markets are considered oligopolistic to monopolistic, and a third have a dominant firm with market share above 40 percent.

The reasons for high concentration (hence, little internal competition) are for different reasons, but always relate in one way or another to the existence of barriers to entry and exit. Some of them are natural, in the presence of economies of scale for instance. Others are artificial, and stem from rules, regulations, and norms that practically restrict entry at least to some enterprises. In this regard, the Study lists outdated commercial laws, long delays in commercial dispute settlements, unfriendly business administrative regulations, corruption, or the existence of exclusive agencies as important artificial barriers to entry. However, the Study does not measure the contribution of these artificial barriers to the lack of competition.

Unpublished research from the World Bank and the Ministry of Economy and Trade** combined the findings of this Study with the most recent national accounts published in Lebanon. It suggests that the level of rents accruing from monopolistic practices exceed 15 percent of GDP. In turn, using a multi-sectoral simulation model, it examines the impact of halving, across the board, sectoral mark-ups currently permitted by the absence of competition. Preliminary results suggest that Lebanon would benefit tremendously from a domestic liberalization of its markets. The impact would be particularly pronounced on investment opportunities, which could grow 5 to 15 percent, depending on the response of foreign investments. Domestic liberalization would also allow reduction in the cost of several key industries - to the benefit of others, and would render the economy more competitive internationally. Part of the rents that currently accrue to foreign companies would also be eliminated, hence relaxing the balance of payments constraint. Finally, the analysis suggests that reducing domestic barriers to entry would be much less costly from a fiscal point of view than reducing import tariffs, with a view to enhance domestic competition.

Competition in the Lebanese Economy, A Background Report for a Competition Law for Lebanon, Consultation and Research Institute for the Ministry of Economy and Trade, May 2003, Beirut.
***** Lebanon – Between Market Liberalization and Fiscal Consolidation: A General Equilibrium Analysis with Imperfect Competition, Mimeo, S. Dessus and J. Ghaleb, World Bank, Washington D.C. and Ministry of Economy and Trade, Beirut.***

BANK GROUP OPERATIONS

IBRD Ongoing Projects

The current World Bank portfolio in Lebanon consists of nine Projects for a total commitment amount of US$387.82 million, of which US$119.84 million has been disbursed through June 30, 2004.

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.

National Roads Project (NRP). (US$42.0 million). The objective of this Project is to improve the capacity of the road administration to undertake the rehabilitation of the primary road network.

Agriculture Infrastructure Development Project (AIDP). (US$24.0 million). The Project's objectives are: (a) increasing farmers' incomes and conserving the environment through land terracing and development and storage of runoff water; (b) improving access to rural areas; and (c) upgrading institutional capabilities.

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 (MIP-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 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 Board of Directors approved the Project in June 2002.

Commitments and Disbursements as of June 30, 2004

Project Name	Approval Year	Loan Amount	Amount Disbursed
		US$ Million	
Revenue Enhancement and Fiscal Management Technical Assistance	1994	25.25	21.16
National Roads	1996	42.00	32.31
Agriculture Infrastructure Development	1996	24.00	18.69
Education Development	2000	56.57	3.39
Municipal Infrastructure – I	2000	80.00	38.72
Community Development	2001	20.00	1.4
Ba'albeck Water and Wastewater	2002	43.50	1.16
Urban Transport Development	2002	65.00	1.99
Cultural Heritage and Urban Development	2003	31.50	1.02
TOTAL		**387.82**	**119.84**

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.

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-Européene 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 lease 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 enterprises in the private sector, 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 stars "boutique" all suites hotel in an up-scale residential district of Beirut.

Exchange Innovative Ideas at The Lebanon Development Marketplace

The World Bank will soon launch its first Development Marketplace (DM) competition in Lebanon, offering social entrepreneurs a unique opportunity to sell and attract seed funding for innovative, cutting-edge projects that could help reverse or, at the very least, curb the country's environmental degradation.

The Lebanon Development Marketplace (LDM) is an offshoot of the Development Marketplace, which the Bank created in 1998 as a global innovation competition. The larger event continues to be held every 18-24 months at the World Bank headquarters in Washington, DC, but its success over the years has encouraged country offices to hold local replicas, known Bank-wide as the Country Development Marketplace (CDM).

Just like its parent, the CDM is designed to include a competition and a knowledge forum. A public invitation to applicants, expected this Fall 2004 will mark the launch of the competition; and the knowledge forum, or Innovation Day, will spell its conclusion in the Spring of 2005.

§ How Does the CDM Differ from the Development Marketplace

The CDM differs from the global event, in that it is tailored to address country-specific issues and present opportunities for small, locally-based projects. It encourages the development community to work in new ways, drawing people and institutions with varied affiliations and objectives (NGOs, government agencies, donor agencies, academic institutions, and private sector companies) to work in partnerships.

Since its creation, the DM program has awarded US$22 million in seed capital for more than 370 projects in over 60 countries spanning Latin America, Eastern Europe, Asia, Sub-Saharan Africa and the Middle East and North Africa.

LDM will offer the country's copious entrepreneurs and social visionaries high exposure for promoting their ideas and attracting funding, not only from the World Bank, but also from other donor institutions.

§ The Theme and Community Ownership

The World Bank's Lebanon Country Office has chosen ***Environment Safeguards and Resource Management*** as the broad theme for the competition and the knowledge-sharing exercise. The Bank hopes to help raise awareness about this vital development component and expose the calamities that are touching every household, every individual, in Lebanon, where natural wealth is in serious jeopardy and, as a result, so is the health of the citizens.

The LDM not only offers a pragmatic alternative to promoting grass-roots development, but tests inclusive approaches where development is managed by the communities both at the design and implementation stages. Innovation, sustainability, potential impact, replicability and cost-effectiveness are the key criteria for assessing the winning projects, which could receive up to US$20,000 each.

The idea is quite simple and effective. Social entrepreneurs are invited to come up with viable project proposals that address environmental problems. The proposals are then entered into a competition. Winners are subsequently provided with the necessary funding to implement their projects through the World Bank and its partners.

The LDM will be a competitive process open to informal groups, local communities, national NGOs, private sector enterprises and academic institutions, be they private or public. Proposals would be invited from both urban and rural communities.

§ The Vetting Process

The LDM is committed to enforcing a transparent and competitive selection process. Competition will be promoted amongst the most remote and marginalized communities and civic groups. To ensure wide participation, all materials will be translated into Arabic, and efforts will be made by the Bank partners to solicit proposals by organizing

presentations and workshops, and using existing distribution lists and networks. A web page will promote competition and offer up-to-date information on progress. Furthermore, country level evaluators will be drawn from the technical expertise of well known NGOs and donor agencies with experience/interest in the environment.

Assessors will vet the applications, mostly from outside the Bank, such as fellow members of the Donor community, academia and the private sector, and NGOs. The finalists will then be invited to a daylong public display of their ideas and hosted to a public awards ceremony.

The first and second selection stages will comprise an in-country evaluation based on proposed outlines. The brief proposals will be reviewed by assessment panels , which will select the most promising proposals. The selected teams will then be asked to submit full proposals. These proposals will be reviewed by a technical team, which will select finalists from each country to compete for funding during Innovation Day.

The nominees will exhibit their proposals at Innovation Day. A Grand Jury comprising non-World Bank experts and Donor representatives will evaluate each exhibited proposal against an objective score card and award funds to the winners. The jurors will be appointed in consultation with development partners and leading NGO representatives.

§ Funding

The Bank's DM Committee has allocated an amount of US$150,000 as seed money to initiate the LDM. Of this allocation, US$50,000 is earmarked for administrative overheads, leaving US$100,000 for grants to the finalists. It is envisaged that at least 12 awards will be provided to participants, but this can increase with anticipated additional contributions from other partners in the Donor community. The Bank is in the process of approaching partners and international NGOs to participate actively in the event by providing both financial assistance and expertise.

§ Conclusion

The Bank believes that several ideas and initiatives could emerge if innovation is encouraged through a venture capital approach, diversifying risk and unleashing creative thinking. With a vibrant civil society in Lebanon and through the support of partners and sponsors, the LDM will certainly be as successful as events in Washington, DC and other countries.

For more information on the CDM:
Mona Ziade, Communications Officer,
mziade@worldbank.org

Measurement of Poverty: the International Experience and Lebanon - A Poverty Alleviation Workshop

At the request of the Government of Lebanon, a two-day Workshop on Poverty Alleviation was held in Beirut on June 29-30, 2004. About 80 representatives attended the event from the Lebanese government, local academics, NGOs, international organizations and the World Bank. A round table discussion with the Prime Minister formed the highlight of the second day of the Workshop, followed by a meeting with the Prime Minister to discuss follow-up measures.

§ Workshop Outcomes

The Workshop reached a reasonable consensus on conceptual and measurement issues of poverty:
Lebanon is well advised to measure absolute poverty by a conventional consumption expenditure approach. In deriving poverty lines, international best practice needs to be followed, adhering to sound theoretical foundations. Poverty lines will need to be varied by the demographic needs of households and geographic area of residence. The "Unmet Basic-

Needs" approach can be a useful complement to the expenditure-based approach.

Poverty alleviation strategies need to address both the currently poor, and the vulnerable that may fall into poverty. Integrating child labor issues into the poverty alleviation strategy is important, particularly in the Lebanese context. There is essential similarity in social protection strategy followed in the Latin America and Middle East and North Africa regions. The strategies seek to enlarge opportunities for the poor to overcome poverty, mitigate risk of poverty and help cope with the risk of poverty. The rise and fall of poverty in the former Soviet Union in the 1990s underscores the importance of growth and weakness of targeted programs for poverty reduction.

The impact of social safety nets on poverty can be improved by better design, such as conditional cash transfers. By conditioning cash transfers with mandatory attendance in schools, or hospital visits, programs have achieved better outcomes. However, the effectiveness of improved design will be influenced by the state of governance, as exemplified by the Jordanian experience. If, for example, transfers are conditional on the degree of disability, doctors can issue fictitious certificates misdirecting resources. Thus, technocratic solutions alone cannot deliver effective poverty reduction. The Lebanese context presents an additional institutional risk to cash transfer programs. Also, the different religious groups in the country may compete to receive cash transfers that could defeat the purpose of targeting transfers to the poorest.

Social funds are flexible financing schemes for poverty alleviation executed by local groups that build public infrastructure in local communities. They have worked well primarily in pockets of poverty in rural areas. The use of social funds in Lebanon is new and seems to have important successes. However, caution is advised as international experience shows that social funds are not eminently pro-poor (pervasive leakages to the non-poor occur), and suffer from concerns about accountability and quality of created infrastructure.

§ Follow-Up Steps

The follow-up meeting with the Prime Minister focused on drawing the main conclusions and practical steps for moving forward. The Prime Minister stressed that there was a political will to deal with the poverty problem in Lebanon, but that poverty needed to be well defined and appropriate instruments identified.

The follow-up steps were summarized as follows:

i) Close follow-up on the household survey;

ii) focused attention in the first stage of work on programs targeting abject poverty, to be followed by enhancing health, education and social services to the poor;

iii) establishment of the macro linkages of poverty, especially as it relates to employment generation; and

iv) development of a coordination mechanism through establishment of a Working Group of concerned agencies and stakeholders reporting to the Prime Minister.

News, Recent and Upcoming Activities

Youthink! Action = Results
World Bank's New Website For Youth Launched

The World Bank's new website about development issues that matter to young people hit the cyber newsstand in April 2004.

Young people, who typically represent the web's savviest users, have been one of the Bank's largest, but most underserved Internet audience.

Youthink! is a lively, interactive, dynamic website that provides relevant content to young people, written in an age-appropriate language.

Youthink! invites young people to explore the research, knowledge and experience gathered by World Bank experts on issues like poverty, development, and conflict. Youthink! also invites young people to share what they see around them through personal stories, photos, etc.

For more information on each subject, visit:
http://youthink.worldbank.org/

Vulnerable Youth In A Volatile Region

While extreme poverty in the Middle East and North Africa (MENA) region is low, infrastructure development high, and social development progress visible, the people continue to face challenges, particularly in the social development arena. Currently, one of the greatest focuses in MENA is the inclusion of youth and improving the welfare of vulnerable children. In June 2004, the World Bank held a client-staff learning workshop on youth in MENA in Washington, D.C.

The program, entitled, "*Reaching Vulnerable Children and Youth in MENA*," brought together development experts to share information on the challenges facing children and youth; to present new analytical work addressing risks related to their welfare; and to discuss a collaborative strategy for moving forward. Development partners from Egypt, Morocco, Yemen, and Jordan shared experiences on education, unemployment, social protection and HIV/AIDS, and other issues affecting youth and disadvantaged children in the MENA region.

One of the key topics at the workshop was the plight of street children. During the discussion, NGOs voiced the need for all associations to work together, and for World Bank support in the development of activities and facilities for children who take to the streets, to integrate these street children into a process that will allow them to earn a living and also allow them to become independent.

The workshop reflected on the daunting challenge faced by the Middle East and North Africa Region for the need to: create jobs for a burgeoning young population; engage this population in the development process; and determine the kind of secondary and university education these children need in order to lead an active life.

The three-day workshop also highlighted the need to integrate child issues within a national framework so that decisions concerning vulnerable children and youth are more inclusive of their needs.

For more information on the subject, visit:
http://www1.worldbank.org/sp/

RECENT WORLD BANK PUBLICATIONS

Doing Business in 2005: Removing Obstacles to Growth (ISBN: 0-8213-5748-4; SKU: 15748). Doi*ng Business in 2005: Removing Obstacles to Growth* is the second in a series of annual reports investigating the scope and manner of regulations that enhance business activity and those that constrain it. New quantitative indicators on business regulations and their enforcement can be compared across 145 countries—from Albania to Zimbabwe—and over time.

The previous report, *Doing Business in 2004: Understanding Regulation*, presented indicators in five main topics: starting a business, hiring and firing workers, enforcing contracts, getting credit and closing a business. *Doing Business in 2005* updates these measures and adds another two sets: registering property and protecting investors. 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.

In *Doing Business in 2005*, you will also find answers to such questions as: Which are the **Top 10 reformer** countries since last year? Which are the **Top 20 economies** for doing business?, as well as Which countries implemented **more harmful** regulations?

Global Monitoring Report 2004: Policies and Actions for Achieving the Millennium Development Goals and Related Outcomes (ISBN: 0-8213-5859-6; SKU: 15859). The turn of the century was marked by some significant and promising events for world development. The Millennium Declaration - signed by 189 countries in September 2000 - led to the adoption of the Millennium Development Goals, which set clear targets for eradicating poverty and other sources of human deprivation. Following other major international meetings came broad agreement on the goals and strategies to achieve them.

The task now is implementation - to translate vision into action. Drawing attention to priorities for action and related accountabilities, the new *Global Monitoring Report 2004* provides an integrated assessment of the policies and actions needed to achieve the Millennium Development Goals. Produced in cooperation with the International Monetary Fund (IMF) and other international partners, the Report assesses how the various parties—developing countries, developed countries, and international financial institutions—are playing their part under the agreed development partnership, and highlights progress on the development policy agenda.

Reforming Infrastructure: Privatization, Regulation, and Competition (ISBN: 0-8213-5070-6; SKU: 15070). Infrastructure is crucial for generating growth, alleviating poverty and increasing international competitiveness. For much of the 20th Century and in most countries, the network utilities that delivered infrastructure services—such as electricity, natural gas, telecommunications, railroads and water supply—were vertically and horizontally integrated state monopolies. This approach often resulted in extremely weak services, especially in developing and transition economies, and particularly for poor people. Common problems included: low productivity, high costs, bad quality, insufficient revenue and shortfalls in investment.

Recognizing infrastructure's importance, many countries over the past two decades have implemented far-reaching infrastructure reforms—restructuring, privatizing and establishing new approaches to regulation. *Reforming Infrastructure* identifies the challenges involved in this massive policy redirection within the historical, economic and institutional context of developing and transition economies. It also assesses the outcomes of these policy changes, as well as their distributional consequences—especially for poor households and other disadvantaged groups. And, drawing on a range of international experiences and empirical studies, it recommends directions for future reforms and research to improve infrastructure performance—identifying pricing policies that strike a balance between economic efficiency and social equity, suggesting rules governing access to bottleneck infrastructure facilities, and proposing ways to increase poor people's access to these crucial services.

Battling HIV/AIDS: A Decision Maker's Guide to the Procurement of Medicines and Related Supplies. (ISBN: 0-8213-5848-0; SKU: 15848). *Battling HIV/AIDS* sets out principles and provides advice on the procurement of HIV/AIDS medicines and related supplies for programs scaling up Antiretroviral Therapy (ART) and associated health services. This technical guide examines the elements required to establish and

ensure continuity of supplies, including medicines and other commodities. It provides extensive guidance on key topics: Quality Assurance, Selection and Quantification Methods, Intellectual Property Rights, Procurement Strategies, Pricing and Financing, the Supply Cycle and Policy Issues.

Specializing in procurement for HIV-related programs, *Battling HIV/AIDS* is a valuable resource for implementing agencies and donors dealing with HIV/AIDS related procurement.

The Human Right to Water: Legal and Policy Dimensions (ISBN: 0-8213-5922-3; SKU: 15922). *The Human Right to Water* traces the issue of the right to water through a number of international legal instruments, particularly General Comment No. 15 that recognizes such a right. It analyzes the international legal regime for human rights, and argues that the nexus between development, water and human rights is well established therein. Although the central theme of the Study is General Comment No. 15 issued by the Committee on Economic, Social and Cultural Rights in 2002 which explicitly recognizes a human right to water, the Study argues that the Comment supports the idea that there is an incipient right to water emerging in international law today. This right is buttressed by a large number of soft law instruments, emerging customary international law, as well as an increasing number of domestic law instruments.

The Institutional Economics of Water: A Cross-Country Analysis of Institutions and Performance (ISBN: 0-8213-5656-9; SKU: 15656). *The Institutional Economics of Water* evaluates water institutional reform and water sector performance from an institutional economics and political economy perspective. Against an exhaustive review of the theoretical and empirical literature on institution and performance, both in general and in water sector contexts, the title develops an alternative methodology built on: an "institutional ecology" principle, an "institutional decomposition and analysis" framework, and a "subjective theory" of institutional change.

The book concludes that an empirical application of this methodology, with information collected from 127 water experts from 43 countries/regions and a cross-country review of recent water sector reforms within an institutional transaction cost framework, leads to significant implications for both theory and policy in the realm of water sector reform, in particular and institutional reforms, in general.

Urban Environment and Infrastructure: Toward Livable Cities. (ISBN: 0-8213-5796-4; SKU: 15796). Urban environmental issues, the *"Brown Agenda"* became an important part of the International Policy Agenda following the United Nations Conference on Environment and Development (Rio de Janeiro, 1992). Urban environmental issues continue to remain a major challenge in the cities of developing countries. The World Bank strengthened its focus on urban environmental management with the adoption of the *Brown Agenda* as part of the Bank's Urban Livability Program.

Urban Environment and Infrastructure reviews the World Bank's activities to improve urban environmental quality, and sets out the Bank's expanded *Brown Agenda*, emphasizing the crucial importance of infrastructure and environmental interventions in order to improve livability in cities in developing countries. The World Bank has more than US$12 billion worth of active commitments aimed at improving urban environmental quality. While the Bank's investments are directed at much needed basic environmental services, especially for the urban poor, the challenge of improving urban environment, or livability, in large cities needs further attention. The increase and impacts in climate variability(especially the rise in sea-level), and impacts of natural disasters in urban areas are becoming more and more a part of the daily challenges facing cities (70 percent of which are located on the coast) in the developing world. *Urban Environment and Infrastructure* provides pragmatic recommendations on how to deal with the challenge of the expanded *Brown Agenda*.

Customs Modernization Handbook (ISBN: 0-8213-5751-4; SKU: 15751). Trade integration contributes substantially to economic development and poverty alleviation. In recent years much progress was made to liberalize the trade regime, but customs procedures are often still complex, costly and non-transparent. This situation leads to misallocation of resources.

Customs Modernization Handbook provides an overview of the key elements of a successful customs modernization strategy and draws lessons from a number of successful customs reforms, as well as from customs reform projects that have been undertaken by the World Bank. The Handbook describes a number of key import procedures that have proved particularly troublesome for customs administrators and traders, and provides practical guidelines to enhance their efficiency. The procedures discussed are: customs

valuation, definition of the origin of goods, customs procedures for duty relief and exemption control, transit and security issues, and the use of information technology. The Handbook reviews the appropriate legal framework for customs operations, as well as strategies to combat corruption. In the final chapter the Handbook provides guidance on administrative issues that customs administrators frequently face, such as: appropriate autonomy of customs administration, training and staff renewal and use of private service providers to enhance the efficiency of customs operations.

Intellectual Property and Development: Lessons from Recent Research (ISBN: 0-8213-5772-7; SKU: 15772). International policies toward protecting intellectual property rights have seen profound changes over the past two decades. Rules on how to protect patents, copyrights, trademarks and other forms of intellectual property have become a standard component of international trade agreements. Most significantly, during the Uruguay Round of multilateral trade negotiations (1986-1994), members of what is today the World Trade Organization (WTO) effected the Agreement on Trade Related Intellectual Property Rights (TRIPS), which sets out minimum standards of protection that most of the world's economies respect.

How will developing countries fare in this new international environment? This book brings together empirical research that assesses the effects of changing intellectual property regimes on various measures of economic and social performance—ranging from international trade, foreign investment and competition, to innovation and access to new technologies. The studies presented point to an important development dimension for the protection of intellectual property. But, a "one-size fits all" approach to intellectual property is unlikely to work. There is a need to adjust intellectual property norms to domestic needs, taking into account developing countries' capacity to innovate, technological needs and institutional capabilities. In addition, governments need to consider a range of complementary policies to maximize the benefits and reduce the costs of reformed intellectual property regulations.

Ten Steps to a Results-Based Monitoring and Evaluation System: A Handbook for Development Practitioners (ISBN: 0-8213-5823-5; SKU: 15823). An effective state is essential to achieving socio-economic and sustainable development. With the advent of globalization, there are growing pressures on governments and organizations around the world to be more responsive to the demands of internal and external stakeholders for good governance, accountability and transparency, greater development effectiveness and delivery of tangible results. Governments, parliaments, citizens, the private sector, NGOs, civil society, international organizations and donors are among the stakeholders interested in better performance. As demands for greater accountability and real results have increased, there is an attendant need for enhanced results-based monitoring and evaluation of policies, programs, and projects.

This Handbook provides a comprehensive ten-step model that will help guide development practitioners through the process of designing and building a results-based monitoring and evaluation system. These steps begin with a "Readiness Assessment" and take the practitioner through the design, management, and importantly, the sustainability of such systems. The Handbook describes each step in detail, the tasks needed to complete each one, and the tools available to help along the way.

Ordering World Bank Publications	
Phone:	***(001) 1-800-645-7247 or (001) 703-661-1580***
Fax:	***(001) 703-661-1501***
On-Line:	***http://publications.worldbank.org/ecommerce***
E-Mail:	***books@worldbank.org***
Research and working papers are also available in electronic format free of charge at: *http://econ.worldbank.org/*	

Data and Statistics

The World Bank offers multiple databases online, some free of charge, and some on an annual subscription basis. Almost all the data reported in the site mentioned below are derived, either directly or indirectly, from official statistical systems organized and financed by national governments.

To access the on-line databases, visit:
http://www.worldbank.org/data/