Lebanon Quarterly Update

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EDITORIAL

Modernizing Lebanon’s Public Procurement

The Government of Lebanon has made improving governance and fighting corruption a central part of its reform program. It has launched budget, tax, and administrative procedure reforms. But perhaps one of the most significant challenges that remains to be addressed is the reform of public procurement. Preliminary results of a World Bank Investment Climate Assessment (ICA) of over 450 private enterprises’ data and other analysis clearly suggests two realities: Lebanese firms are disadvantaged by the extraordinarily high costs associated with doing business, and market-led growth is impeded by a variety of challenges to fair competition. Consequently, the two priorities for a growth agenda would have to address these high costs and level the playing field for market competition.

The survey revealed that enterprises perceive public procurement as a leading process through which corruption takes place. Overpricing of certain infrastructure projects, either in the original bid or in subsequent variation orders, is widely acknowledged by many contractors. Fortunately, the Government is now in the process of revising its public procurement laws to remove opportunities for corruption, to introduce fair competition and reduce costs. The problems in the existing system reflect a need for modernization:

• The country’s existing regulatory framework for procurement is 40 years old and contains ambiguities and is generally inconsistent with international procurement standards.

• There is a lack of publicly disseminated procurement information on the outcome of procurement processes.

• There is no requirement in the legal framework to conduct public bid openings. Bids are commonly opened at least a day after the deadline for submission of bids.

• The generally accepted procurement method requires the submission of bids as two separate envelopes. The first envelope contains the technical offer; the second envelope the financial offer. Since the technical offers are opened and evaluated first, bids can be rejected without opening the corresponding financial offer. There is no provision for announcing bid prices publicly at the bid opening.

• Besides open competitive bidding through so-called «Public Tender», other procurement methods, including noncompetitive methods, are permitted at the discretion of the procuring entity.

• Prequalification is not covered in the legal framework, and the criteria for post-qualification are relegated to the special conditions of contract.

• Bids offering goods made in Lebanon are accorded a preferential treatment equal to 10 percent, which is a common practice. However, the conditions for determining the origin of goods are not specified.

• There is no specific protest mechanism for unsuccessful bidders in the country’s framework for procurement.

A radical approach is necessary to achieve procurement reform. The modernization needed is not likely to be achieved by an incremental approach or by a gradual phasing-in of a new procurement system. A piecemeal approach to fixing the current fragmented and confusing legal framework, with its myriad of exceptions, may cause even greater problems. Procurement reform in Lebanon should take a holistic view of public sector management. Its chances of being successful depend very much on corresponding reforms in financial, management and public administration, and on creating a Public Procurement Reform Task Force with executive leadership to achieve the desired results.
Oil Boom Marked by Expenditure Restraint

The Middle East is experiencing an oil boom reminiscent of the 1970s and 1980s. But this time, instead of spending the profits, oil-producing countries are managing the windfall with restraint. According to a new World Bank report on the Middle East and North Africa (MENA) region, oil producers are increasingly turning finite oil wealth into longer-term revenue streams. 

*MENA Economic Developments and Prospects 2006: Financial Markets in a New Age of Oil* finds that resource-rich countries are showing fiscal restraint. They are building up savings, paying down debt and setting up oil stabilization funds. However, the document, the second in a new series of annual reports on economic developments in MENA, notes that the growth upturn in the resource-rich countries is not shared by poorer countries. In sharp contrast, resource-poor countries (Lebanon, Jordan, Egypt, the Palestinian territories etc…) are feeling the pinch of surging oil prices.

**Insufficient Behavioral Change**

Behavior of oil producers this time around differs from that of the previous oil booms in the 1970s and 1980s, when these countries built up debt and banked on continued high oil prices to fuel their expansion. When the oil price declined, many were caught with large debts. This time, “there’s a realization that they can’t do things as before,” says Jennifer Keller, Senior Economist in the Office of the Chief Economist for the Middle East and North Africa Region and principal author of the report.

Saudi Arabia, for instance, has reduced domestic debt from 97 percent of Gross Domestic Product (GDP) in 2002 to 41 percent by the end of 2005. Over the same period, it turned a fiscal deficit of almost six percent of GDP to a fiscal surplus of 8.4 percent of GDP, according to the report.

On the fiscal front, the sharp rise in oil prices has highlighted the heavy dependence on oil price subsidies in the local markets in MENA countries. While oil-importing economies are particularly affected, the reliance on energy subsidies pervades, with large fiscal implications. Several resource-poor countries have implemented short-term adjustments to oil prices, but the concerns of potential poverty impacts have held back more ambitious reforms.

**The Good News**

Petroleum exports of oil-rich, labor-importing nations, namely Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Qatar, Libya, Oman and Bahrain, have more than doubled in the past three years, rising from US$186 billion in 2002 to US$440 billion by 2005.

At the same time, these economies grew by an average seven percent in 2005, boosting the region’s growth rate to six percent, up from 5.6 percent in 2004, and 3.5 percent in the late 1990s. The economies of oil-rich, labor abundant countries - Algeria, Iran, Syria and Yemen - also had healthy growth rates of between five and six percent.

The report notes the increasingly close ties between the price of oil and the growth outcomes in oil-rich, labor-importing countries - a fact that was not always the case in prior oil booms. Because these countries are adopting largely similar development strategies, they are now experiencing a “common growth effect.”

Oil-rich countries of the Middle East are building up liquidity through external reserves, oil stabilization funds and payment of debts. They are pursuing common strategies for diversification of the oil wealth into foreign assets to secure long-term revenue streams.

Moreover, these countries are working almost in unison to develop trade ties and encourage greater foreign participation in their economies. With increased prudence, the volatile growth outcomes among oil producers, which characterized the 1970s and 1980s, have been increasingly supplanted by a common growth effect.

**The Bad News**

Unfortunately, the resource-poor economies are not enjoying as many spillover effects from the high price of oil, when compared with oil booms. In fact, the report finds that the relationship between economic growth in these countries and the price of oil has weakened sub-

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*Report Published by the World Bank, MENA region, Office of the Chief Economist in June 2006.*
In earlier periods, MENA’s non-oil economies benefited from rising oil prices through a range of transmission mechanisms from the oil producers, namely labor remittances and aid. Many transmission channels remain and have even thrived during the current oil boom. But the overall magnitude of these channels has significantly diminished in comparison with prior booms.

Reasons cited for the slowdown include less aid from oil-rich countries, fewer job opportunities for Arab laborers in the Gulf and less money flowing from oil rich countries to resource-poor countries. In addition, the resource-poor countries are using more energy than they did 20 or 30 years ago, and must import greater amounts of more costly oil. And like all countries in the region, they maintain oil subsidies that keep the price of gas and diesel well below market prices. The cost of oil subsidies in Jordan, for example, doubled between 2004 and 2005 - from 3.1 percent of GDP, and 11.3 percent of total expenditures, to 5.8 percent of GDP and 19 percent of current expenditures, according to the report.

“Oil subsidies are a drain on all the economies of the Middle East region, but are often politically difficult to abandon,” says Mustapha Nabli, Chief Economist for the Middle East and North Africa Region. “And rising oil revenues seem to be delaying plans to reform subsidy systems in several countries,” he notes. This includes Saudi Arabia, which recently cut the price of gas and diesel by 30 percent to offset the effect of equity market declines.

Oil Wealth and Reform

The region’s recent strong liquidity creates a window for MENA governments to either accelerate or postpone the complicated process of reform, within the financial sector and in the economy in general. With the windfall revenues accumulating since 2002, a natural question emerges as to what impact oil is having on the reform process in oil-producing states. To date, the large budget surpluses appear to have slowed down the drive for reforming the oil subsidy system in resource-rich economies. Oil producers have also exhibited weaker reform progress than the region’s resource-poor economies on two fronts: improving the business climate and liberalizing trade.

Bahrain, Oman and Qatar, in particular, have taken steps to allow greater participation in public policy. Progress on the governance front is important, says Keller. “It has implications for the overall reform effort.”

“Reforms that are implemented through top-down management may work initially, but it is difficult to enact reforms at a deep level, unless you have the compliance and participation of those groups whose well-being is affected by reforms.”

Worldwide, successful reform efforts have depended critically on the support and participation of those in society whom reforms will impact. Governance improvements in MENA, in terms of enhancing the accountability of governments and granting greater voice in development to the people, are important not only to take into account the needs and values of those who are affected by reforms, but also to ensure that in the transition to a new development model, the economic outcomes are socially acceptable to those who have benefited from the old systems. The MENA region continues to have the greatest gap with the rest of the world in terms of accountable and inclusive governance structures, ranking in the bottom quintile worldwide.

Looking Ahead

General conditions for maintaining a solid pace for growth appear promising. Global oil prices are now anticipated to hold above US$50 per barrel through 2008, which will provide a substantial flow of oil revenues to MENA exporters. Should prudent budgetary policies prevail, prospects for the oil dominant economies are upbeat, with growth easing from 6.7 percent in 2005, to five percent by 2008.

For the diversified economies, the anticipated recovery in European demand will be a key external factor for growth over 2006-2008, as will the easing of oil prices. This should allow some of the costs of subsidies to be recaptured. Growth among resource-poor economies is expected to pick up to reach 5.5 percent, according to the report.

Overall, continued moderate progress in domestic reforms, the MENA region’s growth is viewed to ease modestly in 2006, to 5.6 percent, and to establish a 5.2 percent pace over 2007-2008, reflecting an acceleration for the diversified economies, in contrast with some slowing for oil exporters.
### Structural Reform Progress in MENA, 2000-2005

<table>
<thead>
<tr>
<th>Country / Region</th>
<th>Trade Policy</th>
<th>Business Climate</th>
<th>Governance: Quality of public administration</th>
<th>Governance: Public sector accountability</th>
</tr>
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<tr>
<td></td>
<td>Current status</td>
<td>Reform progress</td>
<td>Current status</td>
<td>Reform progress</td>
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<tr>
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<td><strong>MENA</strong></td>
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<td>Resource Poor</td>
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**Note:** Regional averages reflect the simple average of the data for the countries included.

**Source:** World Bank Staff estimates from country data

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**Full report available on the World Bank website**
In the First Quarter of 2006, Lebanon continued to benefit from an exceptionally benign environment. Ever-high oil prices and ample levels of liquidities in the region encouraged capital inflows and transfers to Lebanon, tourism, real estate activity and exports to the Gulf countries. All these factors helped sustain the demand for Lebanon’s products and services, despite a higher oil-import bill and related weak demand in Europe. In turn, following a poor performance in 2005, GDP growth could well rebound as of 2006. Security conditions permitting, a progressive return of the Lebanese economy to normal operating levels could entail an average annual growth rate in real GDP in the range of 4 to 6 percent in 2006.

At this juncture, Lebanon does not have the luxury to delay the structural reforms needed to tackle these problems at their roots. Accordingly, the Government’s five-year plan foresees administrative, social, financial and economic reforms to rationalize public spending, improve governance, strengthen safety nets and raise Lebanon’s long term growth and job creation performances. As a major instrument of any policy reform, the 2006 budget should incorporate some of these elements.

The other sections of this note summarize recent developments in the real and financial sectors, public accounts and the balance of payments in the First Quarter of 2006.

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 household 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), household living conditions (for 2004), consumer price indexes (on a quarterly basis) are welcome, but remain insufficient. 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.

The coincidence indicator from the Central Bank in the First Quarter of 2006 was 8 percent higher than in the First Quarter of 2005. This surge clearly reflects an increase in economic activity compared with

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2 In 2005, Lebanon ranked 103rd out of the 143 countries listed by the World Bank in terms of statistical capacity (statistical practice, data collection and data availability).

3 The coincident indicator is a linear combination of indirect indicators of economic activity: imports of petroleum, electricity production, value of compensated banks’ checks deflated by the consumer price index, cement deliveries, number of foreign passengers, sum of imports and exports deflated by the consumer price index, and money supply (M3) deflated by the consumer price index.
the First Quarter of 2005. Indirect indicators notably suggest a strong acceleration in construction and tourism activities in the First Quarter of 2006. Construction permits and cement deliveries grew respectively by 95 percent and 68 percent compared with the First Quarter of 2005. Also, the number of tourists was 37 percent higher in the First Quarter of 2006 than in the First Quarter of 2005, which, beyond the negative impact of political and security events, nevertheless, confirms the structural increase in tourism activity witnessed since the late 1990s. Merchandise exports also grew, and were 28 percent higher in the First Quarter of 2006 than in the First Quarter of 2005. Since April 2005, merchandise exports have been growing at the annual rate of 23 percent, a pace similar to that observed in 2003 and 2004. At the other extreme, government expenditure (excluding transfers and debt payments) continued to barely contribute to growth in aggregate demand in the absence of a new budget law, which restricts expenditures to essentials and freezes most investment projects. Private consumption, as indirectly proxied by merchandise imports, was 11 percent higher in the First Quarter of 2006 than in the First Quarter of 2005, but a significant part of the growth in the value of imports can be explained by higher import prices.

Balance of Payments

Merchandise Trade deficit widened in the First Quarter of 2006 compared with the First Quarter of 2005. Export growth, although more rapid than import growth between the First Quarter of 2005 and the First Quarter of 2006, was insufficient to contain the merchandise trade deficit, given the much larger size of imports. As a result, the merchandise trade deficit grew by US$76 million, from US$1,757 million in the First Quarter of 2005 to US$1,833 million in the First Quarter of 2006. For the full year 2005, the merchandise trade deficit stood at approximately 34 percent of GDP.

The widening merchandise trade deficit was, nevertheless, more than offset by growing net exports of services, remittances, transfers and capital inflows. The sum of these three components is calculated by the sum of merchandise trade deficit and changes in the net foreign assets of banks. This composite grew by US$1,688 million between the First Quarter of 2005 and the First Quarter of 2006, financed the trade deficit and allowed banks to improve their net foreign assets position (see Figure 1).

Excluding the peaks of early 2003, (following Paris II) and dips of February-April 2005, (following the assassination of former Prime Minister Rafic Hariri), these inflows have shown relative stability and a significant increase, mirroring the oil boom in the region. In 2005, the sum of exports of services (minus imports of services), remittances, transfers and capital inflows represented approximately 37 percent of GDP.

Fiscal Developments

Fiscal deficit increased in the First Quarter of 2006, with the rise in debt service and oil prices. The deficit increased to LBP608 billion from LBP475 billion a year earlier (+LBP133 billion). Primary surplus improved to LBP339 billion from LBP220 billion a year earlier.

Although significant, these increases should be somewhat discounted by the fact that the period of comparison, the First Quarter of 2005, was one of utmost prudence for investors and tourists, in the face of the political turmoil following the assassination of former Prime Minister Rafic Hariri.
The debt service, which makes the difference between the overall deficit and the primary surplus, indeed rose by 36 percent between the First Quarter of 2005 and the First Quarter of 2006 (+LBP252 billion). In turn, most of the increase in the debt service resulted from higher interest rates paid on the debt labeled in Lebanese Pounds, the consequence of longer average maturities and a higher share of subscriptions at market conditions.

Rising oil prices continue to exert a heavy toll on fiscal accounts, in terms of higher expenditures and lower revenue. Higher diesel oil subsidies and transfers to EDL coupled with lower excise taxes, a consequence of the cap imposed on retail gas prices to fend off rising world oil prices, cost the Treasury LBP110 billion more in the First Quarter of 2006 than in the First Quarter of 2005. Revenues increased by 17 percent over the First Quarter of 2006, driven by substantial increases in both non-tax and tax revenues, partially driven by the indirect effects of the increase in oil prices. Non-tax revenues rose by 34 percent and contributed by 55 percent to the total increase in revenues. Transfers from the Telecom companies rose by 53 percent, while administrative fees rose by 52 percent, the result of increases introduced in the Budget Law for 2005, and implemented in 2006. In spite of lower petroleum excise taxes, tax revenue rose by 7.5 percent and represented 30 percent of the total increase in revenues. The highest increases occurred in the taxes on property, taxes on capital gain and taxes on interest rates, which respectively rose by 46, 42 and 20 percent. These increases reflect the impact of growing capital inflows on bank deposits and on the demand for real estate and equities.

Indirect taxes on consumption (VAT, tariffs and excise taxes, excluding petroleum excise taxes) rose by 5 percent between the First Quarter of 2005 and the First Quarter of 2006 (and declined by 4 percent once petroleum excise taxes, which dropped by 43 percent, were included).

The gross public debt increased by 7 percent between March 2005 and March 2006. The debt denominated in LBP increased by 8.9 percent, while the debt denominated in foreign currency rose by 5.3 percent. In terms of maturities, the average life of LBP-denominated debt increased to 1.7 years in March 2006, up from 1.6 years in March 2005, while the average life of foreign currency-denominated debt stood at 5.4 years against 6.1 years in 2005. In terms of interest rates, the average interest rate on LBP debt reached 8.07 percent in 2006 against 6.44 percent in 2005, while the rate on foreign currency debt rose from 7.2 percent to 7.5 percent. The composition of the debt by currency did not change dramatically over the year, with the share of the LBP-denominated debt remaining at 48 to 49 percent. However, the composition by type of holder was substantially modified, as the Central Bank was able to sell a large number of bonds it had acquired in the First Quarter of 2005. As a result, 19 percent of the debt was detained by the Central Bank by end-March 2006, against 28 percent a year earlier. The lower resort to Central Bank financing also is reflected in the decrease in public sector deposits, which decreased by LBP336 billion between March 2005 and March 2006, the equivalent of 1 percent of GDP.

Financial Markets Developments

Money Supply grew rapidly in the First Quarter of 2006. Monetary aggregates rose by 9 percent compared to March 2005, and by 2 percent since end-2005. The growth of the Money Supply in LBP reached 41 percent between the First Quarter of 2005 and the First Quarter of 2006, while the Money Supply in foreign currencies increased by only 1 percent. Accordingly, the dollarisation rate of banks’ deposits decreased from 79 to 72 percent between March 2005 and March 2006. Looking at the counterpart of Money Supply, it appears that the bulk of the increase in Money Supply comes from incoming capital inflows.

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**Figure 3. Fiscal Accounts, First Quarter 2004-2006**

<table>
<thead>
<tr>
<th>LBP billion</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Receipts</td>
<td>1,141</td>
<td>1,094</td>
<td>1,281</td>
</tr>
<tr>
<td>Budget Receipts</td>
<td>1,084</td>
<td>1,051</td>
<td>1,210</td>
</tr>
<tr>
<td>Tax Revenues</td>
<td>771</td>
<td>750</td>
<td>807</td>
</tr>
<tr>
<td>VAT</td>
<td>252</td>
<td>272</td>
<td>281</td>
</tr>
<tr>
<td>Customs</td>
<td>258</td>
<td>221</td>
<td>155</td>
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<tr>
<td>o/w Petroleum Tax</td>
<td>188</td>
<td>130</td>
<td>73</td>
</tr>
<tr>
<td>Other Tax Revenues</td>
<td>261</td>
<td>258</td>
<td>371</td>
</tr>
<tr>
<td>Other</td>
<td>313</td>
<td>301</td>
<td>403</td>
</tr>
<tr>
<td>Treasury Receipts</td>
<td>57</td>
<td>43</td>
<td>71</td>
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<tr>
<td>Total Payments</td>
<td>1,525</td>
<td>1,409</td>
<td>1,684</td>
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<tr>
<td>Primary Spending</td>
<td>498</td>
<td>492</td>
<td>504</td>
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<td>Debt Service</td>
<td>530</td>
<td>461</td>
<td>628</td>
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<tr>
<td>in LBP</td>
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<tr>
<td>in FX</td>
<td>221</td>
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<tr>
<td>Treasury Payments</td>
<td>496</td>
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<tr>
<td>Surplus / Deficit</td>
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<td>315</td>
<td>-403</td>
</tr>
<tr>
<td>Primary Surplus</td>
<td>147</td>
<td>146</td>
<td>225</td>
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</tbody>
</table>

Source: Ministry of Finance.
Domestic interest rates only partially absorbed the rise in global interest rates. While the three-month LIBOR (US Dollar) gained 190 basis points (bps) between March 2005 and March 2006, the average remuneration of US Dollar-denominated deposits increased only by 74 bps. Meanwhile, the average remuneration of LBP-denominated deposits dropped by 33 basis points. These evolutions should, obviously, be discounted by the fact that the period of comparison, the First Quarter of 2005, was one of high perceived exchange rate risk and growing dollarization rates in the midst of political turmoil. This also reflects, to some extent, the impact of the large supply of foreign capital inflows and transfers to Lebanon since March 2005. In turn, in the face of stagnant private demand for credit, lending interest rates are on the decline (at least with respect to those served on deposits), minus 80 bps for LBP-denominated loans and advances and +17 bps for US Dollar-denominated loans and advances.

The exposure of commercial banks to the public sector continued to grow. Total lending to the Government and the Central Bank increased from 52.5 percent of banks’ total assets in March 2005, to 53.5 percent in March 2006. The share of banks’ assets invested at the Central Bank went down from 31 to 27 percent, while the share of banks’ assets invested in public bonds grew from 21 to 26 percent.

The Central Bank was able to reconstitute its gross stock of foreign currency reserves to levels reached prior to the political turmoil of early 2005. The Central Bank’s foreign reserves increased from US$7.6 billion in March 2005 to US$9.9 billion, fueled by inflows of foreign capital and by the de-dollarisation of deposits.

The growth in the Beirut Stock Exchange (BSE) capitalization also reflects the influence of foreign capital inflows. After more than doubling in 2005, the capitalization of the BSE increased by 50 percent during the First Quarter of 2006. Most of the increase stems from the rise in the stocks of the real estate Solidere Company (from US$8 by end-2004 to US$18 by-end 2005 and US$22 by end-March 2005), fueled by growing demand from Gulf investors.
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$122.78 million has been disbursed through May 31, 2006.

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, 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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<tr>
<td>Education Development</td>
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<td>16.75</td>
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<tr>
<td>First Municipal Infrastructure</td>
<td>2000</td>
<td>80.00</td>
<td>61.20</td>
<td>June 2007</td>
</tr>
<tr>
<td>Community Development</td>
<td>2001</td>
<td>20.00</td>
<td>2.30</td>
<td>Dec. 2006</td>
</tr>
<tr>
<td>Ba’albeck Water and Wastewater</td>
<td>2002</td>
<td>43.50</td>
<td>6.13</td>
<td>Dec. 2007</td>
</tr>
<tr>
<td>Urban Transport Development</td>
<td>2002</td>
<td>65.00</td>
<td>8.40</td>
<td>June 2009</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>321.82</strong></td>
<td><strong>122.78</strong></td>
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</tbody>
</table>
IFC Projects in Lebanon

IFC currently holds a total of US$31.5 million in seven companies in its investment portfolio. Many of these are in the financial sector and are for on-lending, primarily for mortgages and the SME sector. In the past year, IFC has signed four new transactions in Lebanon, all in new activities or sectors.

The first is a US$8 million transaction to partially finance the SABIS International School of Adma – a world class K-12 educational facility located north of Beirut. The SABIS International School – Adma opened its doors in September of 2005. The investment represents the first for IFC with the SABIS school system, and the first in Lebanon in the education sector.

In October 2005, Banque-Libano Francaise became the first bank in Lebanon to join IFC’s global trade finance program with a US$20 million line, followed by Fransabank, who signed an additional US$20 million with IFC in December 2005, and Bank of Beirut in May 2006. This program, a new initiative for IFC, supports trade with emerging markets worldwide and promotes the flow of goods and services between developing countries. IFC provides guarantee coverage of bank risk in emerging markets, allowing recipients to expand their trade finance transactions within an extensive network of countries and banks and to enhance their trade finance coverage.

In addition to its traditional lending activities, in 2004, IFC launched the Private Enterprise Partnership for the Middle East and North Africa (PEP-MENA), a US$100 million, donor-financed technical assistance facility focused at providing technical assistance in a number of areas. Current technical assistance activities in Lebanon are:

Administrative Barriers Survey – The joint World Bank/IFC Foreign Investment Advisory Services group is carrying out a survey of administrative barriers in Lebanon to identify reforms necessary to improve the business environment in Lebanon.

Business Enabling Environment – As a follow on to the November 2005 Doing Business Conference, IFC signed a technical assistance agreement in January 2006 with the Ministry of Economy and Trade to assist in the reform and streamlining of the business registration process. This program will take approximately one year to complete and will tackle one of the issues that Lebanon performed most poorly on in the Doing Business Survey.

Corporate Governance – In partnership with the Association of Lebanese Bankers, IFC is undertaking a comprehensive review of Corporate Governance practices in the banking sector in Lebanon. The survey will investigate how Lebanese commercial banks incorporate corporate governance principles into their operations, particularly in terms of arrangements for supervisory and management boards, disclosure and transparency policies, protection of shareholders’ rights and internal controls. The survey will also review the current regulatory framework for corporate governance in Lebanon and identify areas for improvement.

Privatization – In August 2005, IFC completed a valuation of BLC Bank, a bank currently owned by the Banque du Liban (BdL). The valuation was undertaken at the request of the Banque du Liban and was used to guide BdL in the successful sale of BLC Bank in December 2005.

IFC is in discussions with the Government and interested stakeholders on five additional potential areas of technical assistance: privatization assistance; administrative reform; establishment of a credit bureau; Alternative Dispute Resolution; and assistance to small and medium enterprises in the Information Technology sector.
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 in 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. Lebanon is one of the lowest teledensity countries 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 performed the Needs Assessment in March 2006. 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.fdxchange.com and www.ipanet.net) feature 130 documents on investment opportunities and the related legal and regulatory environments in Lebanon.
The Government of Lebanon, in its new campaign to reduce the cost of doing business and improve competitiveness, has teamed up with the International Finance Corporation (IFC), the private sector arm of the World Bank Group, to engage in the re-engineering and simplification of the Business Registration process.

This joint initiative was formally launched January 26, 2006, when Minister of Economy and Trade Sami Haddad signed an agreement to this effect with the IFC. But, the effort to address bureaucratic obstacles to doing business in Lebanon had been afoot since October 2005, when the World Bank and IFC’s annual Doing Business Report, investigating government regulations which promote or constrain business activity, was unveiled in Beirut.

On the issue of «Ease of Doing Business» the Report showed that Lebanon ranked 95 among the 155 countries examined. On the ease of «Starting a Business,» Lebanon ranked 99, well behind countries such as India, Sudan, Morocco and Tunisia. The findings pointed out that to register a new company in Lebanon; it takes on-average 46 days, six procedures and costs 110 percent of income per capita. This is compared to an average cost of 6.8 percent of income per capita in countries of the Organization for Economic Cooperation and Development (OECD).

The Report concluded that the process of starting a business should be an immediate area of reform, not just in Lebanon, but also in the Middle East and North Africa (MENA) region at-large, as it constitutes an important obstacle to both local and foreign investors.

**Joint Government/IFC Initiative Begins to Bear Fruit**

To support the Government’s reform process, IFC, with its regional technical assistance facility, the Private Enterprise Partnership (PEP-MENA), has set up a project team dedicated to reducing the regulatory burden on the private sector through a restructuring of business registration and a reduction in the cost and time of procedures.

A review of administrative procedures is now underway and a detailed «process mapping» will be released this summer. Based on this information, the project team will work with the relevant authorities and the private sector to re-design these procedures and provide assistance to the partner institutions and their personnel to implement simple and business-friendly procedures. The longer term objective is to create an automated business registration process in Lebanon.

The project team will work closely with the private sector and all institutions involved in business registration ranging from the Ministry of Finance, the Ministry of Economy and Trade, the Commercial Registrar, the Ministry of Justice, the Official Gazette and the National Social Security Fund. The project team will guide the Lebanese partners to always compare this effort with best international practice and experience in reforming business regulations. This approach will encourage new solutions for a long-lasting impact on the Lebanese business community.

To demonstrate the practical benefits of reform in this field, the project team created a Task Force in March 2006, with representatives from the Ministry of Economy and Trade, the Ministry of Justice, the Ministry of Finance and Lebanese legal experts. The Task Force was assigned the objective of realizing a quick re-design of the foreign branch registration process in Lebanon, primarily to reduce the number of procedures and the time involved in the process. A detailed mapping of the registration process revealed the complexity of the process to potential investors: indeed, an investor today has to go through 31 steps and make 21 visits to nine different Government offices in order to complete the registration of a foreign branch.

Without requesting any changes in the current laws, the Task Force developed a streamlined solution whereby an investor would only go through seven steps and interact with three different Government offices. The time delays in this new process would be reduced by 75 percent. The simplification of this procedure is expected to be endorsed soon by the Government.

While the joint Government/IFC initiative will focus initially on reforming business registration, it will also seek additional political commitment to tackle new reforms, involving licensing and permit requirements. This will complement the ongoing World Bank activities in Lebanon aimed at improving the investment climate.
To achieve this, the joint World Bank and IFC’s Foreign Investment Advisory Service (FIAS) is now pooling its expertise and resources with those of the PEP-MENA project. FIAS is currently reviewing a large number of administrative procedures which investors must go through in areas ranging from land registration, business licensing to operating procedures, such as tax requirements and inspections, import and export procedures, and visas and labor inspections, to just name a few. PEP-MENA and FIAS will use the resulting recommendations later in 2006 to further engage the Government in reforming the business environment and help turn Lebanon into a better place for investment.

**The Time is Just Right for Lebanon to Initiate This Reform**

First, recent studies from the World Bank Group points to the significant size of Lebanon’s informal sector estimated at 34 percent of the current Gross National Product. Entrepreneurs are not encouraged to formalize when business regulations, inspections and administrative requirements are too complex and not transparent. This, in turn, affects roughly 200,000 Lebanese informal entrepreneurs who are unable to obtain bank credit, use courts to resolve disputes and access technologies and Government contracts. Informality has important social consequences, with women being hurt disproportionately and thousands of workers lacking both health insurance and pension benefits. In this context, it is only more urgent to address inadequate and costly market entry regulations, complex reporting regulatory and administrative requirements which continue to push Lebanese entrepreneurs into the informal economy.

Second, stimulating growth is at the heart of Lebanon’s new Reform Agenda. Research shows that reforming business start-ups can add between a quarter to one and a half percentage points to the growth rate on average in developing the economy. Reducing the cost of doing business is, therefore, a top priority in Lebanon’s program of reform as was articulated by Prime Minister Fouad Siniora in a recent speech in London. Tackling this challenge now will send a very positive signal to international investors and the business community at-large.

Lebanon is, by tradition, an open economy and has long realized the advantages of attracting investment. The ongoing simplification of business procedures will be an important tool to improve investment conditions in Lebanon, while unleashing the potential and talent of its entrepreneurs.

**Red Tape Obstacles Endemic in MENA**

In most MENA countries, entrepreneurs and investors find it difficult to start and formalize their businesses with multiple authorities demanding various documents and fees. Cumbersome and time-consuming procedures create barriers to growth and cause inefficiencies, while excessive discretionary power opens opportunities for corruption.

On-average, a new company takes 45 days to be registered in the MENA region compared to only 19 days in OECD countries.

These processes tend to be expensive: High initial capital requirements are the norms in the Middle East at 17 times the average per capita income in Yemen, 16 times in Saudi Arabia and 24 times in Jordan.

Today, reform-oriented governments across the world recognize the benefits of reducing red tape to attract investment and draw people into the formal economy. Regulators in reforming countries such as Denmark, Norway, Vietnam and Turkey have successfully simplified their business registration processes in order to attract more investment, increase job opportunities and facilitate income generation.

The benefits of entry regulation reforms are always tangible and quick to materialize. In Austria, only one year after the adoption of its Young Enterprise Law in 1999, which removed bureaucratic burdens and eliminated all registration costs for business start-ups, the number of registrations shot up from 19,000 to 26,000 in just one year. Similarly, within one year of completing the reform process, the number of registrations increased by 26 percent in Bosnia-Herzegovina. In Vietnam, the new Enterprise Law rapidly encouraged 50,000 informal entrepreneurs to register.

For additional information on the Business Registration Simplification Project, please contact Mr. Georges Nicolas, Project Manager, gnicolas@ifc.org

For general information about IFC’s activities in Lebanon, please contact Ms. Julia Brickell, Country Officer, jbrickell@ifc.org
The World Bank convened two workshops in Beirut in May to unveil the Country Financial Accountability Assessment (CFAA) Report and reflect on international experiences that could be replicated by the Government of Lebanon in its drive to reform its financial management system.

The first workshop on May 25, 2006 attracted nearly 100 participants from both the public and private sectors and other stakeholders, including Non-Governmental Organizations and financial institutions. The workshop was held under the patronage, and in the presence of, the Minister of Finance Jihad Azour and was chaired by World Bank Country Manager for Lebanon, Omar Razzaz and the World Bank Regional Finance Manager, Samia Msadek. Experts from Canada, France and the United Kingdom shared with the participants their experiences in financial reform, enlivening the debate.

The second workshop on May 29, 2006 engaged the Parliament of Lebanon’s Budget and Finance Committee in issues related to public reform as recommended by the CFAA.

The CFAA offers a pragmatic new approach to old problems, based on best practices in economic transition that have been tested in countries where financial and economic environments were similar to those in Lebanon.

World Bank officials noted that the Government of Lebanon, especially the Ministry of Finance, has exerted substantial efforts to improve its fiscal budget process. These adjustments point to a determination to maintain the momentum. However, reforming the budget process is a long, often arduous, journey in any country, and also is an effort that requires the cooperation and active involvement of all stakeholders: Parliament, the private sector and the population at-large.

Addressing the workshop on May 25, 2006, Mr. Razzaz said the growing challenges of budgetary deficit and fiscal management required an enhanced budget process and innovative financial management techniques. These changes are at the core of any economic reform program.

But, the fact that the Government of Lebanon insisted on making this CFAA a public document also is a strong indicator of dedication to the principles of accountability and transparency.

For more information, please contact Mr. Robert Bou Jaoude, Sr. Financial Management Specialist, rboujaoude@worldbank.org

Lebanon Development Marketplace Selects 13 Winners to Share US$240,000

The World Bank and its international development partners have awarded US$240,000 to 13 local Non-Governmental Organizations (NGOs) and academic institutions which applied for seed funding for projects in the competition entitled Youth in Governance: Shaping the Future.

Winners of the Lebanon Development Marketplace 2006 (LDM 2006) were announced on Innovation Day, April 6, 2006, at Al-Madina Theater in Beirut. Twenty-three competitors displayed proposals to promote the rights and duties of the youth in Lebanon, curb the brain drain and foster links between the Lebanese at home and in the Diaspora.

The competition, launched November 18, 2005, was organized by the World Bank, in partnership with the British Foreign Office’s Global Opportunities Fund (GOF), the United Nations Development Programme (UNDP), the United Nations Children’s Fund (UNICEF) and the Lebanese Transparency International (LTA).
Youth in Governance: Shaping the Future is a competition that attracted 67 project proposals. Twenty-four were selected for the second and final stage of the competition, but one withdrew before the final round.

Innovation Day featured a mix of light entertainment and passionate debate. The North Lebanon Fayhah Choir, a winner of the 2005 music contest in Warsaw, Poland, teamed up with local university bands to attract a large audience of mixed ages from all walks of life, as well as diplomats and officials.

In opening remarks, Lebanon’s Minister of Culture, Tarek Mitri stressed the all-important role of Lebanese youth in shaping «good governance.» He said young Lebanese are torn between «despair and fear,» and urged the Government to initiate dialogue with the youth on administrative reform and corruption.

World Bank Lebanon Country Manager Omar Razzaz told the audience that the competition underscored the resourcefulness of young Lebanese, and challenged the youth with questions: «Are today’s youth more able than the war generation to prevent civil strife? Are today’s youth more tolerant than their ancestors and more able to listen to and accept an opposing view? Are today’s youth more immune to corruption and favoritism? If so, the youth have no time to waste in assuming an effective role in governance», Mr. Razzaz concluded.

UNDP Resident Representative Mona Hammam praised LDM 2006 as the second consecutive successful partnership with the World Bank in Beirut.

British Ambassador James Watt said the challenges facing the youth are not unique to Lebanon, but prevalent even in developed countries.

The 13 winners are:

<table>
<thead>
<tr>
<th>Organization / Project Title</th>
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</thead>
<tbody>
<tr>
<td>MASAR: The Age Basket</td>
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<tr>
<td>The National Association for Vocational Training and Social Services: Strengthening the Involvement of the Youth in Community Matters in the Refugee Camps in Lebanon by Conflict Resolution Workshops for Youth Community Workers</td>
</tr>
<tr>
<td>Development Action without Boarders NABA’A: Youth Festival and Human Rights</td>
</tr>
<tr>
<td>05AMAM: Mock Youth Municipal Council in Jabal Akroum, Akkar</td>
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<tr>
<td>Lebanese Physical Handicapped Union: Unlocking Potential for Youth with Disabilities</td>
</tr>
<tr>
<td>Universite Saint Joseph - Faculte des Sciences Economiques: Lebanon’s Youth Internship Databank (Lebanon’s Youth ID)</td>
</tr>
<tr>
<td>Enough Violence and Exploitation (Kafa): Youth Clubs for Gender Equality and Non Violence</td>
</tr>
<tr>
<td>Nahwa Al-Muwatiniya (Na-am): Youth in Action: Public Service Accountability Campaign</td>
</tr>
<tr>
<td>Association for Forest Development and Conversation AFDC: A Common Political Declaration Environment</td>
</tr>
<tr>
<td>Lebanese Association for Youth Centers: Introducing the Youth to their Rights and Duties</td>
</tr>
<tr>
<td>Nahar Ash-Shabab: Youth Shadow Government</td>
</tr>
<tr>
<td>The Group of the UN First Summer School on Conflict Prevention and Transformation: What We Can Do</td>
</tr>
<tr>
<td>Basil Fuleihan Foundation: Basil Fuleihan Innovative Good Governance Award Paper Competition</td>
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</tbody>
</table>

World Bank Awards US$34,000 in Small Grants to Four NGOs

The World Bank Lebanon Office awarded US$34,000 in small grants to four non-governmental organizations in May 2006. The four proposals were selected against a list of pre-established eligibility criteria from a long list of 36 project proposals. Implemented for the sixth consecutive year in Lebanon, the Small Grants Program supports activities that promote dialogue, dissemination and linkages among organizations to foster civic engagement. Civic engagement is defined as: citizen, either individually or as organized groups, interacting with the public sector to strengthen
mechanisms for inclusion, accountability and participation in order to influence development outcomes.

Below is a brief description of the four winning projects.

1- «Women Empowerment» by the Lebanese Association for Development – Al Majmoua – US$5,000

The organization plans to implement a women’s empowerment project aiming at raising the awareness of some 400+ disadvantaged women in various parts of Lebanon on civic issues, rights and engagement possibilities. The sessions will be held in focus groups and general assembly format and will cover the following areas:

- Guidelines to handle basic administrative formalities;
- Guidelines to handle basic juridical formalities;
- Guidelines to handle basic banking formalities;
- Reading of the International Convention on the Rights of the Child;
- Reading of Women’s Rights.

The dissemination of the sessions’ content will also be made available to a wider audience and to a network of active organizations through brochures, handouts, website publishing, etc.

2- «KIDSWAP – School Curricula on Socio-Economic Inequalities and Poverty» by Bassma – US$9,000

Implemented in a number of schools in Lebanon, the project would introduce students to the socio-economic inequalities in Lebanon and to real life poverty examples.

Under the supervision of teachers and social scientists, groups of students will undertake mini social surveys in various poor, middle class and rich neighborhoods to assess and compare the socio-economic situations of different groups using simple questions on nutrition, leisure time, consumption, spending habits, etc. Students will then present the results of their surveys and conclusions to a wider student audience and hold debates to exchange opinions, perceptions and concerns. A tracer survey will be conducted to assess changes in perceptions and approach of the group of students before and after the survey exercise. The whole process will be documented audio-visually and on paper to ensure dissemination to a wider public in more schools and for possible replication.

3- «Life Skill Activities for Children and Youth» by the Lebanese Autism Society – US$10,000

The project aims at decreasing the risk of the marginalization of children and youth with special needs by helping them acquire knowledge and skills that enable them to take part in claiming and protecting their rights and in bringing about positive changes to try to deal with their special needs in a more independent and productive way.

The project will target 30 children and young persons with special needs in Beirut and the suburbs to be identified through active NGOs, as well as through direct contact. Sessions will cover: self-awareness, self esteem, assertiveness, autonomy and self control, problem solving, critical thinking, interpersonal skills and decision making, awareness on rights, needs and capacities, etc. Indirect beneficiaries consisting of the families of the target group will also be engaged in a number of the sessions. Potential employers will also be approached and attempts at job placement made for a number of the beneficiaries.

The project will be implemented in partnership with Shams Cooperative Association for Culture and youth: an organization with extensive experience in the application of interactive teaching techniques including drama, role playing, etc.

4- «Clubs in School – Smoke Free Healthy Schools» by Tobacco Free Initiative – US$10,000

The project aims at engaging the youth in 15 schools to lead small campaigns in tobacco prevention and to promote the enforcement of smoke-free environments in public areas, namely academic institutions.

Students will be coached throughout the project on the planning, preparation, implementation and evaluation of a campaign of activities to be delivered through youth clubs within their schools. Students will attend training sessions covering various areas such as medical, public health, industry, psychological aspects, as well as capacity building sessions. Activities implemented by the students will include: sharing information, raising awareness, engaging different target groups and promoting the enforcement of the application of a legislation banning smoking in public areas. A closing event will be organized towards the end of the next academic year to present and disseminate the various activities conducted by all youth clubs.
Global Monitoring Report 2006: Strengthening Mutual Accountability - Aid, Trade, and Governance (ISBN 0-8213-6477-4). This third edition of the Global Monitoring Report examines the commitments and actions of donors, international financial institutions, and developing countries to implement the Millennium Declaration, signed by 189 countries in 2000. Many countries are off track to meet the Millennium Development Goals, particularly in Africa and South Asia, but new evidence is emerging that higher-quality aid and a better policy environment are accelerating progress in some countries, and that the benefits of this progress are reaching poor families.

This Report takes a closer look at the donors’ 2005 commitments to aid and debt relief, and argues that rigorous, sustained monitoring is needed to ensure that they are met and deliver results, and to prevent the cycle of accumulating unsustainable debt from repeating itself. International financial institutions need to focus on development outcomes rather than inputs, and strengthen their capacity to manage for results in developing countries.

World Development Indicators 2006 (ISBN 0-8213-6470-7). Looking for accurate, up-to-date data on development issues? This indispensable statistical reference allows you to consult over 800 indicators for some 150 economies and 14 country groups in more than 80 tables. It provides a current overview of the most recent data available, as well as important regional data and income group analysis in six thematic chapters: World View, People, Environment, Economy, States and Markets, and Global Links. The CD-ROM editions, available soon, contain 43 years of time series data, covering 1960 to 2004, and offers mapping, charting and data export formats.

Information and Communications for Development 2006: Global Trends and Policies (ISBN 0-8213-6346-8). Information and Communication Technology (ICT) is rapidly evolving, changing rich and poor societies alike. It has become a powerful tool for participating in the global economy and for offering new opportunities for development efforts. ICT can and should advance economic growth and reduce poverty in developing countries. It has been 20 years since the first telephone operator was privatized, a little over 10 years since the World Wide Web emerged, and five years since the telecommunications bubble burst. How have the ICT sector and its role in development evolved? What have we learned? How can we move forward?

Information and Communications for Development 2006: Global Trends and Policies contains lessons from both developed and developing countries. It examines the roles of the public and private sectors, identifying the challenges and the benefits of adopting and expanding ICT use. The Report assesses topics essential to building an information society, including: investment, access, diffusion, and country policies and strategies.

Assessing what has worked, what hasn’t, and why, this Report is an invaluable guide for understanding how to capture the benefits of ICT around the world.

Budget Support as More Effective Aid?: Recent Experiences and Emerging Lessons (ISBN 0-8213-6463-4). Budget support has become an increasingly important instrument in the context of a partnership-based approach to development assistance. Compared to traditional modes of aid delivery, it promises greater country ownership, reduced transaction costs, better donor coordination, scaling up of poverty reduction and potentially greater development effectiveness.

This book presents a timely and valuable review of key concepts, issues, experiences and emerging lessons relevant to budget support. It provides an overview of principal characteristics, expectations and concerns related to budget support, key design and implementation issues, as well as some practical experiences. The contributors include: government representatives from developing countries, leading academic scholars, bilateral development agencies and development practitioners from international financial institutions, including the World Bank and the International Monetary Fund.

The authors present a wide range of views on key issues such as the choice of instruments, alignment of budget support with country programs, predictability, and coordination and conditionality.

The authors also draw on their insightful analysis on the contemporary research and evaluation work, as well as the broad practical experience with budget support.
This book will be of great interest to practitioners in aid-recipient countries and international financial institutions, bilateral agencies and civil organizations involved in budget support.

**Sustaining Gains in Poverty Reduction and Human Development in the Middle East and North Africa** (ISBN No. 0-8213-6527-4 SKU: 16527). The Report provides an overview of trends in income poverty and human development indicators over the last 40 years, and notes that since the mid-1980s, there has been little progress in the poverty situation in the MENA region, although human development indicators have continued to improve. Accelerating poverty reduction and sustaining human development improvements are important challenges for the region in the future.

The future challenge for the MENA region will be obtaining faster growth in a sustainable manner, since growth remains the best guarantee of rapid income poverty reduction. At the same time, the region has to build on its experiences to-date with education, health and social safety net reforms. In particular, the region needs to shift the focus of education policy from quantity to quality, and the focus of health policy towards better serving the poor. More attention must be paid to the consequences of the ongoing demographic transition. Finally, it is important to develop new and more efficient social insurance mechanisms to improve the ability of the poor to cope with adverse shocks that may occur as MENA countries move toward more open economies.

**Health Financing Revisited: A Practitioner’s Guide** (ISBN 0-8213-6585-1). This overview of health financing tools, policies and trends—with a particular focus on challenges facing developing countries—provides the basis for effective policy-making. Analyzing the current global environment, the book discusses health financing goals in the context of both the underlying health, demographic, social, economic, political and demographic analytics, as well as the institutional realities faced by developing countries, and assesses policy options in the context of global evidence, the international aid architecture, cross-sectoral interactions and countries’ macroeconomic frameworks and overall development plans.

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