

Brussels, 10 December 2007

EU approves €80 million in macro-financial assistance to Lebanon

The European Union today approved €80 million in macro-financial assistance to Lebanon. The assistance will support Lebanon's economic and social programme for reconstruction and development, notably through a contribution to reduce Lebanon's high stock of public debt and strengthen its fiscal policy. It will also facilitate and encourage progress in the implementation of the EU-Lebanon European Neighbourhood Policy Action Plan.

"I am particularly glad for the approval today of this macro-financial assistance for Lebanon. This is a concrete expression of the European support to the Lebanese people at such a difficult economic and political cross-road and following last year's military conflict. This MFA is also a sign of the resilience of the Lebanese institutions and of the Lebanese government's solid commitment to improve its fiscal consolidation and reform its economy, despite the ongoing political instability", said European Economic and Monetary Affairs Commissioner Joaquín Almunia.

"I hope this financial assistance will help further the process of stabilisation of Lebanon. It is now crucial for the Lebanese to come to an agreement and elect a President. We welcome the first steps which indicate that a solution could be reached in the not too far future. We continue to be ready to support the political reform process in Lebanon especially through the European Neighbourhood Policy," also Commissioner Benita Ferrero-Waldner in charge of External Relations and the European Neighbourhood Policy.

The macro-financial assistance (MFA) to Lebanon, agreed by the EU Council of ministers on Monday, is a concrete expression of the EU assistance pledged at the Paris Conference in support for Lebanon earlier this year. . It complements financing from the European Neighbourhood and Partnership Instrument and from the European Investment Bank. The MFA is a policy-based financial instrument for support to the balance of payments.

This macro-financial assistance consists of € 50 million in loans and € 30 million in grants. The disbursements of the assistance will be subject to progress being made in the implementation of the Emergency Post-Conflict Arrangement with the IMF and of structural and social reforms aiming at fiscal sustainability and poverty reduction.

Background

Lebanon is one of the EU partner countries in the framework of the European Neighbourhood Policy. The ENP aims at developing an increasingly close relationship between the EU and the partner countries, going from traditional trade and cooperation towards deeper integration. Following the military conflict with Israel in summer 2006, the EU has provided assistance to reinforce the Lebanese State and is committed to support Lebanon in its political, social and economic reforms as well as in its reconstruction efforts.

The European Commission announced in Paris, at the High-Level Donors' Conference in Support to Lebanon (so-called Paris III), on 25 January 2007, a package of approximately € 500 million for the period 2006-2010, comprising about € 300 million in grants under various instruments, € 80 million in macro-financial assistance and € 120-130 million in EIB loans leveraged by EC interest rate subsidies. Mobilisation is proceeding according to schedule with 50% of the grants committed and €100 million worth of loans mobilised.