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Letter from the Chairman

In April 2007, the Board of the Telecommunications Regulatory Authority (TRA) held its first meeting. For the three months that followed, the TRA had no budget, no premises of its own, no equipment, and no staff, yet we had momentum. The Board members were driven by a common vision for telecommunications reform in Lebanon and a determination to realize this vision as rapidly as possible. We benefited from the support of H.E. Mr. Fouad Siniora, President of the Council of Ministers, H.E. Mr. Marwan Hamade, Minister of Telecommunications, and the Council of Ministers. We were also empowered by the legal mandate given to the TRA by the Telecommunications Law (Law 431/2002), which gave us a clear policy to open the telecommunications sector to competition.

During the first three months, the Board managed to lay the foundations for the TRA: issuing the TRA's Code of Practice; defining the TRA objectives for liberalizing the telecommunications sector in 2008; designing the organizational structure, detailing the job descriptions and qualifications, reviewing and cataloguing over nine hundred applications; preparing the TRA budget for 2007 and securing partial financing; drafting the TRA's Financial Procedures; launching the TRA website; preparing for the privatization and licensing of the two state-owned mobile networks; and starting the drafting of cornerstone regulations for a liberalized market. The pace was hectic and the resources were limited, but we managed to launch the TRA on a very solid footing.

The TRA's first nine months (by end 2007) were about establishing the TRA as an independent institution, building its capacity, and preparing the regulatory environment for a radical reform of telecommunications. The most important accomplishments during 2007 were:

- attracting a core group of highly qualified Lebanese experts to work with the TRA. We were even able to attract Lebanese professionals from abroad despite the political instability Lebanon witnessed in 2007;
- solidifying the independence of the TRA both institutionally and politically;
- defining a professional, transparent, and competitive process for the issuance of the first two mobile licenses simultaneously with the privatization of the two sets of state-owned network assets and related commercial contracts. This process was established in seamless coordination with the Higher Council for Privatization (HCP) in a record time between July and November 2007;
- launching the process for privatization and licensing of mobile in November 2007;
- drafting key regulations necessary for a liberalizing market and launching public consultations on these regulations. The TRA has received over a dozen responses on each consultation from local, regional, and international telecommunications stakeholders and investors;
- drafting the TRA Liberalization Roadmap and laying the groundwork for broadband licensing in 2008;
- building bridges with Arab, European, and American telecommunications regulatory authorities;
- securing international assistance to the TRA; and
- training the TRA staff in different aspects of telecommunications regulation.

We are proud of these accomplishments and we believe there is more to be done to establish the bases for a competitive telecommunications market. Our ability to deliver tangible results depends on the full implementation of the structural reforms required by the Telecommunications Law. We look forward, therefore, to the privatization of the two mobile service providers and the establishment of Liban Telecom in 2008. These reforms will enable the TRA to spur competition in the ADSL, mobile and data markets in order to decrease prices and improve quality of service.

We pledge to continue our efforts throughout 2008 to create the conditions for Lebanon to leap-frog and reclaim its leading position in telecommunications in the region. We pledge to create the market structure and enact and enforce best-in-class regulations that will allow Lebanon to become, within ten years, a world leader in mobile services and broadband penetration. We pledge to make telecommunications the engine for job-creation, sustainable growth, and prosperity for Lebanon and a driver of productivity improvements and competitiveness for Lebanese businesses.

I am proud of the TRA family and its dedication to our mission. I have no doubt that we will build a model regulatory authority for Lebanon and that we will unleash the creative powers of Lebanese entrepreneurship and Lebanese society.

With best regards,

Kamal S. Shehadi, PhD - Chairman and CEO -

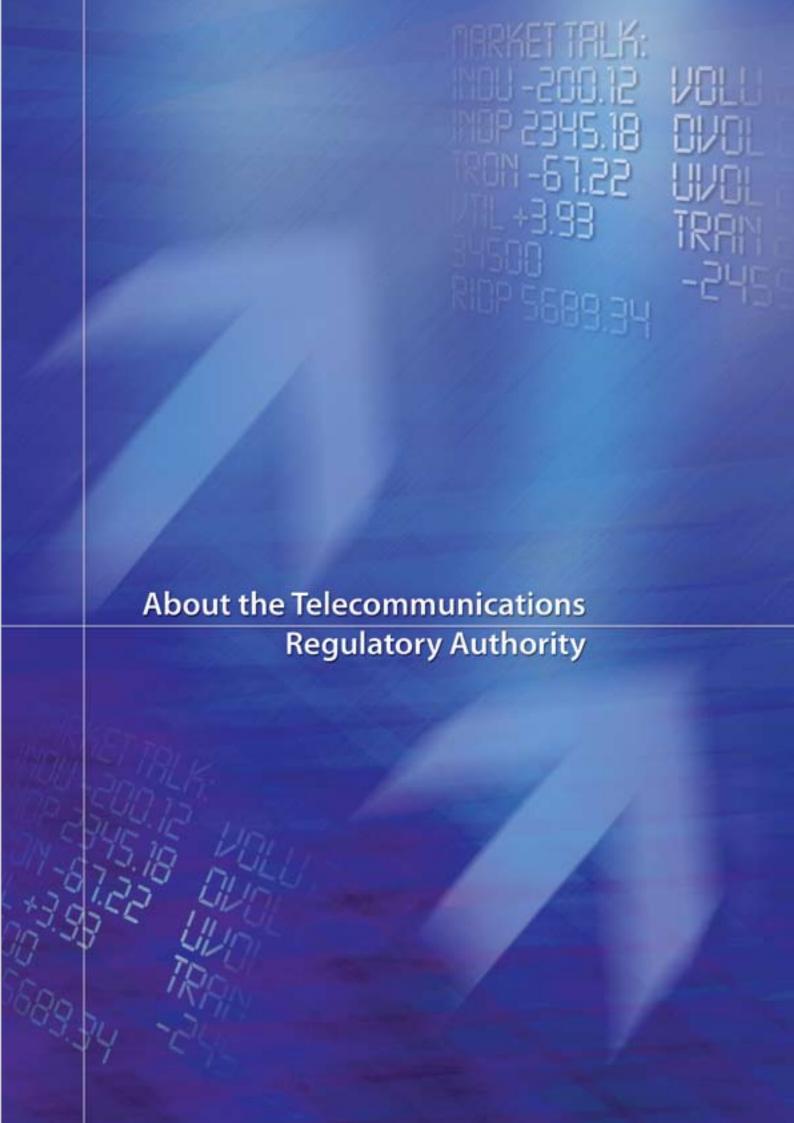
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Setting the context

With a population of approximately 4 million, Lebanon has one of the highest GDP statistics per capita (5,900 USD) in the Levant area. More than 10 million Lebanese live abroad representing an important influx of visitors every year. In addition, over a million tourists visit Lebanon every year.

The telecommunications sector in Lebanon is well poised for growth. Although investments and development in this sector have been limited over the past few years, we are committed to exploring all possibilities for future expansion. This expansion, in turn, is expected to stimulate substantial benefits for the Lebanese economy and population through the liberalization of the telecommunications market and the introduction of fair competition.

Market liberalization will increase investments in the sector and will create high value-added jobs. It will also drive improved customer choice and quality of service, and will lead to the development of state-of-the-art networks and services in Lebanon.



About the Telecommunications Regulatory Authority

The Telecommunications Regulatory Authority (TRA) is an independent public institution assigned to liberalize, regulate and develop the telecommunications market in Lebanon. The TRA's legal basis and mandate were established in the Telecommunications Law 431/2002.

The establishment of the TRA is a significant milestone signaling the start of the liberalization and restructuring process of the Lebanese telecommunications sector. Through the introduction of appropriate regulations and decisions, we promote investment, maintain stability in the market and ensure that consumers' rights are protected. We are responsible for issuing licenses, managing radio spectrum and the overall numbering plan. We monitor the market to guard against any abuse of dominant market power and anti-competitive practices, and take regulatory measures to remedy them.

Most importantly, we are committed to reclaiming a leading role for Lebanon in Information and Communications Technologies (ICT) by bringing the country back to the international telecommunications scene and re-establishing international standards.

This is a challenge we eagerly undertook in 2007 and that we will continue to make progress towards in 2008. In fact, we intend to position the TRA as a role model for other regulators in the region.

The TRA Board was appointed in February 2007 (Council of Ministers Decree 1/2007) and the first official meeting was held in April 2007. During this meeting, the Board assigned the functional responsibilities to the Board members and adopted its *Code of Practice*.

- July 2002 -Telecommunications Law 431 establishing the TRA is voted - February 2007 -Telecommunications Law 431/2002 goes into effect with the appointment of the TRA Board

- April 2007 -The TRA Board holds its firs official meeting

TRA mission statement

Our mission is to
establish a regulatory environment
that enables a competitive telecommunications market
to deliver state-of-the-art services at affordable prices
to the broadest spectrum of the Lebanese population.

As we strive to meet our mission, we consistently adhere to our key values of independence, transparency, accountability and fairness. These values guide our decisions and, together with our commitment to creating a competitive telecommunications market, are the ties that bind our institution.



Our management

Our Board is composed of a full-time Chairman and four full-time Board members, out of which three have effectively started operation. The fifth Board member, Mr. Marwan Matta, assumed his functions in April 2007 but quickly took an unpaid leave of absence due to personal reasons and submitted his resignation on October 1, 2007. The Board five-years- term of office is both non-renewable and non-extendable. The Chairman and members of the Board cannot have any direct or indirect interest with any entity that provides telecommunications services or equipment.





Kamal SHEHADI, PhD - Chairman and CEO -

Prior to his appointment, Dr. Shehadi was Managing Director of Connexus Consulting, a leading consultancy firm in the Middle East and North Africa specialized in telecom policy, regulation and strategy.

Dr. Shehadi has also served as a consultant to several international organizations and telecommunications companies since 1996 including the World Bank and the European Commission. He has also advised governments, operators and regulatory authorities on telecom regulation and licensing in a number of countries including Jordan, Saudi Arabia, Morocco, Algeria, Egypt, Bahrain, United Arab Emirates, Turkey, Libya, and Lebanon. Appointed member of the Board in a number of organizations, we can cite the most recent ones: the Lebanese Transparency Association (LTO) and the Lebanese Businessmen's Association (RDCL).

Dr. Shehadi holds a BA in Economics obtained with Honors from Harvard University (Boston, MA) and a PhD in International Political Economy from Columbia University (New York).

Dr. Shehadi lectured at the American University of Beirut, Harvard University and Columbia University. He also published a number of works on privatization, public finance and foreign investment.



Mahassen AJAM

Commissioner, Board Member, Head of Information and Consumer Affairs Unit

Prior to her appointment, Mrs. Ajam had an outstanding record as data and Internet executive for IDM and GDS with a wide experience in business development and international relations.

Mrs. Ajam recently served as a Board Member of the Professional Computer Association and, as such, has been actively involved in the telecommunications sector policy and regulatory affairs.

Mrs. Ajam holds an MBA from Ecole Supérieure des Affaires (ESA) Beirut, a Masters in Urban Planning (Paris I, Sorbonne) and a degree in Engineering from the Lebanese University.



Imad Y. HOBALLAH, PhD

Commissioner,
Board Member,
Head of Telecommunications
Technologies Unit

Prior to his appointment, Dr. Hoballah was the Chief Executive Officer of Omnix Media Networks. Dr. Hoballah has held different executive positions at Lucent Technologies and AT&T Bell Laboratories gaining extensive experience in the field.

Dr. Hoballah has a noteworthy academic record. He holds a diploma on Program for Executive Development from IMD Lausanne (Switzerland, 2000), a Master's certificate in Project Management from George Washington University (Washington DC, 1997), an Executive Masters of Business Administration from Columbia University (New York, 1994), a Ph.D. in EE/Communications from Syracuse University (NY, 1986), and MS in Electrical Engineering from Syracuse University (NY, 1982), as well as a B.S in Chemistry from the Lebanese University (Lebanon 1979).



Patrick EID

Commissioner, Board Member, Head of Market and Competition Unit

Prior to his appointment, Mr. Eid was working as Senior technical consultant for Segenius, a major consulting company for telecom operators in the MENA region.

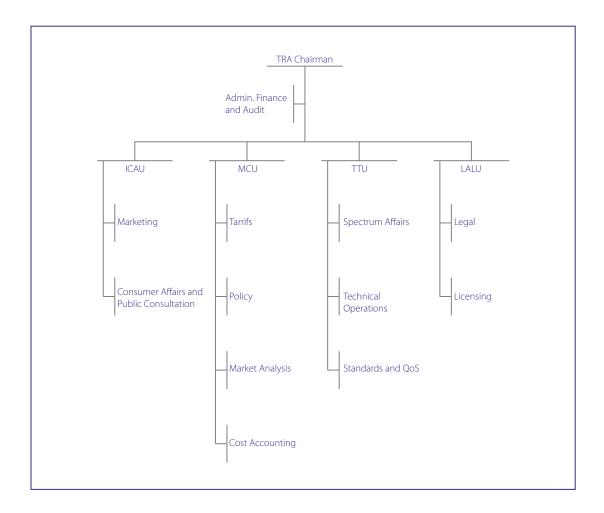
Mr. Eid has held the position of Chief Technical Officer for the Lebanese mobile operator FTML- Cellis, a France Telecom affiliate, and he was the Manager of X25 activity at IBM Lebanon, mainly for the banking and corporate sector.

Mr. Eid holds an Engineering degree in Telematics from the Ecole Nationale des Ponts et Chaussées (France, 1989).



Our organization

Our organization consists of four main units headed and managed by a Board member, whereas the administrative financial and audit units are headed by the Chairman.



Information and Consumer Affairs Unit (ICAU)

The Information and Consumer Affairs Unit (ICAU) is responsible for increasing public awareness and protecting consumers' interests. In line with the TRA's values, the ICAU promotes transparency by publishing available studies, reports, memos, decisions, consultations, regulations and any important document that needs to be broadly communicated.

The unit also manages the external relations of the Authority and ensures efficient internal and external interaction. The ICAU is responsible for organizing forums and lectures, disseminating reports and literature, and managing our website and intranet.

In its role as the main link between consumers and our organization, the ICAU prepares consumers statistics, questionnaires, reports and analysis, and deals with consumers complaints concerning disputes between service providers and subscribers.

Market and Competition Unit (MCU)

The Market and Competition Unit (MCU) deals with all economic affairs related to the telecommunications market. The MCU regularly assesses the market through in-depth analysis in order to avoid any abuse of dominant position and imposes remedies if necessary.

The unit is responsible for monitoring anticompetitive behaviors and studying tariffs and fees to ensure fair and transparent competition.

By conducting economic, financial and market research, assessments and analysis, the MCU studies the potential of the telecommunications market and sets guidelines to its development. A large part of its role focuses on preparing the policies to be adopted by the Authority to ensure the expansion of the sector in a healthy environment, as well as monitoring compliance with market regulations.

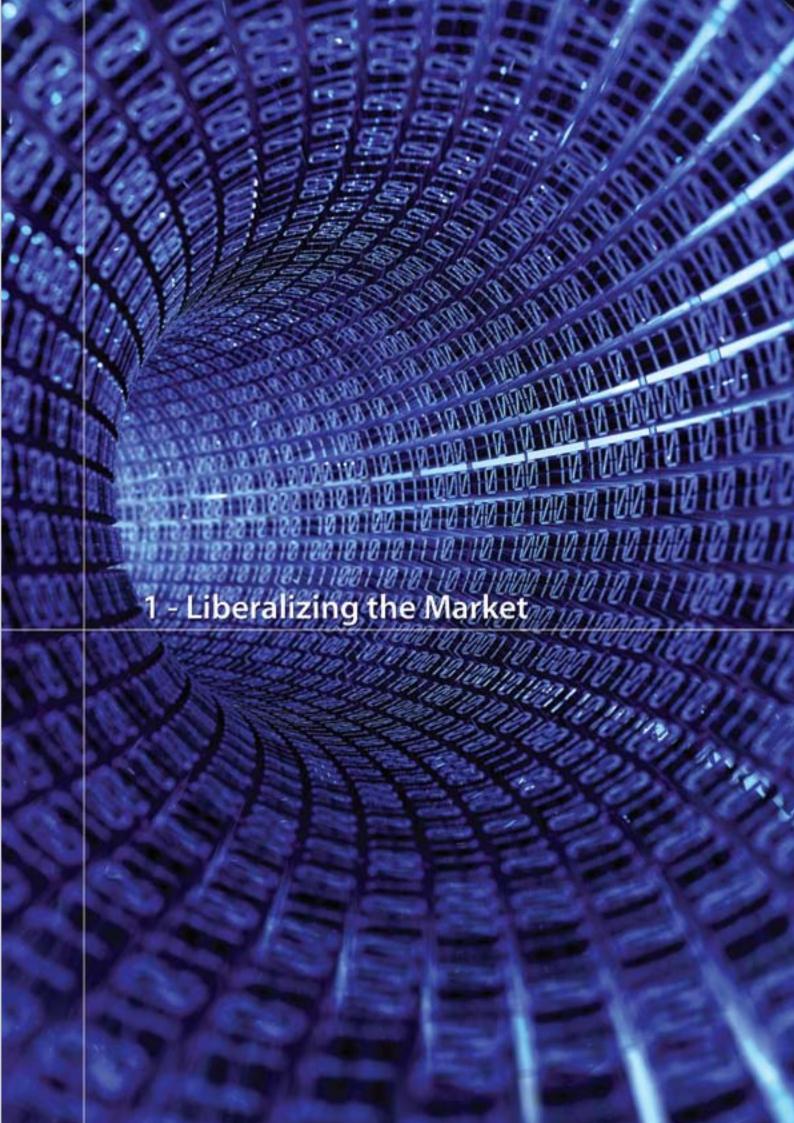
▼ Telecommunications Technologies Unit (TTU)

The Telecommunications Technologies Unit (TTU) is responsible for dealing with all technological matters related to technical resources. Its main objectives are to manage the radio frequency spectrum and to ensure proper technical implementation of interconnection agreements and quality of service. The unit also monitors interference caused by illegal usage of the spectrum, sets the standards and ensures the existence of a modern and developed telecommunications market.

Legal Affairs and Licensing Unit (LALU)

The Legal Affairs and Licensing Unit (LALU) is responsible for monitoring the activities of service providers, managing licensing procedures, issuing licenses and updating the legal framework of the telecommunications sector in line with its needs especially in preparing legal studies and drafting laws and decrees.

In addition, this unit prepares documents for dispute and complaint and also mediates, when necessary, disputes concerning the use of public properties between telecommunications service providers and/or relevant administrations and/or municipalities.



Overview

The establishment of the TRA is a significant milestone signaling the start of the liberalization and restructuring process of the Lebanese telecommunications sector. By enacting the Telecommunications Law 431/2002 and appointing the TRA's Board members, the Republic of Lebanon has undertaken a major step in the liberalization of the telecommunications market. The TRA is legally mandated to establish a regulatory framework that promotes fair competition and encourages investments.

We intend to build a thriving, innovative, and competitive telecommunications market, driven by a technologically advanced infrastructure-based sector, offering services at internationally competitive prices and quality, regulated by an independent authority. Since our establishment in 2007, we have been building our capacity to implement this vision, carrying out our responsibilities and exercising our powers under the Telecommunications Law 431/2002.

We are currently focusing on liberalizing the market for mobile telecommunications and international (voice and data) services, and for broadband services as well. Liban Telecom, once incorporated, will be granted a license and may benefit from an exclusivity for a defined period of time over Basic Telephony Services (domestic voice telephone services over fixed lines while using the public telecommunications network) as well as Public International Voice Services (voice services over fixed lines while using the public international gateway).

Currently, the largest telecommunications service providers in the Lebanese market - in terms of network infrastructure, service penetration and revenues - are the state-owned fixed line operator, managed by the Ministry of Telecommunications, and the two mobile networks, MIC 1 and MIC 2. Both mobile networks are operated by private companies (Faldete and MTC Lebanon, known as Alfa and MTC Touch respectively) with the Republic of Lebanon financing the investments in those two networks.

In the future, we plan on enabling several forms of competition in the market, including facilities-based competition and service-based competition. We will also encourage competition between different technologies through a policy of technological neutrality. To the greatest extent possible, this means that service providers will have the flexibility to choose the various technologies they wish to deploy.

1.1 Defining the objectives of the telecommunications reform

As part of our plan to liberalize the market and enable competition, we have set several objectives in the reform process. The most important steps - given their scale and importance to the telecommunications sector are:

- liberalizing the mobile market by launching the mobile auction leading to the privatization of the two state-owned mobile networks and, simultaneously, issuing two mobile licenses for a duration period of 20 years each;
- licensing and privatizing the national fixed line operator (currently known as the Ministry of Telecommunications/ Ogero), following the incorporation of Liban Telecom; and
- liberalizing broadband by licensing incumbent Data and Internet Service Providers (DSPs & ISPs), issuing new National Broadband Licenses (access, metro, core and international licenses), and adopting an open regime for Access Licenses.

These transactions represent a fundamental change in the government's relationship with the telecommunications sector. Instead of the government holding the multiple roles of policymaking, regulating, licensing, owning and operating telecommunications networks, these roles will be completely separated as required by the Telecommunications Law 431/2002.



The various powers and duties of sector regulation, together with the licensing of new providers, have been assumed by the TRA in accordance with the Telecommunications Law 431/2002. This law, however, requires further structural changes in terms of privatization and liberalization of the telecommunications sector.

Our strategy aims at opening the telecommunications sector to competition across the board by 2010.

As we develop appropriate regulations for a competitive telecommunications market, these steps will set the sector on a new course. The reform process will help service providers in making strategic decisions and aligning their investments with the infrastructure and service needs of the Lebanese population. It will also ensure that healthy competition drives down prices and improves quality of service. As the market becomes more competitive, we can expect rapid growth in network investment, along with an acceleration of penetration rates (particularly in the mobile sector). We also anticipate pricing adjustments, where appropriate, to reflect the commercial realities of competition and underlying costs.

The Liberalization Roadmap is being finalized and will be issued for public consultation. This roadmap will summarize the TRA position and plans on the many aspects of liberalization.

1.2 Assessing the market

For a better understanding of the current market structure challenges and drivers, we have proceeded by assessing the lebanese telecommunications market, hence acquiring critical information of both the market and consumer respectively.

This includes the launching of several market research initiatives, such as our Information Database Development (IDD) project. The main objective of the market assessment study is to set the short- and long-term recommendations for the overall sector development and to determine the appropriate pricing decisions and actions.

IDD is a national market study focused on both supply and demand dynamics and usage and attitudes in the telecommunications sector in Lebanon. Conducted by an independent market research firm on our behalf, the IDD study involves a thorough field survey on residential and corporate makets and operational service providers. The results of the IDD study are expected to be available by Q3/2008.

The study is sponsored by America-Mideast Educational & Training Services (AMIDEAST), with funding from the United States Agency for International Development (USAID). It is part of AMIDEAST's Transparency and Accountability Grants (TAG) project in Lebanon offering grants to organizations to conduct diverse impact oriented programs that increase transparency, accountability and good governance.

We are also working with a specialized international consulting company on a European Union funded project to collect both historical and current market data from all service providers. We will use this information to populate our internal database. IDD will help us assess the telecommunications market, determine the position of service providers in relevant markets, and define the ex-ante and ex-post remedies in case of abuse of dominance by service providers with Significant Market Power.

This study collecting crucial data, along with other ongoing studies focusing on more specific matters - such as elasticity, benchmarking of comparable markets and the impact of liberalization - will serve as a major input for the liberalization process.

1.3 Liberalizing the mobile sector

On November 2, 2007, we officially launched an auction leading to the privatization of the two existing mobile networks and the issuance of mobile licenses. This marked a major milestone in the government's plans to liberalize the country's telecommunications sector. Through the mobile auction, we are also liberalizing the international gateway - another major step in the liberalization process.

The privatization of the two existing mobile networks will be conducted through a bidding process to acquire the networks' current operation (including assets, subscibers, contracts...). At the same time, through the auction, we will award a 20-year license for the right to build, own and operate a mobile network and provide mobile telecommunications services in Lebanon. The TRA and the Higher Council for Privatization (HCP) will jointly manage the tender process, ensure that it is carried out with full transparency in the interests of fair competition and in line with international best practices.

As more competition is introduced, end users will benefit from lower prices, more value added services and improved quality of service. The new competitive landscape will enable new segments of the population to have access to mobile services. For investors, the auction also marks a landmark opportunity to acquire a leading mobile operator in what is now a two-player market, and to tap on the potential of Lebanon's relatively low mobile penetration rate compared to other countries in the region.

By the end of 2007, around ten bidders had expressed very strong interest in participating in the auction. This interest from regional and international telecommunications operators is a clear indication of confidence in Lebanon and the bright prospects for its telecommunications market.

The mobile auction was originally expected to take place in February 2008, but has been postponed to accommodate ongoing due diligence requests from applicants, while taking into consideration the delay in holding presidential elections.

The major milestones in mobile liberalization to date are:

- establishing the timeline for licensing and privatization of the two mobile companies, and allocating all tasks among program stakeholders, including the TRA, HCP, MoT, and others;
- drafting and executing a detailed Memorandum of Understanding with the HCP to ensure a smooth privatization and licensing process;
- drafting the Request for Application (RfA), one of the most important steps in this process as it sets the criteria for applicants. The RfA defines the timeline and the rules of the auction and sets out the structure of the transaction.
- finalizing mobile financial models for the valuation of the mobile licenses;
- developing a website for the Mobile Auction to actively communicate with potential investors regarding the auction;
- gathering, developing and updating crucial data published on the Virtual Data Room. Restricted to bidders only, the Virtual Data Room contains the financial, legal and technical due diligence of the two networks, and information regarding the potential of the Lebanese market along with almost 40 000 pages of documentation. The general website includes all public documentation related to the mobile auction;
- working closely with financial, technical and legal consultants to prepare the due diligence;
- establishing the legal basis for the transaction of the sale of mobile assets. This process has been confirmed by the Ministry of Justice; and
- drafting the mobile licenses, including among other elements, the rollout obligations, the frequency distribution and the numbering assignments. The terms of the mobile licenses, as drafted by the TRA, allow any new entrant to the mobile sector to provide 3G mobile broadband services. Mobile licensees are also allowed to own an international gateway for the provision of services to their end users.

The entire process for this mobile auction was prepared and launched in a limited period of time, which is a major achievement in itself.



1.4 Developing the broadband strategy

The dissemination of broadband - advanced telecommunications technology capable of providing high-speed transmission of data and video - is a key driver of economic growth and development. With their enhanced functionality, broadband networks are quickly establishing new ways to communicate, work, learn, conduct business and entertain people all around the world.

To help Lebanon take advantage of these new opportunities and become more competitive both locally and internationally, we wish to speed up broadband deployment and widen access to broadband services. However, there are several challenges to the rapid roll-out of broadband services in Lebanon, including severely limited international network capacity and high prices of interconnection, which are required to provide broadband services.

The TRA is developing a comprehensive broadband strategy and roadmap in consultation with key stakeholders. This is done by ensuring fair-handed regulatory treatment of competing broadband services, hence encouraging an environment that stimulates creativity, investment and innovation.

1.4.1 Establishing the strategy and roadmap

We are currently developing a comprehensive broadband strategy for Lebanon. A significant part of the work has been done in collaboration with the "Partnership for Lebanon" - a group of American companies established to support the Lebanese economy through the development of broadband infrastructure and services. We are conducting a complete study of the broadband market in Lebanon and meeting with broadband stakeholders including DSPs, ISPs, potential investors, end users, policy makers and government entities so as to gather their ideas and input.

We are also actively preparing the groundwork for broadband development by establishing the market structure and developing a licensing regime. We plan therefore to issue two types of licenses which will be structured to optimize the combination of investment and competition: National Broadband Licenses and Broadband Access Licenses.

National Broadband Licenses would be permitted to provide any telecommunications service that can be delivered accross their networks. These licenses would also be allowed to build any telecommunications infrastructure using any technology for a core, metropolitan and access networks as well as to build and operate an international gateway. Broadband Access Licenses would be permitted to build metropolitan access networks using any technology, and to offer customers the same telecommunications services provided by the National Broadband Licenses. Some of the Broadband Access Licenses would be made available with radio spectrum bands, enabling them to deploy wireless access technology.

At the same time, we are defining a clear regulatory framework, including issuing an interconnection regulation specifying how all service providers' networks will be linked, drawing up an infrastructure sharing arrangement, and planning efficient pricing of radio frequency spectrum. Finally, we are actively monitoring the market for broadband services, such as ADSL, for any anti-competitive practice.

1.4.2 Creating a more competitive market for ADSL

Broadband dissemination in Lebanon began with the launch of ADSL in May 2007. ADSL is a data communications technology that enables fast data transmission over traditional copper phone lines.

While the availability of ADSL services represents a major step forward for telecommunications in Lebanon, we believe that the current market structure will not allow for rapid deployment of broadband services.

Currently, the ADSL market is unevenly split between private operators and the incumbent operator, which maintains a dominant position in the market. Recent price reductions by private operators have introduced a new element of competition to the market; however, much more transparency and openness is required in the international bandwidth in order to enable fair competition among all service providers that will best serve the long-term interest of the telecommunications sector.

As outlined below, in our first year of operation, we already achieved several milestones to help open the ADSL market to competition:

- studied the local loop market towards price structure, competition level, and potential short and medium term remedies:
- presented to the Presidency of the Council of Ministers and the Minister of Telecommunications a report on the ADSL market, including recommendations to spur competition, drive prices down and improve quality of service; and
- issued decisions related to ADSL the market.

We have also accomplished many objectives in the licensing arena, as outlined below.

1.4.3 Licensing Data and Internet Service Providers

The data and Internet services market is already a multi-provider environment where several licenses for DSPs and ISPs have been granted. Many factors may, however, explain the reasons behind the slow pace of the market development. Among other factors, the lack of a developed infrastructure and high prices of international data and Internet services, restrain the ADSL deployment and contribute to preventing Lebanon from enjoying the full range of traditional and new broadband IP-based data and Internet services.

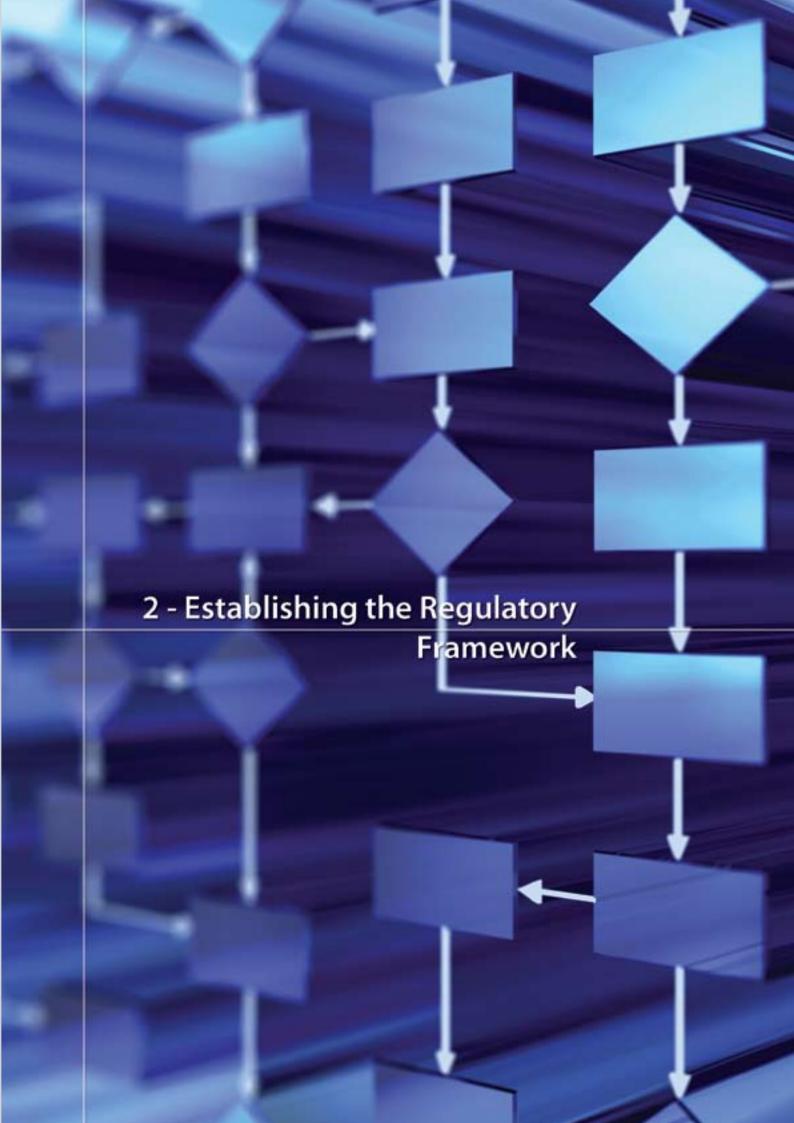
During 2007, we launched a series of intensive consultations with the licensed DSPs and ISPs, and we are currently finalizing the new licenses, which will take effect in April 2008, as required by the Telecommunications Law 431/2002.



Looking Forward >>>

For 2008, we expect to achieve a number of key objectives in market liberalization - based on the solid foundation established in 2007. Major objectives include:

- launching the broadband roadmap by mid-2008 and issuing the National Broadband Licenses in 2008:
- concluding the mobile license auction of two state-owned mobile network assets. Originally scheduled for February 2008, the auction has been postponed;
- issuing outstanding licenses for existing Data Service Providers (DSPs) and Internet Service Providers (ISPs) by April 2008;
- finalizing the licensing process of the incumbent national fixed line operator when incorporated, currently known as the Ministry of Telecommunications / Ogero, to be known in the future as Liban Telecom;
- granting licenses to new service providers to stimulate and increase competition; and
- preserving in building the TRA's infrastructure and capacity to be an effective regulator.



Overview

The competition policy and regulation provides a set of tools that enable sustainable and fair competition while creating a market environment in which healthy competition can flourish. The Telecommunications Law 431/2002 legally mandates the TRA to set a competitive regulatory framework for Lebanon. At the same time, it empowers us to remove any regulatory, economic, and operational barriers to competition.

In particular, our regulatory framework is designed to:

- provide access to telecommunications services for all Lebanese;
- foster sustainable competition across the entire telecommunications sector;
- ensure that consumers can choose among multiple reliable, affordable, and meaningful options of communications services;
- promote universal service and universal access;
- inform Lebanese consumers about their rights and responsibilities in the competitive telecommunications marketplace;
- protect and ensure benefits and rights to the consumers; and
- evaluate the competitive level in the telecommunications market on regular basis.

2.1 Defining objectives and action plan

On the regulatory front, we are working on establishing the new rules of the game. In line with the Telecommunications Law 431/2002, the TRA is drafting regulations that are modeled after the best practices that have been tried and tested in liberalizing markets worldwide. We started by focusing on the key regulations that are necessary for a liberalizing market.

2.2 Issuing documents for consultation

Many of the major regulatory activities will involve consultations with key stakeholders - an essential part of the regulatory process. This enables individuals and organizations that are affected by our decisions to both express their views and assess our work.

In an effort to conduct transparent and effective public consultations, we have aimed to involve all the voices that need to be heard - big and small companies, institutions belonging to the public sector, industries, consumer and community groups, or just individuals.

We regularly invite consumers and stakeholders of the telecommunications market to comment on any draft document and regulation. Typically, this involves publishing a full document on our website and asking for written responses from interested parties. Although this approach seems formal, it ensures clarity, openness and efficiency because everyone has access to the same information and may use the same template to respond.



Launching consultations

In 2007, we issued our official public consultation process, further to the approval of the TRA Board.

We also launched four draft guidelines for consultation and received feedback from key stakeholders and accordingly compiled all comments. The status of the draft regulations is shown below.

Four guidelines were specifically designed to help establish the standards for service providers in the Lebanese market. These included:

• Quality of Service (QoS):

Provides clear, concise guidelines concerning the Technical Quality of Service (QoS) and Key Performance Indicators (KPIs) for mobile, fixed, data and ISP services.

This includes requirements for fault rates, fault repair times, dial tone delays and other items.

• Interconnection:

Establishes the rights and obligations for all service providers to negotiate interconnection, upon written requests, and implement the agreements among each other.

This regulation also sets the rules for a service provider with SMP to develop its reference interconnection offer, which details the terms and conditions of interconnection agreements.

• Significant Market Power (SMP):

Assesses the presence of service providers with SMP in a relevant market and imposes obligations on such providers to ensure that no abuse of power is taking place.

These obligations may include - but are not limited to - license conditions, price controls, interconnection, universal service and quality of service requirements. They also ensure that providers with SMP shall provide wholesale services to other providers fairly and responsively.

• Consumer Affairs Regulation:

Protects consumers' rights by requiring service providers to issue a code of practice, making public all services offered and to issue terms of services to protect personal and confidential information. The Consumer Affairs Regulation also guides consumers and service providers when dealing with complaints by establishing a consumer complaints procedure and protects vulnerable groups.

2.3 **Defining key regulatory issues**

In addition to drafting regulations and consulting with key stakeholders, we launched the review of Lebanon's radio frequency spectrum, the numbering plan and the best policies and regulations in protecting consumers.

2.3.1 Managing the spectrum

Spectrum, a vital and limited national resource, is used to manage, maintain and control public and commercial broadcasting, cellular networks, radio-based local area networks and wide area networks, microwave and satellite transmission, mobile communications, pagers and emergency services.

Effective spectrum allocation and management ensures that all services requiring radio spectrum work efficiently. It also promotes the growth and rapid deployment of innovative and efficient communications technologies and services. Consultation with stakeholders is essential in virtually every aspect of spectrum management including the development of national legislations and regulations, spectrum policies, and technical standards.

The TRA is developing frequency pricing, establishing a method for reallocating and optimizing frequencies usage as well as drafting the spectrum policy. We are also working together to set Electromagnetic Compatibility (EMC) policy and assess the broadcast sector in Lebanon - TV, Radio, MMDS (multichannel multipoint distribution service, also known as wireless cable), and MVDS (multipoint video distribution system).

Allocation

Allocating radio frequency spectrum involves detailed knowledge of current spectrum use and assignment and forecasting future spectrum use. This information can then be used to create and maintain a national frequency allocation table within the framework of the International Telecommunication Union's Radio Regulations.

In 2007, we focused on establishing a baseline for current spectrum allocation, assignment and use in Lebanon. We also amended the spectrum allocation and assignment tables in order to develop a new Lebanese National Frequency Table (LNFT). In addition, we started defining the new policy, processes and procedures to be followed to improve spectrum efficiency.

Pricing

In addition to spectrum consultation and allocation, we began defining in 2007 how spectrum management and usage fees will be determined. This included collaborating with external consultants to study frequency pricing - particularly pricing of public mobile access frequencies and microwave frequencies that are used for fixed point-to-point links. It also included drafting the mobile frequency access pricing for the new mobile licenses.

Monitoring equipment

With the growing demand for radio spectrum in Lebanon, spectrum management is becoming an increasingly important function of the TRA. Spectrum management involves many steps and considerations to ensure high quality of service and efficient use of radio spectrum in Lebanon. One of the essential tools of spectrum management is spectrum monitoring, which serves as the core of the spectrum management process. In order to manage, monitor and improve spectrum efficiency, we have initiated efforts to acquire all necessary short and long term equipment from different sources, and define the technical specifications for the required equipment. We have received a commitment for \$3M grant from USAID to cover the procurement of the necessary equipment, which will enable us to build the core of a national automated Spectrum Management and Monitoring System (SMMS).



The major milestones achieved to date in spectrum management are:

- preparing a frequency table that contains all frequencies used in Lebanon and identifying bands that should be re-allocated, discontinued or that are available to be assigned;
- analyzing and assigning frequencies for new mobile licenses and amending the assigned frequency distribution among the DSPs;
- continuing to monitor spectrum use to avoid interference, prevent intruders and protect licensees;
- reviewing and analyzing the current state of the Radio & TV broadcasting sector; and
- meeting with the different operating DSPs to collect and analyze information on their current spectrum use and gain their input and vision for re-farming the spectrum.

2.3.2 Studying the numbering plan

With the liberalization of the telecommunications market, growth in the number of subscribers and increase in the choice of services, there is an ever-increasing need for new numbers. Lebanon needs a new National Numbering Plan (NNP) and strategy to assign numbers for all kinds of services and to maintain the ability to amend and change this plan according to market needs.

In 2007, we set the baseline for the current numbering plan and prepared a draft regulation for consultation. We aim on implementing the new numbering plan in 2008.

2.3.3 Protecting consumers

The TRA has a strong mandate to protect Lebanese consumers. As such, the TRA is continuously engaged in promoting the interests of consumers and defending their rights.

The major milestones achieved to date in the Consumer Affairs area are:

- drafting and issuing the Consumer Affairs Guidelines for public consultation. As part of this process, we met with "Consumers Lebanon", a non-governmental organization dealing with consumer protection matters, and other groups representing users;
- designing a formal consumer complaint procedure in the form of a Consumer Complaint Panel. The panel will examine consumer complaints and recommend solutions according to a detailed process that will be set out in the Consumer Affairs Regulation further to its publication;
- setting up a database, which will be used to reach all service providers (ISPs, DSPs, Mobile, Premium Voice, Premium SMS and Bulk SMS providers) whenever a complaint is filed against them. We will use the database to inform such service providers of a specific complaint and express the Authority's opinion; and
- building awareness about the Authority, its mission and prerogatives such as stated in the Telecommunications Law 431/2002, its objectives and its strategic plan. We are also focusing on communicating the importance of our mission and its positive impact on the Lebanese market to meet the needs of telecommunications consumers in Lebanon. To that purpose, the ICAU has initiated the creation of an awareness brochure expected to be published during the second quarter of 2008. This project is partially funded by AMIDEAST.



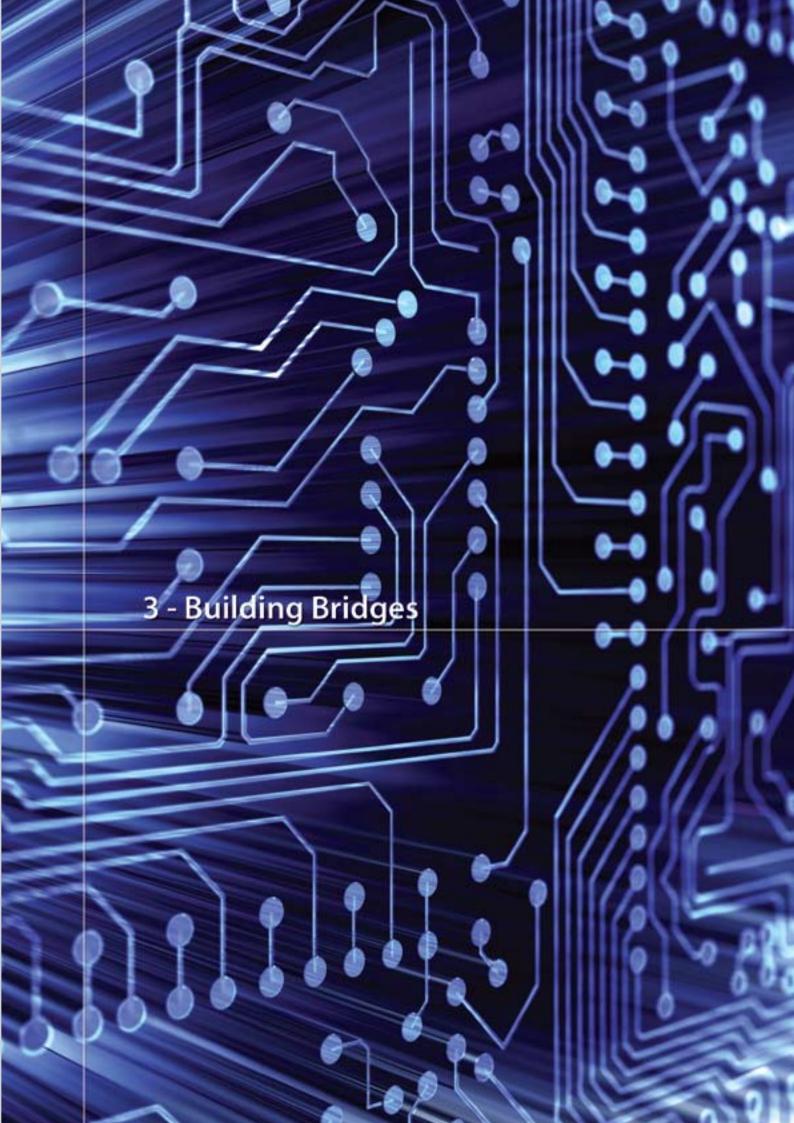
Looking Forward >>> _

Based on our 2007 accomplishments, we thrive to implement significant regulations in 2008.

They will include:

- •Type approval: ensuring that telecommunications equipment imported from abroad and/or manufactured in Lebanon meets a minimum set of regulatory, technical and safety requirements and is compliant with international electromagnetic standards;
- Consumer protection: publishing the Consumer Affairs Regulation further to the TRA Board's approval, nominating the representatives of the Consumer Complaint Panel and creating an internal database to house all consumers' complaints and related actions taken to resolve them. We will also continue to increase consumer awareness through new interactive elements on our website and through the distribution of of the consumer awareness brochure;
- Quality of Service: providing clear and concise guidelines concerning all elements of the Technical Quality of Service (QoS) and Key Performance Indicators (KPIs) for mobile, fixed, data and ISP services. This will enable service providers to start investing as appropriate in order to ensure they meet the new KPIs;
- Infrastructure sharing: covering obligations on licensed service provider to share their infrastructure or voluntary infrastructure sharing arrangments between licensed service providers particulary with regard to geographical area where it is not economically feasible to replicate the infrastructure or where environmental concerns are particularly important;
- The Lebanese National Frequency Table: amending the spectrum allocation and assignment tables in order to develop the new LNFT and define the new policy, regulations, processes and procedures that must be followed to achieve and improve spectrum efficiency; and
- Spectrum management: allocating and managing radio frequency in an efficient and effective manner by evaluating radio frequency bands and proposing assignment guidelines.

Finally, we will continue building the many aspects of our institution that are necessary to reach our goal to reclaim a leading role in ICT for Lebanon.



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Overview

Our scope of work in 2007 was dedicated to developing a proactive approach to external communications, building the Authority's image internally and externally, promoting the TRA, and providing relevant information to target audiences

We also succeeded in establishing international partnerships, cooperating with other governmental entities and gaining new expertise and relationships by participating in international conferences and workshops.

Despite our limited resources in 2007, we have worked and succeeded in intensively raising awareness and promoting the Authority, its mission, prerogatives, objectives and achievements through active media relations, local, regional and international public relations, regular website updates and the development of an awareness brochure. Further details on each of these areas follow.

3.1 Cooperating with governmental administrations

In 2007, we sought to establish cooperation with governmental administrations and have closely coordinated with the Ministry of Telecommunications in order to ensure a smooth transition of the regulatory functions from the Ministry to the TRA, as stipulated in the Telecommunications Law 431/2002, which highlights the importance of the transfer of information and equipment.

We have also set up coordination channels with the various ministries and other governmental administrations, especially with those involved with our spectrum management and equipment type approval.

3.1.1 Assuming the regulatory functions from the Ministry of Telecommnications

The process of assuming the regulatory functions from the MoT was launched during 2007. These functions are generally divided into five categories: licensing, radio frequency management, number management, import authorizations and international relations.

Since April 2007, several coordination meetings were organized between the TRA and the MoT in order to facilitate the transfer of these functions. Accordingly, we had gathered from the MoT a significant number of documents and information related to these five categories.

The TRA has benefited from the Minister of Telecommunications' continuous support, H.E Mr. Marwan Hamadeh, who played a major role in facilitating the access and transfer of the information from MoT to the TRA.

However, and despite the Minister's continuous support, some information and equipment have not yet been handed over to the Authority. We will continue to work closely with the Minister of Telecommunications to follow up on the transition, in order to make sure that it will not adversely affect the telecommunications industry.

Both the Minister of Telecommunications and the President of the Council of Ministers are committed to support this process and issue the relevant circulars, decrees and decisions needed to enable the TRA to assume all the regulatory functions assigned to it by law.



3.1.2 Coordinating with other public administrations

We are coordinating with the different administrations, among others the Ministry of Defense, Ministry of Interior and Municipalities (General and Internal Security), Ministry of Information, Ministry of Finance, Customs, Maritime Transport, Beirut International Airport, and many others.

We are in the process of preparing detailed engagement procedures. This includes the establishment of a coordination committee with the key government administrations and their assigned representatives.

3.1.3 Drafting recommendations

The role of the TRA is to develop a Lebanese telecommunications market enjoying a healthy growth. It is therefore important to hand out opinions over the proposed laws, decrees and regulations that might impact the good implementation of the Telecommunication Law 431/2002. The TRA will thus contribute to help setting up a satisfactory legal environment for Lebanon that will encourage future investors.

As an example, and upon the request of the Ministry of Economy and Trade, the TRA commented on the draft of Competition Law, recommending that the TRA retains jurisdiction on all competition issues related to the telecommunications market as provisioned in Law 431. The TRA is following up with the involved parties in that regard.

The TRA has also participated in studies and proposed amendments for planned regulations and proposals of laws regarding various subjects: regulating DSPs, the amendment to the Code of Commerce regarding the e-commerce, and other issues directly related to the market.

3.2 Participating in international activities

In 2007, we established several international partnerships, specially designed to strengthen cooperation with key stakeholders, increase Lebanon's international profile, and enable us to benefit from the expertise and support of regulators in other markets

3.2.1 Establishing international partnerships

Major partnerships include:

- $\bullet \ becoming \ a \ member \ of the \ International \ Telecommunications \ Union \ (ITU);$
- joining the Arab Regulators' Network (AREGNET). This entitled us to participate in several workshops and trainings with other Arab regulators. Joining AREGNET provided us with access to the telecommunications regulations' best practices and build capacity across the Region;

- joining the Euro-Mediterranean Telecom Regulators' Group as a founding member. The purpose of the ERG-MRG is to create a forum for harmonization of telecommunications regulations across the Mediterranean;
- joining FRATEL (the Francophone Network of Telecommunications Regulation). Our participation in this organization aims at furthering Lebanon's profile as a major active participant in international seminars, while learning from other nations' experiences and benchmarking against international best practices in telecommunications; and
- signing a memorandum of understanding (MOU) with the Bahrain's TRA to help strengthen the relationship between our two organizations. The MOU covers areas of cooperation related to consumer affairs and protection, spectrum management, quality of service, and exchange of staff training and expertise, among others.

In 2007, the Chairman met with more than thirty high officials of Regulatory Authorities, with the objectives of developing the TRA's ties with other regulators and learning from other countries' experience. The Chairman also visited Ofcom (UK), the FCC (USA), the TRA Bahrain, as well as other countries.

3.2.2 Attending international conferences and workshops

While establishing international partnerships is of utmost importance, we also gained additional expertise in 2007 through our participation in numerous international conferences and workshops.

These events provided us with an opportunity to share ideas and experiences with other countries, learn from best practices in international telecommunications and benefit from the expertise and support of other regulators.

Major conferences and workshops attended in 2007:

- in May 2007, we participated in the roaming workshop organized by NATP New Approaches to Telecommunications Policy in Belgium, where we discussed crucial issues such as tariffs, regulations, technologies and interconnection;
- in July 2007, our Board members attended a full training program at the USTTI, Washington;
- as a sector member of the International Telecommunication Union (ITU), we participated in the World Radiocommunications Conference (WRC 07) from October 22 to November 16. The conference, which took place in Geneva, Switzerland, is considered as one of the most significant of those organized by the ITU. Its objective was to revise Radio Regulations and to discuss issues related to frequencies; and
- in November, we also participated in the 5th annual Francophone Network of Telecommunications Regulation (FRATEL) meeting in Montreux. Switzerland. The conference's major theme was Quality of Service and Consumer Protection.



3.3 Interacting with the public

In parallel to our efforts at the international and the public administration levels, we applied, in 2007, a proactive approach of interacting with the public, designed to support the TRA's role and offer accurate information to all targeted audiences.

3.3.1 Developing the TRA's website

During our first operational month, we launched an informative website in both Arabic and English within very limited resources. Its main objective was to provide static information about the Telecommunications Law 431/2002, the TRA's role, its prerogatives and ongoing activities. We also launched another website dedicated to the mobile auction with limited and secure access to interested bidders.

In parallel and further to a request for proposal, we selected an external vendor to help us refine and revamp our current official website by introducing a new level of interactivity. The new website will have the characteristics of a portal and will serve the needs of the TRA target audience while mirroring the TRA's image and portraying world class standards. This interactive platform will provide valuable, useful and quality content to target audience in a visually appealing layout and user friendly navigation scheme. The integration of a Content Management System (CMS) will allow constant and easy updates.

This project is partially funded by TAG. The TRA's new website is expected to be launched in the third quarter of 2008.

3.3.2 Communicating with the Public

In 2007, we took a number of significant steps forward in establishing a media relations program, which falls under our awareness building plan. Media showed interest particularly in the mobile auction and in our mission and actions to protect consumers' rights.

To help us further develop our communications strategy and manage various tactics, we have launched a Request for Proposal in order to select an international public relations agency as the TRA's partner. The PR agency will actively participate in the awareness and image building process of the Authority.

3.3.3 Creating awareness about the TRA

We are also working on developing a consumer-oriented brochure. The brochure is designed to raise awareness regarding the TRA, communicate our information and key messages, and educate consumers about their rights following liberalization and the TRA's role in protecting those rights. The brochure will be available in the second quarter of 2008.



Looking Forward >>> ___

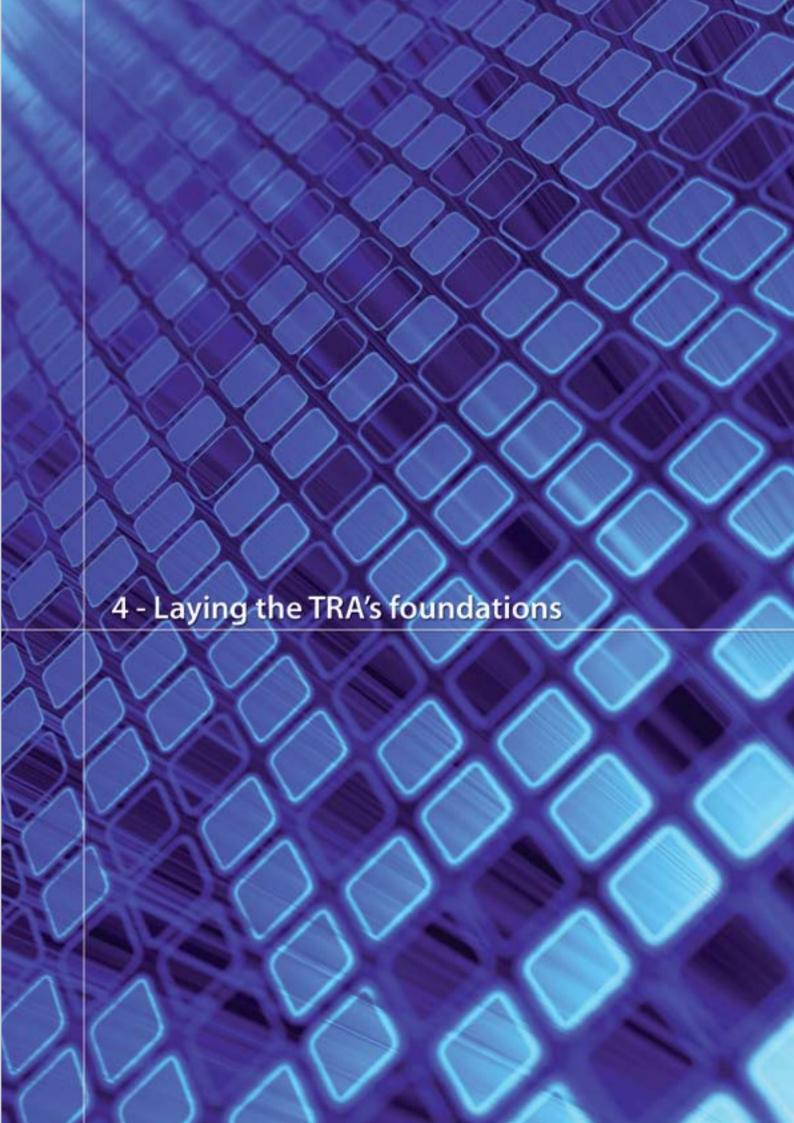
In an effort to better understand the TRA's challenges and enhance communications with our audience, we will deploy a plan in 2008 that will help us enhance our image and answer our stakeholders' needs.

In that regard, we will launch a stakeholders' audit targeting internal and external groups. Moreover, we will establish an internal press office, which will ensure a greater volume of well planned exposure for the TRA.

Various activities, events and public appearances involving the media and the Authority's stakeholders will be planned in 2008 to communicate our achievements and projects which we are undertaking and constantly inform and interact with the public.

In the third quarter of 2008, we plan on launching the revamped version of our website - which will provide an interactive, better structured, user-friendly and content rich platform with more flexibility to meet our growing needs.

We will also work on building on our exiting international relations network in order to exchange information and best practices.



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Overview

One year has elapsed approximately since we officially started our operations, and our organization is currently up and running. We moved to our current location, Marfaa building in Beirut Central District in July 2007, and we plan on extending our premises space in 2008 to meet our growing needs and ensure a pleasant working environment.

One of our major accomplishments to date has been to attract a core group of highly qualified professionals, both from within Lebanon and abroad. This has enabled us to make both a fresh and rapid start.

Since the start of our operations, we have also been tremendously successful in solidifying our independence and setting firm guidelines for dealing with our many stakeholders.

By law, we are an independent public institution, and we have consistently reinforced our autonomy through different initiatives at both administrative and financial levels.

More information on our code of practice, human resources, internal communications and document management, offices, financial procedures, budget and expenditures follow.

4.1 Creating the work environment

Since the beginning of our operations, we aimed at matching the best standards of quality at work, which is reflected in the equipment we chose and the tools we implemented to help employees access essential information.

4.1.1 IT settings

Sharing resources and information is of utmost importance to ensure an easy workflow. The IT network we set-up enables the Authority's departments to share information efficiently and quickly. In addition, the high capacity and quality Internet connection we deployed enables the TRA staff to access their emails securely and their network resources remotely.

The hardware we procured matches international standards and was acquired through tenders to which several major companies applied. We have also ensured a wide range of up-to-date office software allowing high productivity and meeting the various and growing needs of every unit.

We implemented a state-of-the art IP telephony infrastructure allowing complete integration with our email system, enabling employees to better communicate and interact.

4.1.2 Internal communication

In 2007, as part of our efforts to create a world class workplace, we planned for the development of an Intranet designed to help our staff better interact and be informed about our main projects and priorities. It also allows the implementation of various administrative formalities and facilitates their management and handling.



Furthermore, we have concentrated our efforts on gathering large and varied information related to market data, internal procedures, international and local contacts, conferences and workshops. This process will help us create several databases to be incorporated on our intranet for easy access by all staff members.

We plan on implementating our Intranet during the second quarter of 2008.

As part of our team building process, we have also organized several staff gatherings and meetings. These events helped the TRA experts better know each other, value each others' personal and professional skills and get acquainted with the Authority's projects and strategic objectives.

4.2 **Developing the TRA capacity**

Our Human Resources department is not only committed to creating a culture of excellence that will encourage cooperation and high performance, based on our Code of Practice, but also helps in supporting the various business units to achieve our strategic business objectives.

Over the past year, we have screened, selected and signed cooperation contracts with some of the industry's most highly qualified professionals. Almost 55% of our staff is composed of women, which is considered a high ratio for government agencies in Lebanon. We strive to retain our employees by investing heavily in training and development and in establishing a strong corporate culture.



4.2.1 The recruitment process

We started operating with very limited human resources. In fact, in April 2007, the TRA consisted only of the Chairman and Board members, as well as three consultants among whom an HR expert. However, as our workload increased, the recruitment process progressed. By the end of 2007, we had screened more than 900 applications as part of a transparent and professional recruitment process.

By end of 2007, we had around 30 consultants working with the TRA.

4.2.2 HR policies, procedures and regulations

Our draft HR policies and procedures have also been approved by the Board. These will be included in an employee handbook to be approved by the Council of Ministers.

Moving forward, we will strive to continue maintaining a challenging and rewarding work environment - one which will ultimately help us reach our goal of reclaiming a leading role for Lebanon in ICT by bringing the country back to the international telecommunications scene and re-establishing international standards.

Our plans include integrating professional development and career management into our management objectives and continuously striving to create a world class workplace.

4.2.3 Code of Practice

In 2007, we issued our Code of Practice, which sets out the procedures and principles governing our work. It includes clear rules on how the TRA staff should behave internally — in terms of corporate governance, decision-making, routine and urgent functions - and externally with stakeholders, such as licensees, manufacturers, consumers and other government institutions.

Our Code of Practice encourages best industry practice, promotes high quality of service and favors technical and economic efficiencies.

4.3 **Developing the TRA financial resources**

In 2007, we were able to achieve many significant milestones within a very limited budget.

This was accomplished by setting targets for our expenses, using our resources in the most effective manner, and tapping into international assistance from organizations such as the EU, Partnership for Lebanon, USAID and AMIDEAST to fund specific projects.

4.3.1 Financial procedures

As required by the TRA Administrative and Financial Decree (Council of Ministers Decree 14264/2005), we developed and submitted our Financial Procedures for approval to both the Minister of Telecommunications (MoT) and the Minister of Finance.



The major finance and budget milestones achieved to date are:

- drafting our financial procedures;
- issuing our 2007 budget with its detailed rationale, and following it up with concerned ministries for final approval;
- preparing our Financial Statements for the ten months ended December 31, 2007;
- hiring a Chief Financial consultant in mid-November 2007;
- establishing good communication with the BDO (Business Development Office), reviewing their bookkeeping and preparation of financial statements, and requesting proper account adjustments as needed;
- reviewing our Financial Management System and converting it into flow charts and process blocks;
- establishing criteria to be used for selecting providers of accounting and payroll software and meeting with those providers;
- preparing our official budget for 2008; and
- establishing a procedure to charge and receive payments from service providers.

4.3.2 Securing international assistance

In addition to our official budget, in 2007, we benefited from widespread international support. In particular, we were able to secure the following financial commitments from international donors:

Organisation	Commitment	Activity		
USAID	US\$3M	Spectrum Management and Monitoring System project		
European Union	E1.5M	Assistance in establishing the regulatory framework for the liberalization and regulation of the Telecommunications sector in Lebanon		
Partnership for Lebanon	Budget to be determined	Technical assistance to prepare Lebanon's broadband strategy		
EU New Approaches to Telecommunications Policy (NATP)	Budget to be determined	Preparation of the draft unbundling local loop strategy and broadband strategy		
TAG	US\$100 000	Developing a new website, launching a market survey through the IDD market research for the purpose of developing the market assessment, and producing a consumer awareness brochure		

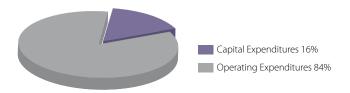
4.3.3 Budget and expenditures

On May 18, 2007, we submitted the budget of our first year of operations to the Minister of Telecommunications and the Minister of Finance. The Council of Ministers (CoM) approved our budget of LBP 20 billion for 2007 (equivalent to US\$ 13.3 million).

Prior to formal budget approval, the Council of Ministers granted us an advance payment on its budget of LBP 4.5 billion (COM Decision number 31 dated 04/4/2007).

Two settlements were transferred to the Authority in 2007: a first amount of LBP 2.5 billion was settled in June 2007 and the remaining balance of LBP 2 billion in September 2007. Despite the fact that no other advance payments were settled in 2007, and despite the constraints in available resources, we were able to achieve our planned projects and fulfill all our commitments.

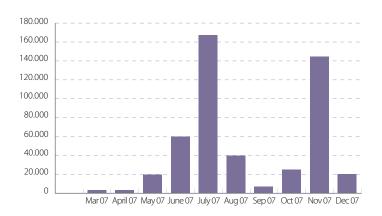
Our expenditures can be grouped under two main categories: Capital Expenditures and Operating Expenditures. Capital Expenditures represent 16%, while Operating Expenditures represent 84% of the Total Expenditures.



Total Expenditures

Capital expenditures:

As indicated in the following chart, our Capital Expenditures started in small amounts before we received the first down payment from the Ministry of Telecommunication. We then invested in the necessary startup Capital Expenditures to enable the organization's operations.



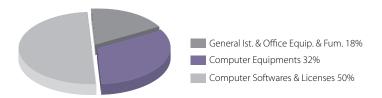
Monthly Evolution of Capital Expenditure

(in 000 LBP, unaudited figures)

For a monthly breakdown of capital expenditures by month, please refer to the table on page 39



Our Capital Expenditures are divided into three main categories as detailed in the below chart where Computer Software and Licenses represent 50% of the total Capital Expenditures, Computer Equipment represent 32% of the Capital Expenditures and General Installations and Office Equipment represents 18% of mentioned Expenditures.



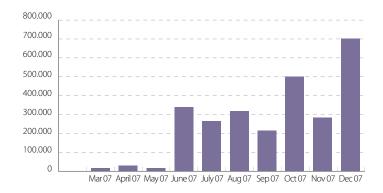
Breakdown of Total Capital Expenditures

(unaudited figures)

Our main investments in computer software and licenses took place in July 2007 (effective start-up date) and November 2007. It should be noted that current expenditures only represent our basic needs (additional expenditures are needed). Our main expenditures for General Installations and Office Equipment and Furniture took place in July 2007 (effective start-up date).

Operating expenditures:

As indicated below, our Operating Expenditures started directly after having received the first down payment (LBP 2.5 billion) from the Ministry of Telecommunication (June 2007) .



Monthly Evolution of Operating Expenditures

(in 000 LBP, unaudited figures)

For a monthly breakdown of operational expenditures, please refer to the table in page 39

Our Operating Expenditures are divided into seven main categories as detailed in the following chart and rank as follows according to their importance:

- salaries & Related Charges for the Chairman and the Board members in addition to the Wages & Fees for the TRA team represent 50% of the Total Operating Expenditures;
- legal and Consultancy Expenses represent 30% of the Total Operating Expenditures;
- rent Expenses represent 7% of the Total Operating Expenditures;
- operational, General and Administrative Expenses represent 7% of the Total Operating Expenditures;
- travel and Related Expenses represent 4% of the Total Operating Expenditures;
- depreciation Expenses represent 1% of the Total Operating Expenditures; and
- seminars and Training Expenses represent 1% of the Total Operating Expenditures.



Breakdown of Total Operating Expenditures

(unaudited figures)

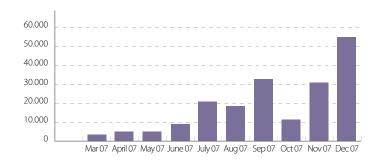
Our Legal and Consultancy Expenses started to increase significantly in October 2007. These expenses are mainly linked to the launch of the Mobile Licensing Auction.

Wages and fees started to increase proportionally with our effective operational start-up in August 2007. The increase in the wages and fees align with the increase in the contractual number of employees as described below:

August 2007: 15 consultants
September 2007: 19 consultants
October 2007: 22 consultants
November 2007: 26 consultants
December 2007: 30 consultants



Our Operational, General and Administrative Expenses started to increase with our effective operational start-up and our office opening, as well as the travel, seminars and training related expenses.



Monthly Evolution of Operational, General & Administrative Expenditures

(in 000 LBP, unaudited figures)

For the detailed breakdown of Operational, General & Administrative Expenditures by month, please refer to the table in page 39

→ Financial figures

In brief, the below monthly evolution of our Total Expenses (Capital Expenditures + Operating Expenses) reflects the growth of our team and the cruise speed we are trying to reach.



Monthly Evolution of Operating and Capital Expenditures

(in 000 LBP, unaudited figures)



Looking Forward >>>

In 2008, we will continue our efforts to build our institution, based on the foundation we established in 2007. Major objectives will include:

- maintaining our successful recruitment program with the goal of reaching 85 consultants by year end; and
- continuing to train staff as appropriate and benchmarking against industry best practices through further participation in international conferences and workshops.

In addition, in 2008, we will take steps to achieve financial independence through initiating the collection of fees directly from service providers.

These fees will partially cover our costs to provide certain services such as issuing licenses and Developing regulations. Our aim is to ensure the financial independence of the Authority.

Monthly breakdown of total expenditures

Unaudited Figures in 000'LBP

	Capital Expenditures	Operating Expenditures	Total Expenditures	
Mar-07	-	1,774	1,774	
April-07	-	19,642	19,642	
May-07	30,351	5,909	36,260	
June-07	64,250	354,698	418,948	
July-07	171,950	275,956	447,906	
Aug-07	45,685	342,101	387,786	
Sep-07	6,873	233,050	239,922	
Oct-07	31,109	517,687	548,796	
Nov-07	148,358	270,368	418,726	
Dec-07	23,649	733,353	757,002	
TOTAL	522,223	2,754,538	3,276,762	



Monthly breakdown of capital expenditures Unaudited Figures in 000'LBP

	Computer Software and Licenses	Computer Equipments	General Institutional & Office Equipment Furniture	Total Capital Expenditures
Mar-07	-	-	-	-
April-07	-	-	-	-
May-07	20,994	-	9,358	30,351
June-07	8,794	50,341	5,115	64,250
July-07	78,169	61,282	32,498	171,950
Aug-07	13,656	19,169	12,860	45,685
Sep-07	-	813	6,060	6,873
Oct-07	19,580	6,770	4,759	31,109
Nov-07	112,063	26,092	10,203	148,358
Dec-07	6,679	5,333	11,637	23,649
TOTAL	259,934	169,801	92,488	522,223

Monthly breakdown of operating expenditures Unaudited Figures in 000'LBP

	Operational, General & Administrative Expenses	Rent Expenses	Travel & Related Expenses	Seminars & Training Expenses	Legal & Consultancy Expenses	Salaries, Wages & Fees	Depreciation Expenses	Total Operating Expenditures
Mar-07	1,774	-	-	-	-	-	-	1,774
April-07	3,958	-	217	-	-	15,467	-	19,642
May-07	4,174	-	1,735	-	-	-	-	5,909
June-07	8,863	-	3,739	-	92,688	249,408	-	354,698
July-07	22,807	-	19,231	13,341	112,574	108,003	-	275,956
Aug-07	19,659	188,900	1,131	-	15,945	116,468	-	342,101
Sep-07	35,736	-	4,328	6,336	4,144	182,506	-	233,050
Oct-07	13,957	-	25,986	-	296,222	181,522	-	517,687
Nov-07	33,259	-	30,323	3,497	10,756	192,533	-	270,368
Dec-07	57,256	-	6,085	5,532	304,111	329,396	30,972	733,353
TOTAL	201,441	188,900	92,774	28,707	836,440	1,375,304	30,972	2,754,538



Our mission is to establish a regulatory environment that enables a competitive telecommunications market to deliver state-of-the-art services at affordable prices to the broadest spectrum of the Lebanese population.