

GOVERNMENT OF LEBANON

PROJECT BUDGET LEB/01/001

Project Title: Institutional Assistance for Economic Policy and Trade

Start Year: 2001
 End Year: 2003
 Executing Agent: NEX - Ministry of Economy and Trade
 Implementing Agent: NEX - National Execution
 Revision Type: - UNDP-IPF / TRAC - (Trac 1.1.1 &

Budget Financing (in US\$)	
INPUTS	REV "A"
UNDP	
01-UNDP-IPF / TRAC - (Trac 1.1.1	60,000
Cost Sharing Government	2,307,691
Country Office Admin. Costs:	92,309
TOTAL	2,460,000
Other - UNDP	60,000
GRAND TOTAL	2,520,000

Brief Description:

Republic of Lebanon
 Office of the Minister of State for Administrative Reform
 Center for Public Sector Projects and Studies
 (C.P.S.P.S.)

الجمهورية اللبنانية
 مكتب وزير الدولة لشؤون التنمية الإدارية
 مركز مشاريع ودراسات القطاع العام

Approved by:	Signature:	Date:	Name/Title:
UNDP:		2 February 2001	Yves de San UNDP Resident Representative
Executing Agent:		2 February 2001	Basil Fuleihan Minister of Economy and Trade
Government:		13 February 2001	President EDR

UNITED NATIONS DEVELOPMENT PROGRAMME

Project of the Government of

LEBANON

PROJECT DOCUMENT

Project Number: LEB/01/001
Project Title: Institutional Assistance for Economic Policy and Trade

Duration: 2.5 years
Project Site: Ministry of Economy and Trade

Government Sector and sub sector: Economy and Trade
Executing agency: Ministry of Economy and Trade
Cooperating or associated agency:
Estimated starting date: February 2001
Duration: May 2003

Brief Description:

The objective of this project is to strengthen the institutional capacities of the Ministry of Economy and Trade (MOET) with respect to economic policy formulation, public sector management and control, private sector development and other related matters falling within the competences of the Ministry.

The project would have two main components: (a). An Economic Policy Component charged with providing advise to the Minister on economic policy issues particularly in the areas of business sector competitiveness, consumer protection, insurance sector monitoring and control and real sector policy issues necessary for promoting SME activity; (b) A Trade Policy Component that will consolidate MOET's ad hoc efforts and initiatives to promote and increase the efficiency of trade in Lebanon and to respond to global trade requirements including expediting and facilitating the process of accession to WTO and EU.

The project would provide the mechanism to assist the Ministry in absorbing and facilitating the implementation of technical assistance in both of the components. Assistance would be in the form of consultants' services, training and equipment including computer equipment for the adoption of modern information technology.

A. Context

I. Description of subsector

Since 1992, the focus of the Government has been on regaining public confidence in the economic future of Lebanon through macroeconomic stability and a significant reduction in inflation, while embarking on a major rehabilitation and reconstruction program. Immediately after the end of the hostilities, the economy's performance improved. Real GDP grew by 29% in 1991, the average rate of inflation dropped from 70 to 50 percent, the exchange rate appreciated, and large inflows of foreign capital facilitated the financing of the fiscal deficit and contributed to a balance of payments surplus of \$1.2 billion.

As the Government-led reconstruction program got underway and with the normalization of the economic environment, real economic growth averaged 5.7% over the period from 1992 to 1997. However, the Government's efforts at improving monetary stability and its focus on large-scale reconstruction projects were at the cost of increased budget deficit leading to increased public borrowings. For the years ended December 31, 1998 and December 31, 1999, the budget deficit represented approximately 13.8% and 14.5% respectively of GDP. Net public debt represented approximately 105% of GDP as at end December 1998.

In 1999, according to official data published by the national authorities, economic growth slowed to 1 percent falling short of the planned target of 2 percent. On the other hand, the year 1999 was characterized by continued stability of the Lebanese pound and by a further decrease of annual inflation to a very low level of 1 percent. There was a marked decrease in interest rates on Treasury Bills in the third quarter particularly on longer-term maturities.

In an effort to revitalize the economy and improve competitiveness, the Parliament in May 2000, adopted a privatization law, which sets the framework for the privatization of state owned enterprises. It is expected that the privatization process will result in significant economic benefits including a reduction in public debt levels, an increase in capital inflows, the acquisition of new technology and a broadening of the domestic market.

The External Sector

Lebanon has always been a predominantly importing country and is characterized by large trade deficits. The reconstruction policies undertaken by the successive postwar governments were not able to substantially lift the export performance of the industrial sector. Trade deficits have risen over the past 5 years as imports of materials for reconstruction have also risen. The trade balance recorded a deficit of approximately US\$ 6,399 million for the year ended December 31, 1998 and a deficit of approximately US\$ 5,529 million for the years ended December 31, 1999.

In the past three years, the Government has been active in pursuing its goal to join global and regional trade organizations and enhance its market potential. In that respect, Lebanon applied for membership to the World Trade Organization (WTO) and was granted observer status in April 1999. It also started its negotiations with the European Union beginning November 1995 for the conclusion of an Association Agreement in the context of the Euro-Mediterranean Partnership aiming at establishing a free-trade area in the Mediterranean region by the year 2010. In addition, the Government's trade agenda includes liberalizing trade within the Arab Free Trade Area as well as concluding and implementing a series of bilateral trade agreements with other Arab countries.

2. Host Country Strategy

The new Government's policy agenda will focus on achieving economic growth and enhancing revenue collection, given the limitations inherent in reducing the budget deficit through a reduction in public spending. In support of the above strategy, the Government will implement the following measures:

- The Government will develop and implement a privatization program with special emphasis to be given to the privatization of the telecommunication and electricity sectors.
- The Government will strive to modernize and rationalize the legislative and regulatory framework, as it is cognizant of the major constraints on economic growth and development imposed by the existing regulatory framework.
- The Government will implement a comprehensive strategy for trade liberalization and will implement policies that would maintain openness in the economy and further liberalize trade with the European Union, the Arab countries and facilitate accession to the WTO. Towards this end, the Government in November adopted an across the board reduction in customs duties, approved an open skies policy and passed a decree to simplify customs procedures and controls.

Indeed, the implementation of the Government's privatization program and the successful realization of the EU Association Agreement and the WTO Accession will be contingent on the establishment of an effective competition and regulatory institutions. Hence, the Government will aim at strengthening the regulatory functions and provide an institutional framework to implement anti-monopoly policies.

In tandem with the above, the Government will strive to provide support to the private commercial sector as a means to both improving the competitiveness and increasing the productive capacities of the Lebanese businesses in particular small and medium sized enterprises (SMEs) to contribute to the economic recovery and growth of the country. It will also seek to develop the high tech sector and stimulate the IT entrepreneurship by providing a supportive environment for the promotion of IT activities.

Most relevantly, the Government will endeavor to create an effective public/private sector partnership by establishing sound working relationships with business,

industrial and professional organizations and non-government organizations. It will encourage increased dialogue between the public institutions and the civil society and seek to raise public awareness and understanding on several key issues through education and information.

In light of the Government's overall objectives, the Ministry of Economy and Trade will implement the following strategies:

In the area of trade policy: The MOET is to improve the trade information base and modernize the trade infrastructure by simplifying the trade process and promoting the electronic transfer of trade related information. Moreover, in view of the importance of accession to WTO and of joining the Euro-Mediterranean Free Trade, the MOET will focus on building the institutional capacities of its trade department for the implementation of negotiations including coordination of assistance and support.

In the area of insurance sector: The MOET will focus on three main objectives that will establish the conditions for the development of an adequately capitalized and competitive industry while at the same time providing for the highest quality services at the best available prices for consumers. First, reorganizing the functions within the Ministry. Second, developing new laws and regulations needed to efficiently regulate the insurance sector. And third, consolidating the institutional capacities for efficient sector supervision through the adoption of modern control procedures by the Insurance Control Commission.

In the area of competition regulation: MOET will provide the institutional framework to implement anti-monopoly policies that are coherent with the EU Association Agreement, WTO Accession and other open trade agreements. It will introduce new legislation that promotes competition and favors private sector innovation and investment. The MOET will be drafting the new competition policy and law and will consider various institutional arrangements for competition regulation.

In the area of consumer protection: Modernization, reorganization and strengthening of the consumer protection function that would lead to improvements in the delivery of services to consumers and small businesses is a high priority for the MOET. The reorganization could include fundamental reform such as the separation of the function to a semi-autonomous Consumer Protection Agency, with improved capacity and performance and more explicit levels of responsibility and accountability. Indeed, the ability to monitor and enforce quality and safety standards will become especially important as Lebanon accedes to international agreements on progressively more open trading arrangements.

In the area of real sector growth: The MOET will aim at strengthening the partnership of the Ministry with the private sector by formulating an effective coordination network and increasing collaboration on several key issues particularly WTO and consumer protection. Moreover, MOET will strengthen the institutional framework for SME's and explore ways to increase their participation in international trade by helping them address specific barriers to develop and export effectively. It will also promote electronic commerce, provide incentives for growth

in the IT sector and set up the appropriate framework for the establishment of business incubators and start-up financing schemes.

3. Prior or on going assistance

- UNDP has provided assistance to the Ministry of Economy and Trade in the context of a regional programme to “Support Arab States in their Pursuit of Economic and Social Reform and Multi-Lateral Economic Cooperation”, which has provided seed support for the inception of this project. Other initiatives supported by UNDP in this context include market studies of key productive industries for Lebanon within the context of a regional Market, notably the pharmaceutical and agro-food industries.
- In 1995, a technical cooperation program for the development of trade information services in Lebanon was launched, jointly by UNDP (LEB/94/005) and the Government of Lebanon, with technical assistance of the International Trade Center UNCTAD/WTO. The project aimed at the establishment of a Trade Information Center to support the expansion and diversification of exports as well as the optimal management of imports with a view to promote and sustain national trade development strategy.

The project laid out the foundations for a national trade infrastructure and stimulated a culture of trade information that was critically missing. Thus, in that sense, the Center succeeded in achieving a positive impact on its users in the public and private sector thereby reflecting positively on the relations of the Ministry with the trade community. However, due to the project's inability to achieve sustainability and mobilize sufficient funds, most of the Project's defined objectives and activities could not be achieved.

- In July 1998, a Trade Efficiency project funded under the Administrative Rehabilitation Project World Bank Loan Agreement No. 3930-LE was launched through a consultancy aimed at reviewing the current situation and providing recommendations for a more efficient trading system in Lebanon. The appointed consultant analyzed the existing system, in coordination with both the public and private sectors, and defined a trade process reform program, which encompassed several recommendations. The work was completed in May 1999 with a workshop that highlighted the major steps required to implement the program in addition to the documentation of the functional specifications of a Trade Information System.

The MOET will work closely with the World Bank and OMSAR to integrate some of the recommendations emanating from the above consultancy within the UNDP project framework.

- In August 1999, the Ministry of Economy and Trade agreed to host a Trade Point in the Trade Information Center. The Trade Point, which is a trade information and facilitation center, is an UNCTAD initiated concept. Lebanon is currently in the feasibility stage of the Trade Point acceptance process and is planning to move to the developmental stage subject to becoming fully operational. In the meantime, several activities have to be

performed and measures taken before the operational status of the Lebanese Trade Point is recognized by UNCTAD. For that purpose, the Government is expected to request from UNCTAD technical assistance for the establishment and launching of the Trade Point initiative.

- UNCTAD technical cooperation programs are currently providing support to the Ministry in its preparations to negotiate Lebanon's accession to WTO and EU. UNCTAD, in collaboration with UNESCWA, organized a workshop on Lebanon's accession to WTO and EU, for the public and private sector, in June 2000. UNCTAD is also offering to assist the Government in the finalization of the Memorandum of the Foreign Trade Regime and seminars on Agriculture and Sanitary and Phyto-sanitary Services and to provide advisory services on Technical Barriers to Trade.
- USAID is undertaking a technical assistance project for Lebanon's accession to the WTO. The main objective of this project are to (1) assist Lebanon in completing all initial work necessary to engage in the first round of multilateral negotiations, and mainly Lebanon's WTO Accession Master Plan and the Memorandum on the foreign trade regime and its annexes, (2) build the institutional capacity for negotiating accession and (3) build private sector and political support for WTO accession. It is expected that the technical assistance will be extended until the end of year 2001.
- A Terms of Reference for a World Bank financed consultancy (4 months) was prepared in 1999. The scope of this consultancy was to review the existing laws and policies on competition, prepare a competition policy paper and draft competition legislation and decrees and outline the TOR for the establishment of a competition regulatory agency. Firms were invited to bid for this consultancy but insufficient funds to cover the contract cost have suspended the procurement process. The Ministry is awaiting confirmation on status of the consultancy.
- The European Union in the context of the EU-financed program of Assistance to the Rehabilitation of the Lebanese Administration (ARLA) is assisting the MOET in the area of trade policy, consumer protection and competition. Terms of References for two Immediate Assistance Packages (IAP) have been prepared, one for the reform of the consumer protection functions at the MOET and the second for the assessment of the trade policy requirements of the Ministry. In addition, two Management Support Consultancies (MSC) addressing capacity building needs in the areas of consumer protection/competition policy and trade policy were designed. Discussions are currently underway with OMSAR and EU to determine the final structure and content of the designed projects and their terms of references.
- The EC sponsored Investment Planning Programme (IPP) for Lebanon has allocated funds for a Management Support Consultancy to provide direct support to the Privatization Unit to be established pursuant to the privatization law and assist in the design and implementation of a privatization program. It has been determined that the privatization assistance

will be provided to the MOET which will initially be charged with coordinating the privatization program. The French firm SODETEG has recently won the bid to provide the consultancy services for the activities falling within the scope of this MSC and project initiation and preparatory activities are currently underway.

- The IFC/World Bank has allocated funds to finance a project for the review and reform of the legal and regulatory framework for the insurance sector in Lebanon. The project will also include a review of the organization as well as the inspection and intervention powers of the Insurance Control Commission including the assessment of its IT systems needs, training needs, reporting requirements and accounting standards. A Canadian consultancy firm has been selected for this assignment and the experts are expected to be fielded early next year.
- UNIDO's Integrated Programme for Lebanon includes three subcomponents in which the MOET is acting as the direct/indirect beneficiary and counterpart. Sub Component (SC) 1.3 will cover streamlining of the consumer protection system and upgrading of quality control capabilities. SC 1.4 will offer recommendations for the establishment of an Accreditation Body and the setting up of a management system and a business plan for this new entity. SC 2.3 will among other activities assist in strengthening the capacity of the institutions in charge of food inspection including the Consumer Protection Department and in strengthening the national coordination framework for food inspection. The MOET will have to ensure that the issues addressed by these subcomponents fit within the overall framework of the consumer protection strategy of the Ministry and are complementary with the ongoing initiatives in this area.
- Beginning of year 2001, a 30-month program on industrial modernization in Lebanon will be launched with the contribution of the European Union. It will aim at enhancing the capacity of the Lebanese industry, in particular SME's, to contribute to the economic recovery and growth of the country in order to facilitate the successful insertion of Lebanon into the Euro-Mediterranean Free Trade Area by year 2010. The MOET through its representation on the Project's Steering Committee will ensure the coherence of the industrial modernization objectives with the overall trade promotion strategies to be implemented by MOET.

4. Institutional framework for sub sector

4.1. Functions of the Ministry of Economy and Trade

According to Decree No. 6821 of 28 December 1973, the Ministry of Economy and Trade has the following Mandate:

1. Conduct macroeconomic policy analysis including putting forward economic policy recommendations, following up on economy trends and assessing economic consequences of monetary, fiscal and trade policies.

2. Regulate and take necessary measures for the strengthening of domestic commerce.
3. Negotiate and implement international trade agreements.
4. Ensure consumer protection including the setting up of weights and standards specifications, prevention of fraud and over pricing, metrology and quality control on jewelry.
5. Protect intellectual property rights encompassing commercial, industrial, technical, literary and artistic proprietary rights.
6. License, regulate, supervise and control the insurance industry.
7. Improve the competitiveness of Lebanese firms in all sectors and take measures to achieve business competition at the widest scope.
8. Propose economic sector policies and initiate appropriate sector legislation.

4.2. Current Organizational Structure of the MOET

The MOET is composed of two General Directorates:

- I. The General Directorate of Cereals and Sugar Beet
- II. The General Directorate of Economy and Trade which comprises 5 Directorates and the Regional Offices:
 1. The Consumer Protection Directorate comprises 4 departments in addition to the Technical Office for Prices:
 - a. Prices and Monopoly
 - b. Weights and Measures
 - c. Gold and Jewelry
 - d. Fraud Prevention
 2. The Directorate of Insurance Affairs comprises 2 departments:
 - a. Insurance Affairs
 - b. Control on Insurance Companies
 3. The Trade Directorate comprises 3 departments in addition to the Trade Information Center:
 - a. Companies
 - b. Foreign Trade
 - c. Fairs and Exhibitions
 4. The Intellectual Property Directorate
 5. The Administrative Affairs Directorate comprises 4 departments:
 - a. Financial Affairs
 - b. Legal
 - c. Administrative and Personnel
 - d. Complaints Follow-up
 6. The Regional Directorates

In addition, there is the Insurance Control Commission which reports directly to the Minister, and there are two councils attached to the Ministry: the Higher Council for Economy and the National Council for Insurance Bodies.

As the case with most government institutions in Lebanon, MOET is lacking the technical capacity for high-level policy analysis and formulation. The Ministry is

operating with inadequate number of qualified personnel especially higher level and technical support staff. The average age among personnel is relatively high (50 years for civil servants) and there is very little injection of new blood and skills. This is due to the difficulty in attracting qualified new staff as a result of the current low salary scales and budgetary constraints. Moreover, the current legislation relative to the cadre of the Ministry provides for far too many low skilled employees, such as secretaries, ushers and too few positions for qualified staff (economists, lawyers, policy analysts, etc).

The Ministry is also suffering from lack of basic office equipment and computers, lack of training for the past 20 years and lack of adequate lab equipment for various types of testing.

Aside from the institutional capacity constraints, the Ministry is suffering from a flood of various technical assistance projects without appropriate coherence in roles and objectives. In order to avoid gaps, duplications and inconsistencies between potential or on-going projects, it is crucial that a proper coordination mechanism be established that will provide for appropriate monitoring, information sharing and follow up procedures. Any future intervention will have to be coordinated with the ongoing efforts thus ensuring the coherence of all projects objectives with that of the Ministry.

B. Project Justification

1. Problems to be addressed; the present situation

MOET's institutional constraints are described below:

Trade Information Center

The Trade Information Center established in 1994 has been able to assist the Ministry by laying down the foundation of a national trade information infrastructure. However, the Center is currently understaffed (three permanent staff members including the head of the Center) and has been able to provide a reactive rather than a proactive assistance limited only to information on Lebanese trade. The scope and prerogatives of the Center are too wide and their definition too loose which has negatively affected the focus of its activities and scattered its staff's energy. In addition, the lack of funds (only USD 500,000 available since the creation of the TIC) has created problems in terms of hiring enough staff with attractive packages, developing new activities, strengthening the relations with potential users and other trade centers in the world, and increasing the number of seminars and workshops attended.

At present, the TIC presents very limited value added to the trading community. Its restricted resources prevent it from conducting thorough research and extensive studies as it uses sources of information that is accessible to all interested parties. Thus with time, the activities currently performed by the Center may become redundant and it will become increasingly difficult to raise funds to ensure the sustainability of the project.

The unavailability of updated and other reliable data on foreign markets and local export supply has impeded the Government and other concerned authorities to have sound elements for the formulation of policy and the planning of export promotion and support initiatives. This represents a serious handicap for the attainment of the objective of trade expansion and diversification.

The establishment of a Trade Point under the umbrella of the TIC will give the Center specific and well defined targets towards which they will work and will provide it with access to advice, guidance, technical as well as financial support from UNCTAD. The successful operation of a Trade Point will act as the driver for reactivating the role of the Center as a proactive information provider and a catalyst for the mobilization of resources necessary to ensure the long-term sustainability of the project.

Trade Department

The MOET is responsible for proposing and developing trade policies and trade related legislation, assessing the impact of trade policies, and the negotiation and implementation of multilateral and bilateral trade agreements. However, MOET has virtually no institutional capacity to efficiently perform its task of policy trade formulation especially in view of the Government's current trade agenda. Hence, it is proving to be increasingly difficult for Government to carry on with the negotiations of the various multilateral and bilateral trade agreements.

The major impediments facing the Ministry in this area are:

1. Staff lacking the appropriate know-how and experience in dealing with modern trade issues and practices and lacking both language proficiency and computer skills;
2. The absence of coordination mechanisms with other ministries and administrations and private sector representative bodies;
3. A very low level of awareness regarding the necessary reforms required in the negotiations phase and in the post-conclusion phase;
4. The lack of capacity in Lebanese administration to undertake impact studies/analysis necessary to formulate negotiations positions and measures for lessening the negative impact of the agreements.

The WTO accession process in particular is both lengthy and complicated and requires the mobilization of extensive human and financial resources as well as far reaching technical assistance and training programs. The requirements for the initial preparation, negotiation and post accession phases exceed the present capacity of the Ministry.

So far, the MOET has established the institutional framework for managing the accession process through the establishment of an inter-ministerial National Committee and creating seven subcommittees that would serve as forums for consultations with the private sector. The main challenge however remains the absence of permanent staff at the Ministry for managing the work of these committees

and acting as secretariat and coordination unit among members of the committee, the private sector and international organizations including the WTO.

Consumer Protection Department

The Consumer Protection Department is currently unable to properly fulfill its existing functions. The department has around 70 staff (compared to 200 envisaged under the law). Although vacancy levels are high, most of the staff is over 55 years old and there are few high caliber personnel. Most importantly, the controllers lack the necessary skills to exercise control on complex products like technology intensive or petroleum derivatives products. The problem is aggravated by the lack of equipment and up-to date laboratories for the performance of various sorts of testing.

The Consumer Protection law is out of date and fragmented. The MOET's sphere of activity with respect to consumer protection issues is not clearly defined in relation to other public institutions handling the same area: Ministry of Agriculture, Health, Industry, the Environment... Moreover, the extent of control exercised by the Consumer Protection Department is limited to price display, expiry dates and country of origin and there is no optimization of controllers field work in terms of standardized reports, defined controllers behavior towards the citizen and adequate monitoring tools and systems.

Currently, there is no mechanism for the Department to obtain up-to-date, direct on-line access to Customs data. In practice, data is sometimes issued several months late, and is of little value from a consumer protection perspective once goods have entered and been sold in the market. The Department should obtain regular information from the Customs on the goods being shipped into Lebanon via ports and airports.

The Department also suffers from complaints against personnel, by traders who perceive that the enforcement of consumer protection regulations is arbitrary and insufficiently transparent. Of the 80 complaints received by the Ministry during 1999, 20% was related to the operation of the Consumer Protection Department.

Competition Regulation Function

In the area of competition regulation, Lebanon suffers from legal, institutional and capacity deficiencies to face such issues as price manipulation and anti-competitive behavior, in terms of both policy design and enforcement.

MOET's role in introducing new competition policy and law is therefore crucial. Equally important is the institutional and capacity building needed especially in the context of the privatization program to be implemented by the Government that will see a shift in the latter's role from the "provider of public services" to a "facilitator and regulator of privately supplied services". This shift will put greater emphasis on the need for effective competition and regulatory institutions.

Insurance Directorate and the Insurance Control Commission

The current status is characterized by several areas of improvement pertaining to the organization of insurance activities within the Ministry, the legal framework of the sector and the methodology of control over the sector.

The current organization within the Ministry creates an overlap in the roles of the Insurance Control Commission and the Directorate of Insurance. The organization also creates obstacles in the flow of information between the Commission, insurance companies and the Directorate which leads to time wastes, a reduction in the credibility of the Ministry in addition to delays in the collection of penalties.

With respect to the legislative framework, a new insurance law has been enacted in June 1999 incorporating several improvements in regulation intended to promote a modernized but solid insurance sector and enforce increased minimum capital requirements to over US\$1.5 million, reserve requirements (including minimum requirements) and new solvency margins. However, the current law still displays a lot of deficiencies relating to important issues such as the responsibility of insurance companies towards the intermediaries working for them, the rules of collective insurance, and the basic rules for life insurance. The law also fails to give the Control Commission clear means to take preventive action to protect the public, and to establish the framework for the resolution of potential conflict between the policyholders and insurance companies.

Finally, the scope and methodology of control over the insurance companies need to be revised and modernized. MOET has to develop appropriate policy guidelines for the inspection and intervention powers of the ICC. Moreover, reporting rules and accounting standards have to be reviewed and computerized.

2. Expected end of project situation

The expected output is a project that aims to provide the Ministry of Economy and Trade technical and other types of assistance needed to develop institutional capacity in economic policy formulation and effectively manage and coordinate issues of trade and globalization. Specifically, the following end results are expected:

- A. A mechanism for effective aid and program coordination ensuring coherence among existing and on-going TA initiatives.
- B. A resource mobilization plan ensuring project sustainability.
- C. New institutional and legislative arrangements for competition and consumer protection functions.
- D. A reorganized and modernized Consumer Protection Department providing for modern, efficient, effective and relevant consumer protection services.
- E. A modernized regulatory and institutional framework for the insurance sector and a sound and robust Insurance Control Commission that safeguards the interest of the public.
- F. A simple macro-economic model measuring growth and its sources in the economy.

- G. A publication issued by MOET providing information to the public about the economy and the different functions of MOET.
- H. A stronger institutional framework for SME's that will increase their productive capacities.
- I. An appropriate legislative and incentive structure to promote the IT sector in Lebanon.
- J. An effective Trade Information Center established as an UNCTAD Trade Point having access to a large trade related network, well equipped to provide a range of essential information services responding to the needs of existing and potential exporters including profiles and studies of foreign markets for Lebanese products and the building of a trade information base.
- K. A Trade Policy Unit established having a clear mandate and role, adequately staffed and resourced and engaged effectively in WTO and EU Association Agreement activities.
- L. The development of the negotiation position/strategy of the Government with respect to each of the multilateral trade agreements.
- M. A modernized trade legislative framework.
- N. UNCTAD PortTracker system implemented at the Port allowing for the electronic exchange of trade information between the Port, container handlers and the Customs.
- O. Customs ASYCUDA system linked on-line with the line ministries.
- P. A project for E-Commerce/Electronic Data Interchange (EC/EDI) to be coordinated by MOET.

3. Target beneficiaries

The direct beneficiaries of the project are primarily the Lebanese Government and the Ministry of Economy and Trade. The indirect beneficiaries are the Lebanese citizens/consumers, the Lebanese trading community, Small and Medium Sized Enterprises and the high-tech sector, the government institutions responsible for the formulation and implementation of trade policy and the business sector organizations.

4. Project strategy and institutional arrangements

4.1. Project Strategy

The project strategy consists of providing support to the Ministry of Economy and Trade for effective and timely national policy-making as well as building institutional capacities for public sector management and control. The project will address two main sectors and their sub-divisions as follows:

1. In the context of *Economic policy* the initial focus will be on consumer protection, competition policy, insurance and real sector; and

2. In the context of Trade policy the project will concentrate on Trade information and networks, trade efficiency, and trade policy formulation in particular accession to WTO and the Euro-med partnership agreement.

In both of the above-mentioned sectors, the project will provide assistance towards:

- a. Aid Coordination: Coordination of existing, emerging and needed technical and aid assistance in order to optimize results and reduce duplication
- b. Policy support including review, analysis and formulation of relevant policies
- c. Legislative support including the identification, drafting and adoption of modern legislation and regulations
- d. Institution Building and strengthening public sector management
 1. Establishing and/or strengthening institutional bodies and frameworks
 2. Training and strengthening the human capacities in the Ministry
 3. Collection and dissemination of Information and economic data
 4. Modernization of systems and procedures through ICT towards enhancing exchange of information as well as improving efficiency and accountability
- e. Advocacy and partnerships with the private sector, public sector agencies and civil society
- f. Resource mobilization for the Ministry of Economy and Trade as needed to fulfill the objectives of the project and ensure sustainability
- g. Negotiating and forging agreements at the regional and global level

The primary and immediate aim of this project is not to undertake a comprehensive restructuring of the Ministry of Economy but to strengthen the institutional capacities of the Ministry and assist in restoring operational capacity including immediate capacity building.

In order for the project to be successful, the support of the business sector will be mobilized. In addition, the project will closely cooperate with private sector organizations that have a bearing on trade: the Chambers of Commerce, the Association of Lebanese industrialists. Organization of communication strategies for public awareness campaigns on competition regulation, consumer protection, and trade will also have to be developed and implemented.

It will be important to introduce an element of flexibility to the project document to allow for adjustment to the focus of the assistance provided thus accommodating for changing policy priorities and TA requirements or fund mobilization.

To upgrade the skills of the existing and newly recruited MOET staff and to ensure the sustainability of project activities, training has been included as an integral part of this project. On-the-job-training, train-the-trainer programs, or seminars within Lebanon will have to be complemented by participation of Lebanese officials in seminars, study tours, training modules and internships abroad.

4.2. Coordination and Linkages with on-going initiatives

As noted in the section on prior and on-going assistance, the Project will, on behalf of the Minister of Economy and Trade, coordinate, monitor and/or manage aid assistance projects (EU, WB, UNIDO, UNCTAD, USAID). It will work closely with these on-going initiatives and will be responsible for ensuring the coordination of activities and initiatives in a way to avoid duplication, increase synergies, and promote results based management.

The project will also build on and enhance the facilities already established in the Trade Information Center (UNDP/ITC) for strengthening the compilation and dissemination of trade information and networking.

The project will also be responsible for identifying resources (human, physical and/or financial) needed to complete existing programs and respond to emerging needs.

4.3. Implementation Arrangements

The project will be executed in accordance with the National Execution modality whereby the Ministry of the Economy and Trade, designated in this project document as the National Execution Agency (NEX), will execute the project on behalf of the Government of Lebanon, with the support of UNDP.

The Executing Agency will be responsible for managing the project and will provide overall support to enable the project to achieve its intended outputs and results. The Executing Agency will be accountable to UNDP for all resources allocated by the latter, whether their source is UNDP or cost sharing. This accountability calls for concrete capacity in the administrative, technical and financial spheres.

The UNDP Country Office shall provide the Executing Agency, in addition to regular technical backstopping and monitoring activities, support services for the execution of the program. This will ensure that technical and substantive expertise is available to the program for coordination, recruitment, procurement and contracting. Thus, UNDP Country Office will provide the following services based on the requests and Direct Payment Orders made by the Executing Agency:

- administrative services including the identification and recruitment of project personnel (BL 13 and BL 17),
- identification and facilitation of training (BL 31-33) and official travel (BL 15),
- procurement of goods and services (BL. 20 - 23 and BL 45)
- provision of miscellaneous expenses (BL 53)
- access to UNDP regional & global information system on substantive and sectoral development issues as well as operation related information including rosters of consultants, providers of development services, suppliers, etc
- assistance in reporting (substantive & financial)
- assistance in resources mobilization

All services shall be provided in accordance with UNDP procedures, rules and regulations. The Government, through its designated executing agency, shall retain overall responsibility for the execution of the project and shall be responsible for and bound by any contracts signed by the UNDP Resident Representative, on behalf of the Executing Agency and upon its request, for the procurement of goods and services and /or recruitment of personnel for the program.

Costs incurred by UNDP Country Office for providing the above described support services will be partly recovered from the Program budget (under BL 158).

If needed, and in full consultation with the Government, Cooperating Agencies might be requested to implement specific activities; in such case, a formal letter of agreement between the concerned agency and the implementing agency or official counterpart will be elaborated.

4.4. Project Management

A Project Steering Committee chaired by the Minister of Economy and Trade will meet once every 6 months, or as often as necessary, to monitor progress and set future work plans and benchmarks. This will also serve the purpose of UNDP's tripartite review system. The Project Director's office shall serve as the secretariat for the Steering Committee.

The overall national coordination needed for the implementation of the project lies with the Minister of the Economy and Trade himself. The Minister may delegate administrative tasks related to coordination to the project management as deemed appropriate and inform UNDP accordingly.

The duty station of the project will be located in the Ministry of the Economy and Trade in Beirut. The Project Team (PT) headed by a Project Director will be responsible for the implementation of the project. The project team will consist, in addition to the Project Director, a Project Manager, two Component Coordinators (Economic Policy and Trade Policy), three economists, three economic officers, 2 research assistants and support staff. Gender equity will be a prerequisite for their recruitment. The Project Director will ensure the implementation of project activities in a participatory approach.

The PT would organize a midterm review of the progress made in the implementation of the Project. This review would identify and formulate measures to help overcome any constraints in implementing the project efficiently.

C. Development Objective

The project is aimed at building and modernizing public sector capacity in designing, implementing and managing international trade policy and in formulating economic policy through long-term institution-building efforts.

B. Immediate Objectives, Outputs and Activities

1. Immediate Objective 1: To coordinate, monitor, mobilize and/or manage technical assistance at MOET
 - 1.1. Output 1: A mechanism for effective aid and program coordination and monitoring
 - 1.1.1. Activity 1: Identify and avoid areas of potential duplication of efforts between different donor funded projects and consolidate ad hoc efforts and initiatives.
 - 1.1.2. Activity 2: Formulate a coordination and information sharing mechanism between the different projects and their components and ensure coherence among existing and on-going initiatives.
 - 1.1.3. Activity 3: Perform oversight, monitoring and follow up activities over projects not directly executed through the UNDP project.
 - 1.1.4. Activity 4: Ensure the availability of appropriate absorptive capacity at MOET to implement the various projects and programs.
 - 1.2. Output 2: Resource mobilization plan established.
 - 1.2.1. Activity 1: Identify resource constraints and assess immediate and long-term steps to deal with these constraints.
 - 1.2.2. Activity 2: Develop a resource mobilization strategy and plan.

ECONOMIC POLICY

2. Immediate Objective 2: To provide the Minister of Economy and Trade with support and advice on economic issues and inform the general public about the economy and the different functions of MOET.
 - 2.1. Output 1: A simple macro-economic growth model
 - 2.1.1. Activity 1: Establish and maintain an in-house database of general economic indicators relating to the banking sector, general monetary and fiscal data, foreign trade and exchange, and employment.
 - 2.1.2. Activity 2: Adopt a simple model of the drivers of economic growth in Lebanon.
 - 2.1.3. Activity 3: Use the model to assess existing and help define new policy objectives.

- 2.2 Output 2: A periodic publication to include the performance of the different economic sectors, and the resources and operations of the different MOET departments.
- 2.2.1. Activity 1: Work with each department within the Ministry to prepare the available information for publication.
- 2.2.2. Activity 2: Design and launch a periodic publication of the available information and resources.
- 2.2.3. Activity 3: Expand, maintain, and update the web site of the MOET to reflect a more current status of the published information and procedures and to allow for the introduction of web-based Ministry services on the Internet.
- 2.3. Output 3: Economic support and advice to the Minister of Economy and Trade.
- 2.3.1. Activity 1: Prepare policy papers for the Minister providing recommendations with respect to economic policy and legislation.
- 2.3.2. Activity 2: Undertake the necessary studies to identify new areas of comparative advantage and competitiveness in export oriented industries.
- 2.3.3. Activity 3: Assist the Minister in maintaining and coordinating working relationship with bilateral and multilateral organizations.
- 3. Immediate Objective 3: To review the adequacy of the existing regulatory, and institutional framework for the insurance sector with a view to modernizing it and transform the Insurance Control Commission into a sound and efficient regulatory agency that would safeguard the interest of the public.
- 3.1. Output 1: Role definition of the Control Commission and the Directorate of Insurance Organizations to avoid overlap and ensure their independence in the performance of their duties.
- 3.1.1. Activity 1: Review the current roles and separation between the tasks of Control Commission and the Directorate of Insurance Organizations.
- 3.1.2. Activity 2: Develop a clear and organized framework for the communication between the Commission and the Directorate and organize the exchange of information between the Ministry and the Insurance companies.
- 3.1.3. Activity 3: Review the human and technical resources needed to allow the Directorate and the Commission to perform their role and to enhance their in-house capabilities to collect and analyze data.

- 3.2. Output 2: Proposals for the introduction of amendments to insurance sector law
 - 3.2.1. Activity 1: Communicate with concerned public and private organizations on factors impairing the growth of the sector.
 - 3.2.2. Activity 2: Review existing laws and regulations on insurance companies with a view to identifying gaps and necessary amendments.
 - 3.2.3. Activity 3: Study existing guarantees for policyholders in case of bankruptcy and the procedures for the resolution of conflict with insurance companies, and suggest alternative, more efficient institutional frameworks.
 - 3.2.4. Activity 4: Review current insurance activities outside the control scope of the MOET (such as mutual funds and cooperatives) and suggest appropriate legislation and measures for their control.
 - 3.2.5. Activity 5: Analyze and assess the implication of introducing compulsory motor insurance and study the financial feasibility of such legislation.
 - 3.2.6. Activity 6: Suggest incentive measures to be introduced in the insurance law aimed at encouraging mergers and acquisitions in the insurance sector.
 - 3.2.7. Activity 7: Develop a plan to streamline interrelationship between the insurance sector and the banking sector.
- 3.3. Output 3: Identification of the requirements and the needs for a modern and robust Insurance Control Commission
 - 3.3.1. Activity 1: Review the licensing process for insurance companies on the basis of currently applicable criteria and make recommendations about required changes in both the licensing criteria and the licensing process.
 - 3.3.2. Activity 2: Develop appropriate policy guidelines for the inspection and intervention powers of the ICC and prepare policy manuals for off-site surveillance and on-site inspection.
 - 3.3.3. Activity 3: Assess existing reporting, accounting standards and reports, actuarial assessments, valuation rules, and statistical returns and make recommendations about needed changes.
 - 3.3.4. Activity 4: Identify the information needs of the ICC and prepare a computerization program.

- 3.3.5. Activity 5: Specify training needs for the staff of the regulatory agency and prepare a plan for the delivery and cost of such training.
 - 3.3.6. Activity 6: Develop a plan for the compilation of statistical records and for the publication in a timely fashion of extensive statistics on the structure and performance of insurance companies.
4. Immediate Objective 4: To design new and improved legislative and institutional framework for consumer protection and competition policy
- 4.1. Output 1: Modernized competition policy and law.
 - 4.1.1. Activity 1: Review existing laws and policies on competition taking into account the requirements and implication of the EU Association Agreement and WTO Accession.
 - 4.1.2. Activity 2: Prepare a competition policy paper and a draft competition legislation document and decrees.
 - 4.2. Output 2: A new institutional arrangement for competition. (to be implemented within the context of the EU ARLA program)
 - 4.2.1. Activity 1: Specify the role and function of MOET in the regulation of competition and clarify the relationship between the Ministry and sector regulatory authorities.
 - 4.2.2. Activity 2: Perform detailed training needs assessment and skills requirements needed for the strengthening of competition regulation in the Ministry and design a recruitment plan.
 - 4.2.3. Activity 3: Design a communication strategy and information campaign for the public and organize workshops and study tours for key decision makers to ensure common understanding of the legal and institutional reform being undertaken.
 - 4.3. Output 3: A streamlined consumer protection system providing for modern, efficient, effective and relevant consumer protection services. (to be implemented within the context of the EU ARLA program and/or UNIDO's Integrated Program for Lebanon)
 - 4.3.1. Activity 1: Carry out a detailed assessment of the organizational structure, technical capabilities, staffing structure and functions of the Consumer Protection Department.
 - 4.3.2. Activity 2: Undertake a functional analysis of the core functions to be undertaken by the Consumer Protection Department and a process reengineering review of its operations with a view to streamlining the processes and eliminating any bottlenecks or redundancies.

- 4.3.3. Activity 3: Provide a description of the preferred institutional structure for the reorganization of the consumer protection function including recommendation on staff numbers, job descriptions, training needs, investment needs and necessary legislative changes.
 - 4.3.4. Activity 4: Clarify the functions of each of the new consumer protection institution, the line ministries and central agencies and the interrelationships between these entities.
 - 4.3.5. Activity 5: Design a system for the handling of consumer complaints.
 - 4.3.6. Activity 6: Establish a coordination network between the Government the private sector and non-governmental organization on all consumer protection issues.
 - 4.3.7. Activity 7: Link with on-going bilateral assistance on improving and upgrading laboratories and testing facilities and coordinate with other multilateral initiatives providing technical assistance in this field.
 - 4.3.8. Activity 8: Design a communication strategy and public awareness campaign on the role of Government in consumer protection.
5. Immediate Objective 5: To promote real sector growth and enhance the productive capacities of SMEs
- 5.1 Output 1: A stronger institutional framework for SME's
 - 5.1.1. Activity 1: Assist in the design of export promotion proposals targeted for SME's.
 - 5.1.2. Activity 2: Develop the legal and operational mechanism for the establishment of business incubators and start-up finance.
 - 5.1.3. Activity 3: Assess and recommend different low-cost financing schemes for SME.
 - 5.2. Output 2: An appropriate legislative and incentive structure to promote the IT sector in Lebanon
 - 5.2.1. Activity 1: Establish the necessary legislative framework facilitating the setting up of technology parks and promoting e-commerce in Lebanon.
 - 5.2.2. Activity 2: Create an incentive structure designed to encourage IT joint ventures with foreign enterprises.

- 5.2.3. Activity 3: Establish close links with universities, research institutes and business communities to encourage IT entrepreneurship.
- 5.2.4. Activity 4: Launch a public awareness campaign to stimulate demand for high tech products and services.
- 5.2.5. Activity 5: Work with concerned Ministries to help promote the IT sector on a national scale.

TRADE POLICY

- 6. Immediate Objective 6: To strengthen the capacity of the Trade Information Center for providing the export community with reliable, up to date and pertinent information and data on the international markets for Lebanese products and services and provide local and foreign business communities with clear and complete information on trade and trade procedures in Lebanon.
 - 6.1. Output 1: An UNCTAD Trade Point established at MOET
 - 6.1.1. Activity 1: Set up the legal framework for the Trade Point including the drafting of the statutes.
 - 6.1.2. Activity 2: Design the services to be offered by the Trade Point and draft a business plan.
 - 6.1.3. Activity 3: Develop a marketing strategy for the promotion of the Trade Point Services.
 - 6.1.4. Activity 4: Procure and install the necessary equipment and hardware.
 - 6.1.5. Activity 5: Recruit/Assign required staff.
 - 6.2. Output 2: A Trade Information Service created
 - 6.2.1. Activity 1: Develop a database of local companies and products.
 - 6.2.2. Activity 2: Collect and process local/national trade related data and make them available on the TP website.
 - 6.2.3. Activity 3: Design a system of collection of Electronic Trading Opportunities (ETO) from local companies and dissemination of ETO's received to local enterprises.
 - 6.3. Output 3: Trade facilitation services set up

- 6.3.1. Activity 1: Initiate cooperation with providers of trade transaction services (banking and insurance, transportation, customs clearance...)
- 6.3.2. Activity 2: Collect information about service providers in the country and the range of services they offer to clients.
- 6.3.3. Activity 3: Provide advice and answer inquiries on all aspects of international trade transactions.
- 6.3.4. Activity 4: Prepare a marketing plan and develop promotional material to market the TP amongst the local business community
- 6.4. Output 4: Institutional support for export promotion
- 6.4.1. Activity 1: Develop market research services including market profiles and studies to identify specific export opportunities for local products.
- 6.4.2. Activity 2: Collaborate with the private sector to identify specific opportunities for sale of Lebanese exportable products.
- 6.4.3. Activity 3: Assist exporters particularly SMEs with export documentation and procedures.
- 6.5. Output 5: Fund mobilization strategy formulated
- 6.5.1. Activity 1: Prepare a presentation for submission to potential donors on the TIC and its activities in view of mobilizing resources in the short term.
- 6.5.2. Activity 2: Prepare a study to assess the feasibility of setting the TIC as a joint venture between the public sector and the private sector including a review of the different revenue sources.

7. Immediate Objective 7: Develop an effective trade policy function within MOET

- 7.1. Output 1: Detailed assessment of MOET's requirements in trade policy matters (to be implemented within the context of the EU ARLA program)
- 7.1.1 Activity 1: Provide a detailed analysis of the workload expected on trade policy matters and identify the number and types of positions required to deal with a range of multilateral and bilateral trade matters.
- 7.1.2 Activity 2: Recommend improved institutional arrangements for Trade Policy in MOET through the establishment of a Trade Policy Unit (TPU) including staff numbers and qualifications.

- 7.1.3 Activity 3: Prepare job descriptions for the required staff in the TPU.
- 7.1.4 Activity 4: Assess training needs in trade policy.
- 7.2. Output 2: TPU established and set up. **(to be implemented within the context of the EU ARLA program)**
- 7.2.1. Activity 1: Prepare all necessary legal decrees for the administrative and financial organization of the TPU.
- 7.2.2. Activity 2: Assist MOET in creating the TPU permanent posts and in recruiting the staff in liaison with the Civil Service Board.
- 7.2.3. Activity 3: Identify hardware, software and related requirements and assist as appropriate in the procurement of these equipment.
- 7.2.4. Activity 4: Prepare an initial in-house training program and organize study tours for the new staff.
- 7.2.5. Activity 5: Develop a 5-year budget and financing projection for the TPU.
- 7.3. Output 3: Training and capacity building provided for TPU staff assigned to prepare, negotiate and manage the WTO accession process and Euro-Med Association Agreement. **(to be implemented within the context of the EU ARLA program)**
- 7.3.1. Activity 1: Perform a training needs assessment for the specific expertise required.
- 7.3.2. Activity 2: Organize intense on the job, formal and Geneva based training for assigned staff.
- 7.4. Output 4: Negotiation position/strategy for the Government with respect to the Euro-Med Association Agreement and WTO accession developed. **(to be implemented within the context of the EU ARLA program)**
- 7.4.1. Activity 1: Prepare the memorandum on foreign trade regime and coordinate the legal reform related with bringing the foreign trade regime into conformity with the WTO agreement.
- 7.4.2. Activity 2: Prepare the Offer on Services and Regulations and the Offer on Goods and coordinate with sectoral ministries, trade and industry related business associations and the private sector.
- 7.4.3. Activity 3: Coordinate Ministries and private sector inputs to the negotiation of the Euro-Med Association Agreement.

- 7.4.4. Activity 4: Undertake economic studies on the impact of signing the Association Agreement and the WTO Accession on various sectors.
- 7.4.5. Activity 5: Prepare and launch a public education awareness program on the implications of acceding to the WTO and on signing the Association Agreement.
- 7.5. Output 5: TPU identified as a focal point for WTO affairs in Lebanon. (to be implemented within the context of the EU ARLA program)
- 7.5.1. Activity 1: Provide documents and information to requests from the public and private sector on WTO issues and establish coordination mechanisms and procedures among ministries and between the public and private sectors.
- 7.5.2. Activity 2: Set up a library/documentation center.
- 7.5.3. Activity 3: Manage and coordinate technical assistance and training throughout the accession process and ensure all necessary contacts with the WTO secretariat and the permanent mission to the UN.

8. Immediate Objective 8: Enhancement of trade efficiency through the modernization of the trade regulatory framework and the introduction of electronic exchange of trade related information

- 8.1. Output 1: Pilot project linking Customs ASYCUDA system with target line Ministries.
- 8.1.1. Activity 1: Perform a detailed assessment of Customs related information needed by different departments at MOET and the different line Ministries.
- 8.1.2. Activity 2: Design a system to capture the invoice related data that is not reflected in the Customs declaration form.
- 8.1.3. Activity 3: Establish the mechanism and develop the platform for the transfer of information between the Customs and MOET and eventually the line Ministries.
- 8.2. Output 2: Modernized trade laws and regulations.
- 8.2.1. Activity 1: Recommend amendments to the trade legislation that will allow for the legal exchange of electronic information, electronic signatures and alternative electronic funds transfer techniques.

- 8.2.2. Activity 2: Coordinate and work closely with the technical control agencies in order to rationalize and streamline the remaining technical controls with a view to eventually eliminating them.
- 8.3. Output 3: Electronic exchange of trade information between the Port, container handlers and the Customs.
- 8.3.1. Activity 1: Oversee the implementation of UNCTAD's PortTracker system at the Port of Beirut (POB) and coordinate with the Customs management to ensure full integration and interoperability between the systems.
- 8.3.2. Activity 2: Work closely with the Port of Beirut management and the container handlers to ensure the smooth implementation of the system.
- 8.3.3. Activity 3: Maintain close coordination and follow up with UNCTAD and OMSAR as the executing agency on the implementation of the system including the preparation and approval of the contract documents, the funds availability and the hardware requirements.
- 8.4. Output 4: A project for E-Commerce/Electronic Data Interchange (EC/EDI) which shall involve the private sector.
- 8.4.1. Activity 1: Coordinate efforts to adopt the EDI system across the trading community and ensure the consistent implementation of EDI message standards (UN EDIFACT) and designs.
- 8.4.2. Activity 2: Oversee a project for the linking of the Customs ASYCUDA system with an EDI Gateway allowing for the on-line processing of Customs declarations.
- 8.4.3. Activity 3: Manage the incorporation of the EDI system into the existing Trade Information Center.
- 8.4.4. Activity 4: Study the options for the establishment of a trade facilitation entity that will serve as the vehicle for trade reform and will be jointly owned by the public and private sectors.
- 8.4.5. Activity 5: Prepare a financial, operating plan and human resources plan for the new entity.

E. Inputs

1. To be provided by Government

الجمهورية اللبنانية
مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام

Due to present constraints in the Lebanese civil service, MOET will provide cost sharing to enable the recruitment of national staff through the project. Counterpart personnel will be made available for carrying out assignments as needed.

MOET will provide the necessary office space, infrastructure and training facilities for carrying out the activities foreseen in the project. It will also bear the costs for equipment and its maintenance. The Government will also provide administrative support and premises for training and workshops.

MOET will be called upon to provide inputs such as assistance in obtaining official clearances, if required, for inputs and activities to be provided through the project.

5. UNDP Inputs

- Staff
 - Project Director
 - Project Manager
 - Component Managers (2)
 - Economists (3)
 - Economic Officers (3)
 - Research Assistants (2)
 - Support Staff
 - Specialized Short-term Consultants
 - National Long-term Consultants
 - Additional professional staff as needed (resource mobilization, IT specialists, communication and information experts, etc.)
- All administrative support in accordance with NEX modality to facilitate:
 - Travel: This input will cover the costs of participation in meetings, conferences and seminars abroad.
 - Training: Training seminars, study tours or in-service training
 - Purchase of Equipment
 - Subcontracting: The development of software applications will be subcontracted to local firms
 - Miscellaneous: Transport, secretarial, equipment hire, and local contract management.

4. Other Donor Inputs

The implementation of this project includes technical assistance, which is mobilized from different bilateral, and multilateral donor sources. At present, the World Bank the European Community through the ARLA project, USAID and UNIDO are allocating funds that will be channeled towards the implementation of specific activities of the project.

The Project Director will undertake to identify, mobilize and coordinate the management of all technical assistance originating from different sources.

F. Risks

External or domestic events could upset the country's current political stability, thereby adversely affecting the Government's macroeconomic policies and implementation of the project. The risk in this respect is low.

At the project level, there are risks of delays in project execution and shortfalls in the transfer of technical know-how, as a result of the Government's weak implementation capacity, the shortage of technicians and middle level management and possible lags in the recruitment of necessary staff and in the procurement of goods. The project incorporates several features designed to minimize these risks.

G. Prior Obligation and Prerequisites

The designation of the Minister of Economy and Trade as the Chairman of the Steering Committee and of a senior official of MOET or a national expert as Project Director, are prerequisites.

In order to assist in an efficient and effective way the project implementation, the Government of Lebanon will provide technical, institutional and financial support from various line ministries and institutions (as part of the regular budget of those institutions). The Government of Lebanon will disburse cost-sharing dues to the UNDP account according to the schedule of payment agreed upon in the attached budget (ref. Annex 6 - Budget). Office space, equipment and furniture provided by the Government will be in place before the commencement of the project.

H. Project Review, Reporting and Evaluation

1. This project will be subject to joint Tripartite Review by representatives of the Government, implementing agencies, UNDP and other donors at least once every 12 months. The first such meeting to be held within the six months of the start of the full implementation. This review will be conducted by the Project Steering Committee.
2. The Project Director shall prepare and submit to each tripartite review meeting an Appraisal Project Report (APR).
3. A project termination report will be prepared for consideration by the Steering Committee. It shall be prepared in drafts two months in advance of the final meeting of the Steering Committee to allow review and technical clearance by the cooperating agency involved.

4. The project shall be subject to independent evaluation according to UNDP's standard evaluation procedures, if required. The organization, terms of reference and timing of such evaluation will be decided after consultation between the Government and UNDP.

J. Legal Context

This project document shall be the instrument referred to as "Project Documents or other instruments" in Article 1 of the Standard Basic Assistance Agreement between the Government of Lebanon and the United Nations Development Programme, signed by the parties on 26 February 1981. The host-country executing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the Government cooperating agency described in that Agreement.

The following types of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he or she is assured that the other signatories of the project document have no objection to the proposed changes:

- (a) Revisions in, or addition of, any of the annexes of the project document;
- (b) Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and
- (c) Mandatory annual revisions, which rephrase the delivery of, agreed project inputs or reflect increased expert or other costs due to inflation, or take into account cooperating agency expenditure flexibility.

Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)

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