

## **Donor Coordination and External Assistance Briefing Note for the Core Group Meeting**

**Paris - January 25, 2007**

### **Total External Assistance to Date**

The pledges and commitments made prior and during the Stockholm conference, including soft loans for reconstruction, together with some reallocation of funds from existing investment loans are likely to cover the estimated direct cost of early recovery and reconstruction, except for a remaining gap for housing compensation<sup>1</sup>. Table 1, below describes total external assistance to Lebanon to date, including the Stockholm pledges.

1. Total pledges for relief, reconstruction and recovery since the beginning of the Israeli War have reached over \$2,000 million.
2. The majority of donors have indicated the channel(s) they will be utilizing to fulfill their commitments. To date, the Donor Coordination Secretariat at the Ministry of Finance has information regarding \$1,678 million worth of aid.
  - a. The Government of Lebanon is expected to receive the largest percentage of aid, estimated at \$1,144 million. The majority of these funds are allocated to housing and will be in joint accounts between the government and the donor. Some of the donations (approximately \$18.5 million) are in-kind gifts (e.g., equipment and prefabricated housing and schools). Donors selecting this channel include Saudi Arabia, Kuwait, World Bank, Oman, Iraq, UAE (partial), Arab Fund for Economic and Social Development, U.S. (partial), France, Turkey, Egypt, China, Slovakia (partial), Jordan, Bahrain, Mr. Nassar Al-Khurafi, Egypt, Indonesia, Yemen, and other individual donors.
  - b. Some donors have chosen to directly reach the beneficiaries through either sponsoring projects such as bridges or through the distribution of services or funds to the end beneficiaries. These donors include Qatar, UAE (partial), European Commission, U.S., Germany, Italy (partial), Korea, and Iran and total approximately \$319 million.
  - c. Over \$200 million worth of pledges are expected to be channeled through the various United Nations agencies and NGOs. These funds include pledges by EC-ECHO, U.S. (partial), Italy (partial), France (partial), Sweden (partial), Australia, Netherlands, Belgium, Japan, Finland, Ireland, Slovakia (partial), Austria, Brazil, New Zealand, Ireland, Canada, and OPEC.

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<sup>1</sup> The magnitude of this gap will depend on final estimates for housing compensation payments and the utilization of grants provided by Gulf Countries, in particular Saudi Arabia (US\$570 million), Kuwait (US\$315 million), Qatar (US\$300 million), Oman (US\$50 million), Iraq (US\$35 million) and UAE (in an amount to be determined). This excludes grants provided in kind, relief aid and humanitarian assistance, grants provided to NGOs and the private sector, grants for technical assistance and security, and donors' administration costs.

- d. The Lebanon Recovery Fund (set-up in collaboration with the UNDG) is another channel used by donors. A total of \$16 million has been received from Sweden, Spain and Romania.
3. Of the total pledges, \$1,572 million have been committed through a signed agreement or through a firm indication of allocation of funds.
4. It is estimated that of the total \$1,572 committed, \$899 has been fulfilled. The fulfillment of the pledges has taken various forms including technical assistance, in-kind contributions and cash. The above mentioned channels (NGOs, multilaterals, the Lebanon Recovery Fund, directly to beneficiaries or to the government of Lebanon) are being utilized.
5. The government has received a total of \$662 million, the bulk of which has been through separate accounts, each under the name of the High Relief Council and the donor's name. Donors who have deposited their contribution are Saudi Arabia, Iraq, Kuwait, Arab Fund for Economic and Social Development, UAE, Kuwait Fund for Arab Economic Development, Indonesia and numerous individual and corporate donors.

### Non-grant Aid

In addition to the above pledges, donors have supported Lebanon through deposits at the Central Bank and subsidized loans.

6. Saudi Arabia and Kuwait supported the Lebanese financial system through depositing \$1,000 million and \$500 million respectively in the Central Bank.
7. In addition to grants, \$120.3 million is in loans from the Arab Fund for Economic and Social Development (\$103.7 million) and France (\$16.6 million). AFESD has signed an agreement with CDR detailing the terms of the loan and its uses. The French loan is a reconfirmation of a loan facility agreed to prior to the war but has not been withdrawn yet.

### Donor Coordination and Monitoring Mechanisms

The government has established a number of mechanisms to ensure transparency and accountability with respect to the use of donor funds. These include a special account opened for each donor with the BdL specifying use of funds, and a UNDG Multi-Donor Trust Fund to be managed by UNDP. The Fund could be used by donors that have expressed a preference to channel their post-war assistance through UN agencies, allowing them to sponsor a project directly (such as rebuilding bridges, schools, hospitals and villages). The Council for Development and Reconstruction (CDR) will be responsible for funds allocated to reconstruction projects that it carries out, in compliance with donor requirements.

The government recognizes the need to strengthen its governance and public accountability structures to enhance utilization of donor financing and the effectiveness and credibility of its implementing agencies. Implementation has suffered from delays due to the low capacity in line ministries, and the resulting overload on CDR, which may be one of the few agencies capable of leading on implementation, given its autonomous structure and overarching executive mandate. To enhance CDR's capacity to undertake the above role, the government has embarked on a series of measures that include strengthening CDR's procurement, financial management and legal functions, and streamlining its related internal processes. The government also intends to

expedite the completion of the new public procurement law with the related decrees and implementation tools to be effectively deployed by mid-2007.

To improve aid coordination and harmonization, and the allocation of donor support to priority projects and programs, the government is putting in place a unified system of data collection and reporting. A Development Assistance Database (DAD) is being established at the Prime Minister Office (PMO), with support from UNDP, while the Ministry of Finance (MOF) is establishing a transactional information system to monitor financial flows, with support from the World Bank. Both systems will be integrated and expanded into a unified system based at MOF that will also cover external assistance and government counterpart budget funds that finance the public investment program. MOF has established a donor coordination secretariat to support the implementation and maintenance of the system. The secretariat, which includes representatives from the PMO, MOF and CDR, meets regularly to ensure close coordination on all donor affairs.



**Table 1: External Aid Details**

Donor	Contribution Type		Grant Amount Pledged - in US\$ million equivalent	Loan Amount Pledged - in US\$ million equivalent	Committed - in US\$ million equivalent	Paid-in commitments	Fulfilled commitment (received by government or by other agencies)	Level of Grant Earmarking		Recipient of the Grant					Description of Grant financing
	In-Kind	Cash						Sector-specific	Balance non-earmarked	NGOs	UNDG Trust Fund	UN Agencies	Direct Beneficiaries	CoL	
Saudi Arabia		yes	60.00		60.00	60.00	60.00	no	yes					60.0	\$350 Million housing-associated infrastructure. Approximately US\$75 mil. roads, \$15 mil. Bridges, \$15 mil. schools, \$45 mil. contingencies
Saudi Arabia		yes	440.00		440.00	440.00	440.00	yes						440.0	
Saudi Arabia		yes	20.00		20.00	20.00	20.00	yes						20.0	Education fees
Saudi Arabia		yes	50.00		50.00	50	50	Relief						50.00	Humanitarian
Kuwait		yes	300.00		300.00			Housing, Water, infrastructure						300.00	\$200 M housing, \$100M infrastructure. The allocation is not yet final.
Kuwait		yes	15.00		15.00	15	15	Relief						15.00	Humanitarian
Qatar		yes	300.00		125.00		36.00	Housing					125.00		Qatar has opened an office to disburse payments directly to rebuild homes in the south. Provides monthly report on progress. As of Nov 30, total spent was US\$36.3 million, \$34.7 million on housing compensation. Total value of compensation is expected to be \$125 million



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AFESD		yes	10.38		10.38	10.38	10.38	no	yes					10	3M KD a grant to support the Recovery Needs. The Grant Agreement was signed on 12 September 2006, and sent and sent to the Council of Ministers for approval & issue of Decree
AFESD		yes		104				yes							- 30 M KD a Soft Loan( 3% interest rate with 10 years Grace & 20years Repayment Duration), for Reconstruction of Damages in 3 Sectors: Transportation 70% of the amount of the Loan, Electricity 10% , Water 10% & contingency10%. The loan Agreement was signed
IBRD		yes	70.00		70.00			municipal-water-energy-private sector						70	Tentative: \$30 million affected municipalities; \$15 million Bekaa water-power sector; \$15 million TA-IFC support to private sector; \$5 million power sector; \$5 million flexible still
IBRD		yes	1.03		1.03			Financial Monitoring						1.03	To improve reporting and monitoring of funds from donors
UAE		yes	70.00		70		70	health/ education					70		Not yet determined. Fixed public schools in the south (7 heavy damage, 59 light damage and 70 minor damage) and 64 private schools. UAE has committed to build villages in the south in the amount of US\$100 million, additionally, the are in discussions with Ministry of Health to provide equipment and build needed hospital worth \$30 million.



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UAE		yes	14.90		14.90	14.9	14.9	Schools						14.9	Schools
EC	yes	yes	72.62		14.014			Ministry of Interior - SME	yes				42		Most of the funds are reconfirmation of committed funds and technical assistance. Of the reallocated funds, Euro 10 million in technical assistance, Euro 11 million in repatriation of 3rd party nationals. Euro 14 million for "support for reform program" Euro 30 increase is new money which is expected to be in 2007 - 2009 budget.
EC-ECHO	yes	yes	38.22		25.48		25.48	no	yes	38.22					Humanitarian
US		yes	53.40		43.10			transport-environment-housing-education					53.4		Part of \$230 million pledge (\$90 million for security and \$86 million humanitarian) mudeirij bridge (\$28.9)-oil spill (\$6)-homes (\$1.2)-Schools (\$7.00) Balance early 2007 (\$10.3)
US		yes	86.53		86.53		86.53	Relief		62.33		15	9.20	Humanitarian Assistance as per USAID Situation Report Nov 3, 2006	
Germany		yes	12.74		12.74			Education, Electricity, Water					12.74		MOU signed with CDR: Education: Technical & Vocational \$4,000,000 Electricity: \$5,000,000 Water: \$4,000,000



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Germany		yes	38.22						yes						2007
Oman			50.00		50				yes					50	Draft Agreement sent to Council of Ministers for approval
Italy		yes	38.22		38			Bridges		19.11		12.74	6.37		15 M euro will be implemented via Italian NGOs, 10M euro for UN Agencies, 5M euro for rebuilding Sofar Bridge. Agreement signed
Iraq		yes	35.00			35.00		Housing						35.00	Adopted village(s)
Spain		yes	34.40		5		5				5				Only Euro 10 million are expected in 2006, the remaining in the future
France		yes	8.05		6.05			Security, education, defense	yes	2		2		2.05	2.05 million Euro for civil security 1.5 million Euro for 9 NGOs for decentralization (2007) 0.5 million Euro for NGOs (2006) 1.5 million Euro for building public libraries in the south and north Bekaa 1 million yet to be determined from the MAE 0.06 million Euro for the shores 0.16 million Euro for the shores Ministry of defense - TBD Ministry of Agriculture - TBD
France		yes		16.56											An existing loan not withdrawn



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Sweden		yes	20.00		17		17				10.00	7.00			\$10 will be deposited in the UNDG Fund, \$7 million UNDP on projects to be executed in Lebanon
Australia			1.54		1.54		1.54					1.54			The money will be received by the UNDP before the end of 2006 as they are finalizing internal issues.
Australia			15.00		7.5							7.50			7.5 million unallocated "for long term reconstruction in Lebanon when needs and priorities become clearer"
Turkey	yes		10.00		10		10							10.00	Prefabricated schools (already sent 3 units from a total of 60) and two mobile hospitals
Kuwait Fund for Arab Economic Development		yes	7.00		7	7	7	no						7.00	
Netherlands		yes	7.64		7.01			De-mining, water and sanitation	yes			6.37			Euro 1,000,000 to UNICEF for water and sanitation. Euro 4,000,000 to UNMAS for mine clearance. Euro 500,000 TBD



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Belgium		yes	6.37		2.55		2.55		yes	2.55					Minimum contribution Euro 5 million: Euro 2 million old contribution (1 million CICR-500,000 UNRWA- 500,000 PAM/logistics) funds to be transferred directly to those NGOs once conventions are signed. No decisions taken for remaining Euro 3 million (whether NGO, trust fund etc.) considering a waster water project in the South.
Egypt	yes		6.00		6.00		6.00	Electricity						6	Will send equipment for electricity to Ministry of Electricity
Japan			5.00		2.90		2.9	De-mining				2.9			2,000,000: Social & economic empowerment of mine-affected communities thru UNDP and UNMAS 3,000,000: international organization also
Republic of Korea		yes	5.00					Education					5		South Korea mission is reviewing a CDR project proposal (of 5 MUS\$ estimated cost) for the construction of 3 schools (Tebnin, Fekha, & Britel)
Finland			3.82					Health, de-mining				3.82			Focus of the projects will be on Mines and UXOs and the health sector and it will probably channeled through U.N. agencies. They are doing their best to close the discussions as soon as possible.
Greece			3.19												Will finance projects, recommended discussing with CDR
Denmark			3.00												



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China	yes		2.53		2.53									2.53	The Council of Ministers Decision No.47 dated 09/11/2006 approved the China Grant of 20 M Yuan and authorized the CDR President to sign the Grant Agreement. Equipment.
UK			2.28												Part of a total 22.3 million pounds including UN Emergency Response Fund. All committed to water and sanitation, health and medical care, disposal of mines, emergency shelters, restoration of livelihoods and bridging. (Steel Bridges)
UK		yes	17.72		17.72			Relief							Total contribution is estimated at \$40 million, which includes UK's EU contribution
China	yes	yes	1.27					Pales-tinian Refugees, MOFA							5 million for reintegration for Palestinian Refugees in Lebanon, 5 million for Equipment for MFA (Ministry of Foreign Affaires), possible solar energy project with Ministry of Energy
Poland	yes		1.27		1.27		1.27	Pre-fab housing							Humanitarian Aid, medical equipment and took 33 Lebanese children to "recovery holiday" in Poland
Ireland		yes	1.27		1.27					1.27					Amount pledged will be disbursed directly to Irish Aid partners' agencies and NGOs. Specific partners are not determined yet. Decision will be made later in the month upon receipt of funding proposals / clarifications



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Romania			0.64		0.5		0.5				0.5				
Slovakia	yes	yes	0.56		0.56		0.56	yes		0.034				0.41	Euro 107,000 to Higher Relief Committee in Aug 06 (relief materials), Euro 26,500 to local NGO from Slovak NGO Sept-Oct 06 (distribution of materials to South Lebanon), Euro 311,200 to HRC (materials) presently being disbursed.
Austria		yes	0.51		0.51		0.51			0.51					1. International Red Cross: Euro 325,000 via Vienna or Geneva 2. Caritas: Euro 87,500 3. Hilfswerk (German NGO): Euro 87,500
Brazil		yes	0.50		0.5		0.50					0.50			Received
New Zealand		yes	0.46		0.46		0.46	yes				0.46			Funds have already been transferred to UNICEF for their use in southern Lebanon.
Czech Republic			0.36												Ministry of Foreign Affairs of the Czech Republic is in the process of the identification of these projects
Czech Republic		yes	0.98		0.98		0.98	Relief		0.98					Immediate recovery and relief
Iceland		yes	0.34		0.34		0.34	yes		0.158		0.2			1. USD 29000 - World Council of Churches (ACT). 2. USD 129000 - International Red Cross. 3. USD 100000 - World Food Program. 4. USD 100000 - WHO



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Luxemburg			0.19				0								
Bulgaria			0.13				0								Still waiting for a decision from the Council of Ministers which has no expected date yet.
Cyprus		yes	0.10				0	Education							In early Oct., the Cypriot Council of ministers approved the scholarship aid for technical training.
Malta			0.03				0								
Estonia			0.03				0								
Canada		yes	11.60		3.3		3.30	Mines, Palestinian refugee camps, unemployment, de-mining		0.39		2.90			Still unallocated US CAN 4,200,000 for unemployment USCAN 3 million for mines
Canada		yes	9.35		9.35		9.35	Immediate needs		4.90		4			Humanitarian as per spreadsheet from donor
Iran	yes		4.00		4.00			Educations, infrastructure					4.00		Tentative - Iran is building 71 schools in the Dahia and Bekaa and working on 7 bridges (with the Ministry of Public Works - value of bridge reconstruction is \$4.5 million). Grant Approved By Government Decision. MOU signed with Ministry of Public Works.
Jordan		yes	7.91					Housing						7.91	Adopted village(s)
Kuwait Private		yes	6.03					Housing						6.03	Adopted village(s)
Bahrain		yes	5.00					Housing						5.00	Adopted village(s)



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Nasser Al-Kourafi		yes	3.65					Housing						3.65	Adopted village(s)
Syria		yes						Housing							Tentative - Adopted village(s)
Egypt		yes	7.50					Housing						7.50	Adopted village(s)
Indonesia		yes	1.00		1	1	1	Housing						1.00	For housing
Yemen		yes	1.30					Housing						1.30	Adopted village(s)
OPEC		yes	0.20		0.2		0.2	Environment				0.2			Adopted village(s)
Other donors and individuals		yes	8.40		8.40	8.40		Relief						8.40	Humanitarian Assistance sent by individuals and organizations to the gov.
<b>Total</b>			<b>2,009</b>	<b>120</b>	<b>1,572</b>	<b>662</b>	<b>899</b>			<b>132</b>	<b>16</b>	<b>68</b>	<b>319</b>	<b>1,144</b>	

**Deposits at the Central Bank**

Saudi Arabia		yes				1,000									
Kuwait		yes				500									