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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eightieth Session
Rome, 17-18 December 2003

LEBANESE REPUBLIC

PRESIDENT'S MEMORANDUM

COOPERATIVE RURAL FINANCE PROGRAMME (LOAN 569-LB)
EXTENSION OF LOAN EFFECTIVENESS

I. BACKGROUND

1. At its Seventy-Third Session in September 2001, the Executive Board approved a loan of 10.25 million Special Drawing Rights (equivalent to approximately USD 12.84 million) to the Lebanese Republic on ordinary terms to help finance the Cooperative Rural Finance Programme. The loan agreement was signed on 5 November 2001. In response to requests from the Lebanese Government, IFAD has repeatedly extended the effectiveness date to allow the Lebanese authorities to complete procedures to ratify the loan agreement and fulfil the other conditions for effectiveness. The last such extension, and the two-year limit for loan effectiveness, expired on 5 November 2003.
2. The programme has four major components to be financed over a ten-year period. It will introduce several important innovative features, the most notable of which is partnership-building with the private sector, particularly commercial banks.

3. **Conditions precedent to loan effectiveness.** Section 7.01 of the loan agreement sets forth the following conditions precedent to effectiveness:

- (a) a programme director will have been duly appointed in accordance with paragraph 4 of schedule 3 of the loan agreement;
- (b) the ministerial decree issued by the Ministry of Agriculture (MOA) establishing the programme steering committee, in accordance with paragraph 2 of schedule 3 of the loan agreement, will have been passed;
- (c) the ministerial decree issued by the MOA establishing the programme management unit, in accordance with paragraph 3 of schedule 3 of the loan agreement, will have been passed;
- (d) the programme accounts and the special accounts will have been duly opened;
- (e) the loan agreement will have been duly signed, and the signature and performance thereof by the borrower will have been duly authorized and ratified by all necessary administrative and governmental action;
- (f) a favourable legal opinion, in respect of the matters set forth in section 7.02 of the loan agreement and in form and substance acceptable to the Fund, will have been delivered by the borrower to the Fund.

4. **Status of loan effectiveness.** As the loan agreement is still being discussed in parliament, all of the conditions precedent to loan effectiveness have yet to be fulfilled. The delay is mainly due to the lengthy and complex ratification procedure. Before being submitted to parliament for ratification, all agreements entered into by the Lebanese Government must be reviewed by the relevant parliamentary committees. In this case, the Parliamentary Agricultural Committee has favourably reviewed the agreement and the Parliamentary Finance Committee is now undertaking its review. Once the loan agreement is submitted to and ratified by parliament, the other conditions for effectiveness will easily be met as they are under the control of the minister for agriculture who is eager to launch the programme as soon as possible.

II. RECOMMENDATION

5. In accordance with IFAD regulations, a loan agreement is normally terminated if it does not become effective within two years of its signature, unless the Executive Board agrees to a further extension. Any such agreement will depend on there being a satisfactory justification for the delay, and good prospects that the conditions for loan effectiveness will be fulfilled within a reasonable period of time.

6. IFAD has received a formal request from the Lebanese Government to extend the loan effectiveness in light of the reasons set forth in paragraph 4 above. Given the key role the programme will play in reducing rural poverty in Lebanon, and given the progress being made towards fulfilling the conditions for loan effectiveness, it is recommended that the Executive Board extend the effectiveness date of Loan 569-LB for the Cooperative Rural Finance Programme by six months to 5 May 2004 to allow sufficient time for the conditions for loan effectiveness to be fulfilled.

