



مصرف لبنان
BANQUE DU LIBAN

BDL Financing Incentives

Banque Du Liban
Financing Unit

BDL Financing Incentives

- **Interest Subsidy**
- Incentives 2009
- Educational Loans
- Environmental Loans
- Housing Loans
- Incentives 2013
- Other Programs

Interest Subsidy

▶ Loans extended to local private sector projects in the industrial, touristic, agricultural, IT development and handicrafts sectors benefit from a **4.5%** Lebanese Government interest subsidy rate, *given the following conditions*:

1. The loan is used to finance a new project or the expansion of an existing one, with a minimum value of LBP 50m or its equivalent (USD/€), and a maximum amount of LBP15bn for each economic group.
2. The tenor of the loan must range between 5 and 7 years with minimum grace period of 2 years.
3. Interest and commissions (*before* government subsidy) are as follows:

LBP: $\leq 2\text{Yr. TBs.} + 1\% = 5.84\% + 1. \% = 6.84\%$

USD : $\leq 3\text{Mths. LIBOR} + 7\% = 7.3\%$

Interest Subsidy: EIB Loans



- ▶ Under the Euro-Med Partnership, the European Investment Bank granted the Lebanese Republic, represented by the CDR, a €60m. loan in 1999, according to the following:
 1. €30m. for Hotels Renovation with 14 years maturity fully subsidized.
 2. €30m. for Industrial Modernization with 14 years maturity fully subsidized.

- In 2004, A multi-sector loan was granted by the European Investment Bank to the Lebanese Republic for the amount of €60m with a maturity ranging between 6 to 12 years fully subsidized.

Interest Subsidy



| | Currency | Interest Rate After Subsidy of 4.5% | % of RR Decrease | Tenor |
|---|--------------------------|-------------------------------------|----------------------|-------------|
| Subsidized Loans | LBP | ≤ 2.34% | 100% - Time Deposits | 5 - 7 Years |
| | USD | ≤ 2.73% | 100% - Time Deposits | 5 - 7 Years |
| | EUR | ≤ 2.83% | 100% - Time Deposits | 5 - 7 Years |
| | Currency | Interest Rate After Subsidy of 5-7% | % of RR Decrease | Tenor |
| Subsidized Loans Financed by EIB | Hotel Renovation | (€) %3.22 (\$)%2.89 | 100% - Time Deposits | 14 Years |
| | Industrial Modernization | (€) %3.56 (\$)%1.94 | 100% - Time Deposits | 10 Years |
| | Multi-Sector | (\$)%2.19 | 100% - Time Deposits | 12 Years |

Interest Subsidy on Loans Guaranteed by Kafalat SAL



- ▶ Loans guaranteed by Kafalat SAL and extended to SMEs in productive economic sectors benefit from a **4.5%** Lebanese Government interest subsidy rate, given the following conditions:

- 1. Conditions set by Kafalat SAL.**

- 2.** The tenor of the loan is up to 7 years, with a grace period ranging between 6mths to 1 year.

- 3.** Interest and commissions (before government subsidy) are as follows:

$$\text{LBP: } \leq 40\% * (1\text{Yr. TBs.}) + 3\% = (40\% * 5.35\%) + 3\% = 5.14\%$$

$$\text{USD : } \leq 1\text{Yr. LIBOR} + 5.5\% \approx 6.06\%$$

Interest Subsidy



| | Currency | Interest Rate After Subsidy of 4.5% | % of RR Decrease | Tenor |
|----------------------------|----------|-------------------------------------|----------------------|--|
| Kafalat Basic | LBP | 0.64% | 60% - RR | Grace 6mths. –1Yr. Up to 7 Years |
| | USD | 1.56% | 100% - Term Deposits | |
| Kafalat Plus | LBP | 0.64% | 60% - RR | Grace 6mths. –1Yr. Up to 7 Years |
| | USD | 1.56% | 100% - Term Deposits | |
| Kafalat Innovative | LBP | 0.64% | 60% - RR | Grace 6mths. –1Yr. Up to 5 Years |
| | USD | 1.56% | 100% - Term Deposits | |
| Kafalat Agriculture | LBP | 0.64% | 60% - RR | Grace 6mths. –1Yr. Up to 7Years |
| Kafalat Trees | LBP | 0.64% (1-7Yrs.) | 60% - RR | Grace 6mths. – 3Yrs. Up to 10 Years |
| | | 3% (7-10Yrs.) | 100% - RR | |

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Incentives 2009

- ▶ This scheme started for loans granted since January 1, 2009 to finance new projects or expand existing ones in the all economic sectors (except real estate development), and will continue till December 31, 2014 , provided the following:
 1. They are not granted for the purpose of financing working capital or refinancing existing projects or commitments.
 2. Grace period can range between six months to four years from the disbursement date.
 3. The repayment of principal is up ten years starting from the end of the grace period.
 4. Interest and commissions are as follows:
 - LBP**: $\leq 40\% * 1\text{Yr. TBs.} + 3\% = 2.14\% + 3\% = 5.14\%$
 - FX** : $\leq \text{Cost of Funds} + 2\%$.

Incentives 2009



| | Currency | Interest Rate | % of RR Decrease | Tenor |
|--|-----------------|-----------------------------------|-----------------------------|--|
| Incentives 2009 – Non Housing | LBP | $\leq 5.2\%$ | 60% - RR | 6mths. – 4 Yrs. Grace 10Yrs. Repayment |
| | USD | $\leq \text{Cost of Funds} + 2\%$ | 200% - Time Deposits | 6mths. – 4 Yrs. Grace 10 Yrs. Repayment |

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Educational Loans

- ▶ **Loans granted in LBP to support tuition fees in higher education institutions (academic, vocational or technical):**
- ▶ They are reimbursed within a period of ten years starting one year after the graduation date.
- ▶ All interest and commissions should not exceed 3%.

BDL Financing Incentives

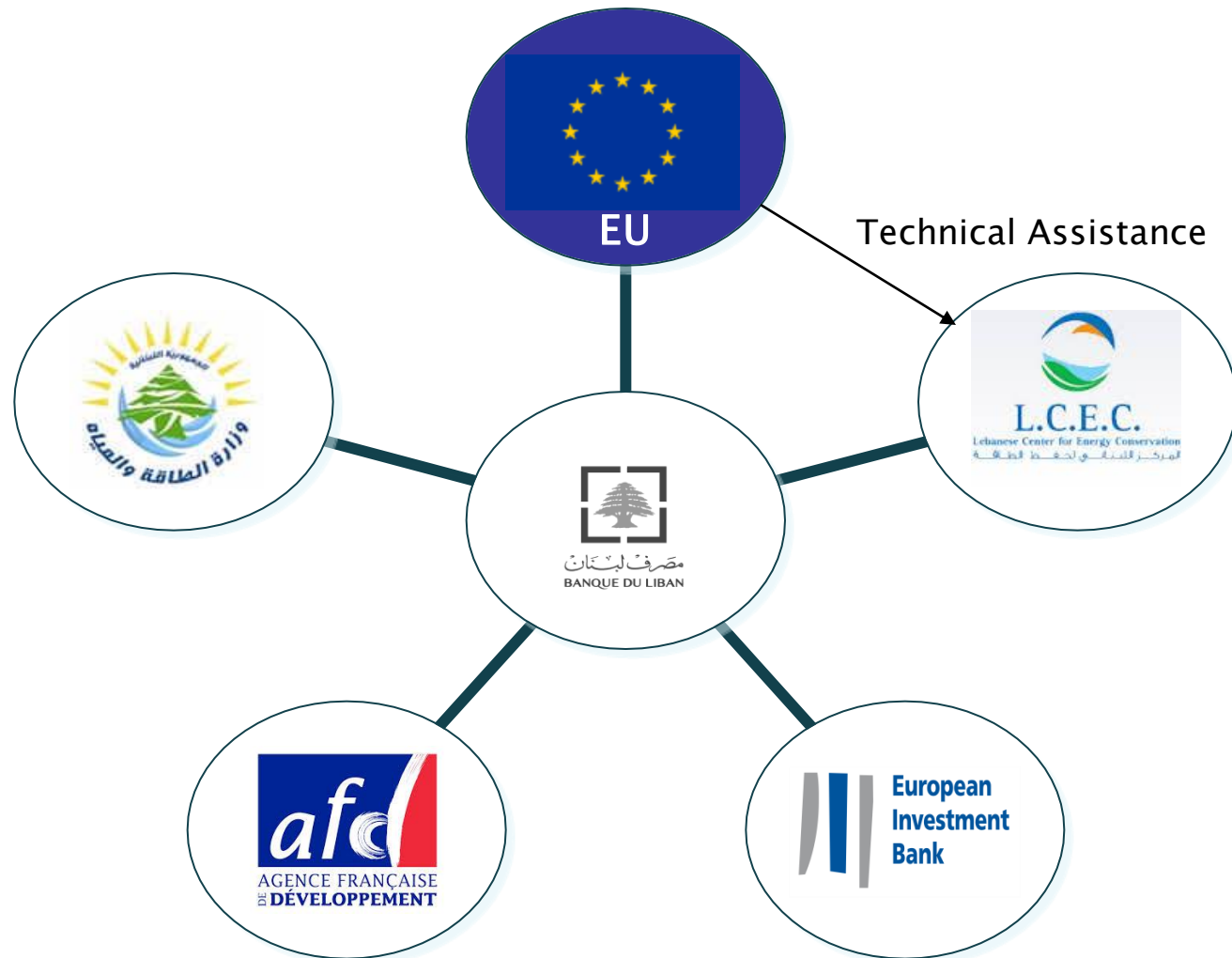
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Environmental Loans

Our Partners:

- ▶ EU
- ▶ UNDP
- ▶ Ministry of Energy and Water – LCEC
- ▶ Ministry of Environment
- ▶ Other Institutions, i.e EIB, AFD, World Bank..
- ▶ Lebanese Banks

1- NEEREA Mechanism



Sectors that can benefit from
Environmental Loans

All Economic Sectors

Environmental Projects

Energy Related **NEEREA**
Mechanism (i.e. Bkassine
Project)

Vs. Non-Energy Related
(Recycling, Traditional
Lebanese Houses,...)

New Projects

Vs. Re-modeling Existing
Projects

Interest + Commissions can go down to below 1%

Non-Subsidized Environmental Loans

Energy Related

Interest + Commissions \leq

LBP: 3% - 50% (1Yr. TB. Yield) \approx 0.325%

USD: Cost of Funds + 2% - 50% (1Yr. TB. Yield)

Non-Energy Related

Interest + Commissions \leq

LBP: 3% - 50% (1Yr. TB. Yield) \approx 0.325%

USD: Cost of Funds + 2% - 50% (1Yr. TB. Yield)

Subsidized Interest Environmental Loans

During Interest
Subsidy Period

Interest + Commissions \leq
LBP : Rate on 2Yr. TBs.- 1% \approx 4.84%
USD : LIBOR 3Mths. + 5% \approx 5.28%

After Interest Subsidy Period

Interest + Commissions \leq
LBP : Rate on 2Yr. TBs. - 3.5% \approx 3.34%
USD : LIBOR 3Mths. + 1.5% \approx 2.78%

1- NEEREA: MOU between BDL and UNDP

March 2, 2010

On March 2, 2010, a Memorandum of Understanding was signed between BDL and the UNDP.

The purpose of the MOU is to provide a framework of cooperation and facilitate collaboration between both parties in following areas of activities:

- Development of National Energy Efficiency and Renewable Energy Account (NEEREA).
- Development of awareness raising and capacity building activities among Lebanese banks and consumers to promote energy efficiency and renewable energy projects.
- Cooperation to involve both public entities as well as international organizations to support NEEREA.

1- NEEREA: Grant Contract between BDL and EU

December 7, 2007

On December 7, 2007, the Grant Contract was signed between BDL and the EU, and which nature was amended on November 11, 2010 to target the support of SMEs' Energy Saving Investments.

The grant aims to support investments in *sustainable energy* with a value of €12,200,000.

The Central Bank would pay a grant ranging between 5% to 15% to subsidize loans extended to finance *energy projects*, based on a ceiling of \$5m. per energy loan.

1- NEEREA: LCEC Technical Assistance to BDL

November 1, 2012

On November 1, 2012, a Technical Support Consultancy Services Agreement in Energy Efficiency and Renewable Energy was signed between BDL and the LCEC.

The LCEC would provide its technical assistance to aid BDL in identifying loans eligible for the EU Grant subsidies mainly by assessing their feasibility, their savings in EE and RE and their compliance with BDL's related circulars.

1- NEEREA: Solar Water Heaters

- ▶ On March 3, 2010, the Council of Ministers issued Decree # 59 to Subsidize SWH in Lebanon with an amount of \$1.5m.
- ▶ A detailed mechanism was established between MOEW, BDL and LCEC to pay \$200 grant from the MOEW for the First 7,500 SWH Loan Applicants deducted from their last installments.

1- NEEREA: Solar Water Heaters

Consumer Solar Water Heaters

0% Interest Rate

Up to 5 Years Maturity

\$200 Grant from the MOEW for the First 7,500 Applicants

1- NEEREA: Solar Water Heaters

- ▶ To date, a total of 5,934 SWH loans have been approved under this scheme, from which 2,936 loans received the \$200 granted by the MOEW.
- ▶ The NEEREA has boosted the SWH market, with around 15,500 SWH installed in 2012 and around 16,100 SWH installed in 2013.

1- NEEREA: Certified Green Buildings



Lebanon is the first country to encourage Certified Green Buildings by giving these projects special conditions in the Energy Loan valuation.

1- NEEREA: Certified Green Buildings

- ▶ The value of the loan extended to finance Energy Projects would be calculated as follows:

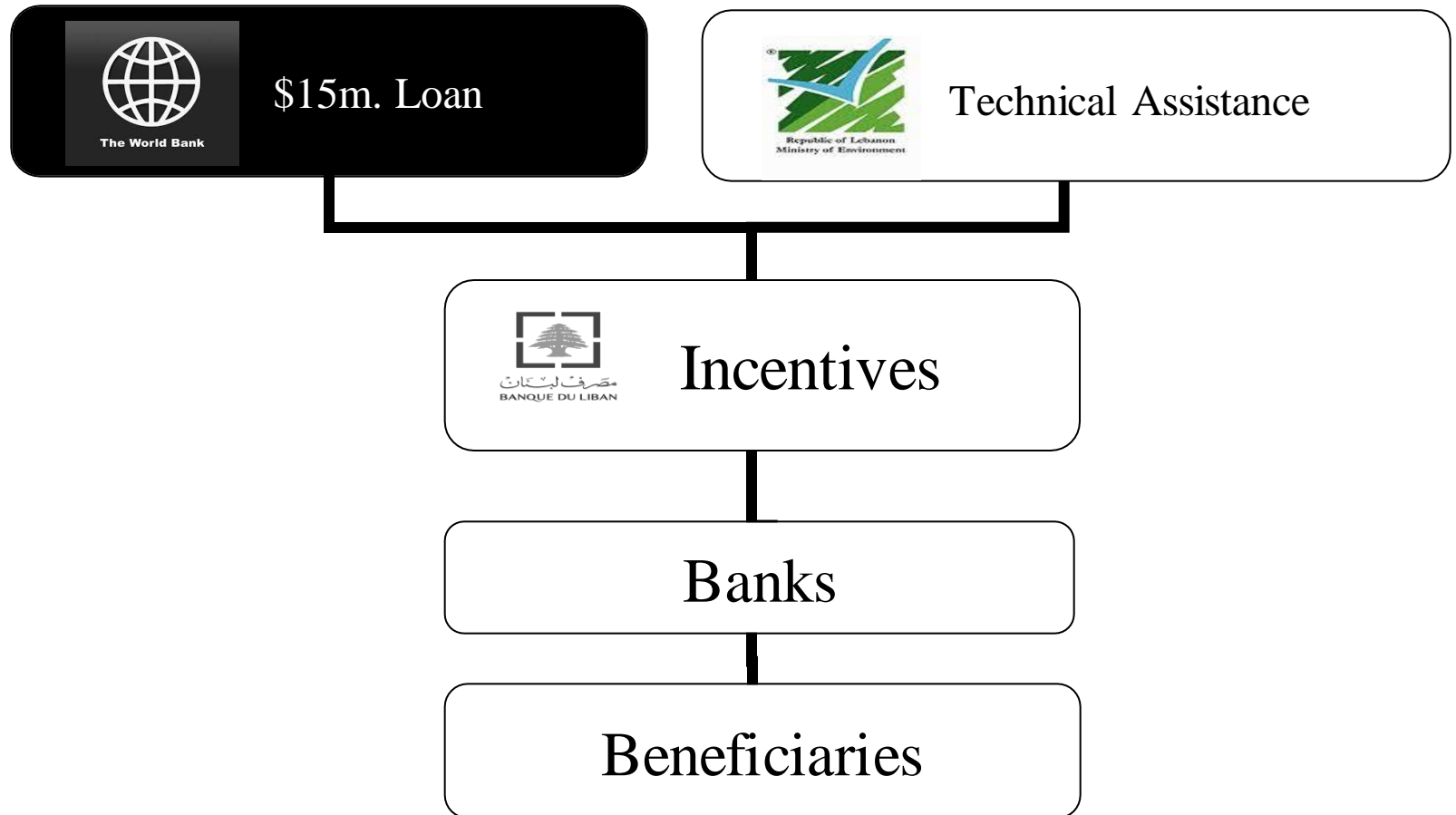
| Nature of Project | Rating | Energy Loan Amount |
|-------------------|--------------------|----------------------------|
| New Project | Not rated | Energy Cost |
| | Certified | 15% of Total Project Value |
| | Silver | 25% of Total Project Value |
| | Gold | 35% of Total Project Value |
| | Platinum | 45% of Total Project Value |
| Existing Project | Rated or Not Rated | Energy Cost |

- ▶ *The cost of the property is excluded from the above scheme.*
- ▶ *The certification system developed by LEED is adopted, or equivalent classifications from other internationally recognized systems.*

2- Pollution Abatement

- ▶ With the cooperation of the Ministry of Environment, the industrial sector can benefit from Subsidized Environmental loans to finance investments in Pollution Abatement at an interest rate close to 0% with a maturity of seven years.

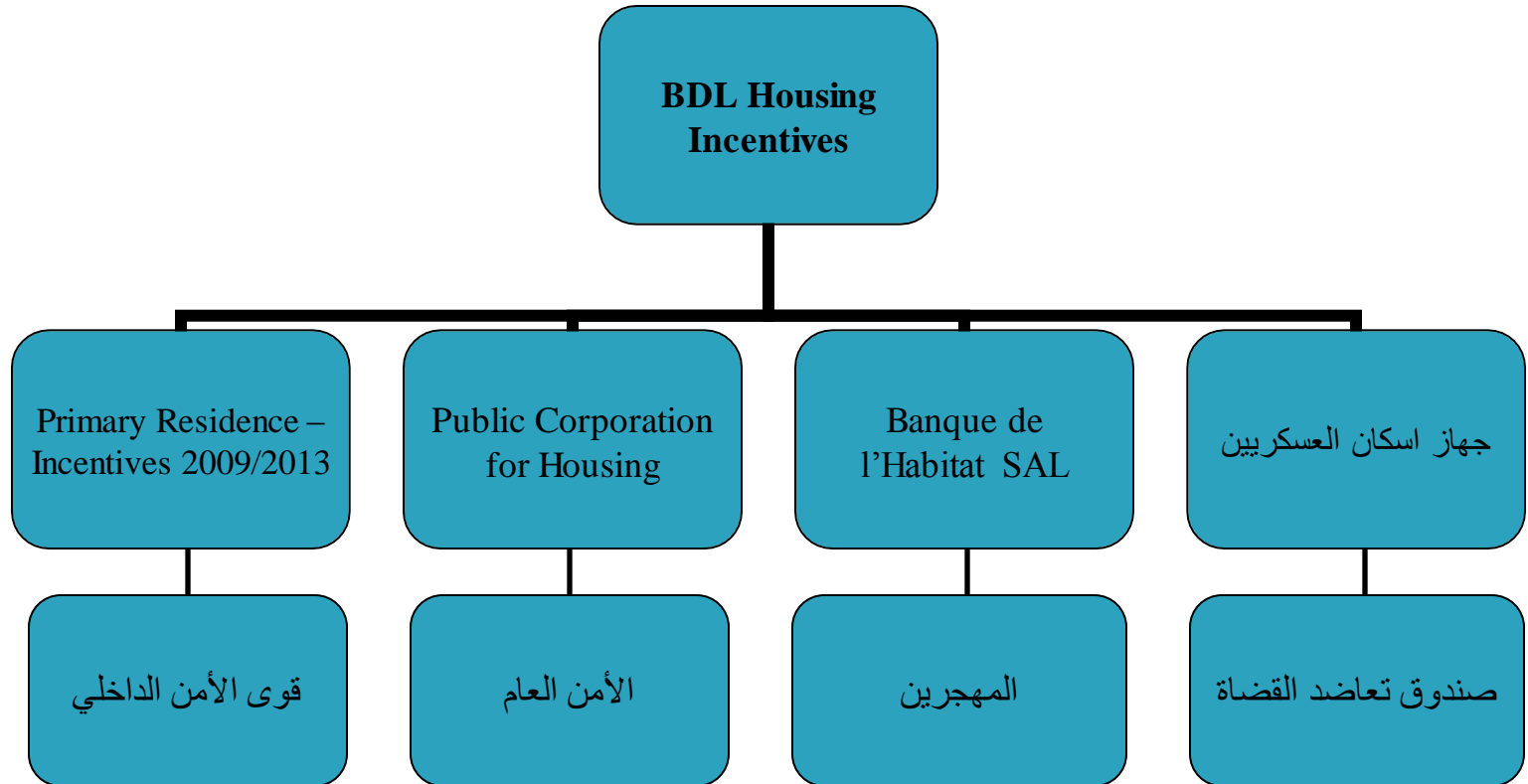
2- Pollution Abatement: BDL Incentives



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Housing Loans



- ▶ The interest rates on Housing Loans range from 1.628% to \approx 5.5% with maturities form 7years to 30 years.

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Incentives 2013-2014

- ▶ A new stimulus package has been introduced in 2013 by the BDL, consisting of LBP1,500 billion in 2013 and around LBP1,200 billion for 2014, in the form of soft loans extended to Lebanese banks in order to boost lending activity and fuel economic growth, provided the following general conditions:
 - The Central Bank extends these loans at an interest rate of 1%.
 - Funds are allocated to banks on a first-come first-served basis.
 - Incentives are provided to support housing, education, renewable energy projects, innovative projects, research & development ventures, entrepreneurship, and various productive sectors of the economy.
 - The loan to the final beneficiary is used to finance a new project or the expansion of an existing one.

Incentives 2013

| Financing Scheme | Cost on Beneficiary | Multiplier |
|---------------------------------------|---|------------|
| Subsidized Loans | 2 Yr. Tbs + 1.075% LIBOR 3mths. + 7.075% | 15% |
| Subsidized Loans-Kafalat | 40%*1Yr. Tb + 3.3% | 60% |
| Subsidized Loans-Kafalat Trees | 3.5% | 100% |
| Incentives 2009 – Non Housing | 40%*1Yr. Tb + 3.3% | 60% |
| Educational Loans | 3.5% | 100% |
| Research and Development | 0.75% | 150% |
| Micro Credit | | 100% |
| Innovative Start-Ups | 0.75% | 150% |

Incentives 2013

| Financing Scheme | Cost on Beneficiary | Multiplier |
|--|---------------------|------------|
| المؤسسة العامة للإسكان | 20%*2 Yr. Tb + 3.9% | 80% |
| جهاز إسكان العسكريين | 2.128% | 100% |
| قضاة | 2.128% | 100% |
| المهجرين | 2.128% | 100% |
| الأمّن العام | 2.128% | 100% |
| قوى الامن الداخلي | 2.128% | 100% |
| Incentives 2009 - Housing | 40%*1Yr. Tb + 3.3% | 60% |
| Housing Loans – Banque de L’Habitat | 3% | 100% |

Incentives 2013

| Financing Scheme | Cost on Beneficiary | Multiplier |
|---|--|------------|
| EIB/AFD Energy | 0% - 0.75% | 150% |
| Energy Loans | 3.75%- (50%*1Yr. Tbs) | 150% |
| Solar Panels Loans | 0% | 150% |
| Solar Energy – Rural Areas | 0 % | 150% |
| Pollution Abatement - Industry | 2 Yr. Tbs -1.2% LIBOR 3mths. + 4.5% | 60% |
| World Bank – Pollution Abatement | WB rate + 0.5 % BDL Comm + 3.5% Bank Spread - (100%*1Yr. Tbs) | 100% |
| Non Subsidized – Environmental Loans | 3.75%- (50%*1Yr. Tbs) | 150% |
| Environmental Subsidized Loans | 2 Yr. Tbs – 0.75% | 60% |

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Other Programs



| | Currency | Estimated Direct Damages | BDL Soft Loan LBP (Billions) |
|-----------------------------|----------|--|---------------------------------|
| Direct Damage 2006 War | LBP | 183.78bn. | 86.7bn. |
| International Organizations | | Direct Financing to Commercial Banks FX (Millions) | LBP (Billions) |
| AFD | EUR | 85 | 186.1 |
| EIB | EUR. | 217 | 582.4 |
| | USD | 87 | |
| OPIC | USD | 108 | 162.8 |
| IFC | USD | 120 | 180.9 |

Thank You