Macro-financial assistance to Lebanon

2007/0172(CNS) - 10/12/2007 - Final act

PURPOSE: to provide Community macro-financial assistance to Lebanon in the form of a combination of a grant and loan amounting to EUR 80 million.

LEGISLATIVE ACT: Council Decision 2007/860/EC providing Community macro-financial assistance to Lebanon.

CONTENT: with this Decision, the Community provides Lebanon with financial assistance, with a view to supporting Lebanon's domestic efforts of post-war reconstruction and sustainable economic recovery and, in this way, alleviating the financial constraints on the implementation of the government's economic programme.

Given Lebanon's high level of indebtedness the Community financial assistance shall consist of **EUR 50 million in loans and up to EUR 30 million in grants**.

Lebanon faces substantial financing needs arising from the mounting financial constraints of the public sector, including a high level of public debt, aggravated by the July-August 2006 military conflict and a projected deterioration of the balance of payments in 2007. In this context, The Lebanese authorities have requested financial assistance on a concessional basis from the International Financial Institutions, the Community and other bilateral donors.

Over and above the financing from the IMF and the World Bank, a substantial residual financing gap remains to be covered in Lebanon, which is one of the most indebted countries in the world.

That is why Community assistance to Lebanon should be made available in the form of a combination of a grant and loan, as an appropriate measure to help the beneficiary country at this critical juncture.

The Community financial assistance shall be made available for two years. However, if circumstances so require, the Commission, after consultation of the Economic and Financial Committee, may decide to extend the availability period by a maximum of one year.

The funds shall be released in a **maximum of 3 instalments**. The funds shall be released by the Commission which will determine with the relevant authorities the particular economic and financial conditions under which each instalment shall be paid. The second and third instalments shall be released on the basis of a satisfactory implementation of the economic programme supported by the IMF and of the EU-Lebanon European Neighbourhood Policy Action Plan and any other measures agreed with the Commission, and not before one quarter after the release of the previous instalment.

Measures specifically aimed at preventing fraud and other irregularities, in accordance with the Financial Regulation, are set out.

A report on the implementation of the Decision shall be submitted to the Council and the European Parliament by 31 August each year.

ENTRY INTO FORCE: the Decision takes effect on 21/12/2007.