

ARRANGEMENT

ON SUSTAINABLE DEVELOPMENT FINANCE

BETWEEN

THE ITALIAN MINISTRY FOR THE ENVIRONMENT
LAND AND SEA
(IMELS)

AND

THE BANQUE DU LIBAN
(BDL)

Hereafter referred to collectively as "the Parties" and singularly as "the Party";

- Recognizing the importance to develop joint cooperation programs and actions in the field of climate change and sustainable development;
- Being aware of the necessity to promote joint initiatives between the two countries in order to create an enabling environment for setting up climate change and renewable energy policies;
- Recalling the United Nations Framework Convention on Climate Change and Kyoto Protocol signed and ratified/acceded by Lebanon and Italy;
- Recalling the conclusions achieved at Rio+20 United Nations Conference on Sustainable Development in 2012 and the Climate Agreement reached at the COP 21 in Paris in December 2015;
- Taking into account that on September 2015 Lebanon presented the "Nationally Determined Contribution" (NDC) under the UNFCCC that foresees ambitious targets on climate change and renewable energy issues, specifically 15% unconditional target, and a conditional target of 20% of the power and heat demand in 2030 generated by renewable energy sources;

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- Taking into account the success of the National Energy Efficiency and Renewable Energy Action (NEEREA) initiated by BDL dedicated to the financing of green energy projects in Lebanon and the issuance of BDL Circular 23 dated 7/3/1996 (Financial Facilities from BDL to Banks and Financial Institutions) that includes environmental loans and offers financial incentives for commercial banks (“Intermediary Banks”) that finance enterprises investing in environmental endeavors (“Environmental Projects”);
- Recognizing that the promotion of innovation in energy technologies, especially for the residential and tertiary sector, will be essential to cost-effectively address the global climate change challenges agreed at COP 21; further to renewed commitments arising from COP 22 held in Marrakesh in November 2016
- Taking into account that The Ministry for the Environment, Land and Sea of Republic of Italy (IMELS) and The Lebanese Center of Energy Conservation signed a Technical Agreement on Climate Change and Sustainable Development Cooperation on 7th July 2016
- Convinced that the collaborative efforts between developed and developing economies are strongly needed in order to accelerate research and development in low-carbon technologies and that the technological diffusion will require greater private sector engagement

The Parties have agreed upon the following:

Article 1

The objective of this arrangement is to reinforce bilateral cooperation between the Parties in the field of climate change and sustainable development, on the basis of equality, reciprocity and mutual benefit.

The purpose of this arrangement is to support energy saving and efficiency investments in Lebanon implemented by or involving Italian Small and Medium Sized Enterprises -for not less than 60% of the loan- through a grant from the Italian Ministry for Environment, Land and Sea (IMELS) to the Banque du Liban (BDL) to support National Energy Efficiency and Renewable Energy Action (NEEREA) in all economic sectors except the residential one.

The amount of the grant is 5 (five) Million Euros (the “Funds”).

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Article 2

The Funds will be granted to BDL, within a period of 6 months from the date of signature of this arrangement. BDL will transfer the financial resources to commercial banks (hereinafter "Intermediary Banks"), which in turn will grant the subsidy to Lebanese eligible SMEs.

The identification of loans eligible for subsidy will be done by the BDL assisted by the technical assistance provided by the Lebanon Center for Energy Conservation (LCEC), by virtue of a consultancy agreement duly signed by and between BDL and LCEC, ensuring that (i) the loan will finance Lebanon based projects within the scope of this arrangement; and (ii) 60% of the said loan is used for implementing these projects by Italian SMEs and/or using technologies or services purchased from Italian SMEs.

The eligibility criteria related to the grant will be in line with the ones defined by any circular issued by BDL related to facility in the field of environment.

Financial resources granted by BDL will support the investments aiming at improving energy savings and efficiency, including investments in renewable energy when contributing to energy savings and efficiency.

The Funds will be (i) allocated from BDL to Lebanese SMEs, via Intermediary Banks, upon technical validation; and (ii) disbursed from BDL to Lebanese SMEs, via Intermediary Banks, upon completion of the Environmental Project.

Article 3

Subsidies will apply to loans not exceeding 2 (two) Million Euros to finance an Environmental Loan, having a maximum duration of 14 years and a maximum of interest rate of 1%.

The subsidy granted by the IMELS funds will cover 10% of the loan requested.

Interest rate will not be applied to the subsidy granted by IMELS.

Grants are disbursed once the project proposal is checked and considered eligible by the technical team of LCEC.

Article 4

Without prejudice to the provisions of Banking Secrecy Law date September 3, 1956:

- IMELS will be provided with regular annual reports by BDL including the following information: loans subjects to the facility (number, amounts, duration and type); type and duration of investments financed; type of SME (geographical, sector, and activity); amounts of the subsidies disbursed.



- Any funds savings, that may result from the non-allocation of funds or from beneficiaries' reimbursements, will be reallocated by the Bank of Lebanon according to this arrangement.
- BDL, within the scope of applicable laws and regulations will allow IMELS or any external monitor/evaluator approved by BDL to verify the implementation of the projects financed by the grant subsidies. IMELS shall agree with BDL sufficiently in advance of the dates foreseen for audit missions and the how such missions will be conducted.

Article 5

The Parties implement this arrangement within the limits of their budgetary availabilities, without any further financial responsibility on the respective Central Governments.


Article 6

This arrangement shall be implemented in conformity with international law principles, international Conventions and Protocols signed by the Parties, as well as through any other obligations arising from the membership of the Republic of Italy in the European Union.

Amendments to this arrangement may be consensually adopted by the Parties with the exchange of written communications, specifying the date of effectiveness. Any difference raised in the interpretation, management or execution of the arrangement will be resolved amicably through consultation. Any difference that is not resolved by mutual agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce - Paris by one or more arbitrators appointed in accordance with the said Rules.

The implementation of this arrangement shall begin the day following that one on which the last of the two parties signs. This arrangement shall be implemented within a period of 36 months.

The arrangement will remain effective until one Party may terminate this arrangement way, by written notification submitted to the other Party. In such case, the validity of this arrangement shall cease within six months from the day of receipt of the written notification on the intention for its termination.

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The Parties agree that the financial resources referred to this arrangement allocated by the Italian Ministry for the Environment, Land and Sea are not liable to tax according to the legislation of the Republic of Lebanon.

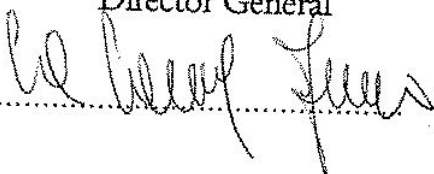
Unless otherwise specified by the Parties, cancellation of this arrangement shall have no effect on ongoing cooperation projects and programs.

Done in Beirut on 12/12/2016 in two (2) originals in English language

**FOR
THE ITALIAN MINISTRY FOR
THE ENVIRONMENT LAND
AND SEA**

Francesco La Camera

Director General




Handwritten signature of Francesco La Camera, Director General, on a dotted line.

**FOR
THE BANQUE DU LIBAN**

pt Riad Salamé

Governor



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