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QUESTION OF ASSISTANCE TO LIBYA

Communication dated 13 October 1960 from the
Prime Minister and Minister of Foreign Affairs
of Libya addressed to the Secretary-General

Note by the Secretary-General: The Secretary-General has the honour to submit to the Members of the General Assembly, for information, a copy of a communication dated 13 October 1960 from the Prime Minister and Minister of Foreign Affairs of Libya transmitting a memorandum on the assistance received by the Government of Libya from the United Nations.

LETTER OF TRANSMITTAL

13 October 1960

I have the honour to refer to resolution 1303 (XIII) which was adopted by the United Nations General Assembly on 10 December 1958 and which requested, inter alia, that a special report on the question of United Nations assistance to Libya should be prepared so that this subject might be placed on the agenda for the fifteenth session of the General Assembly.

On those previous occasions when similar requests have been made by the Assembly, my predecessor and I have submitted to the Secretary-General memoranda outlining the assistance received from the United Nations, the results that have followed from this assistance and the general progress made in Libya's economic and social development.^{1/} These documents have been circulated to delegations

^{1/} Official Records of the General Assembly, Tenth Session, Annexes, agenda item 26, document A/2969; *ibid.*, Thirteenth Session, Annexes, agenda item 30, document A/3961.

attending the Assembly, and I understand that they have been of some assistance in providing background information to delegates participating in the debate. Consequently, I am now transmitting to you a further report in which are set forth the main features of the background against which United Nations aid is provided and which covers as well the major changes which have occurred since my last report.

I welcome this opportunity to convey to you the deep gratitude of my Government and the people of Libya for the assistance which the United Nations continues to render to our country. We set a very high value on this aid and there can be no doubt that it has greatly contributed to the rate of progress we have been able to maintain in the reconstruction and development of Libya.

It is, therefore, with a deep sense of disappointment that my Government notes that further reductions are to be made in the level of assistance to Libya in the next two years. We are, of course, aware of the growing demands upon the resources of the United Nations and we welcome the efforts which are being made to assist the newly-independent countries, particularly in Africa, but we also feel that the special position of Libya should continue to be recognized and that the United Nations should continue to acknowledge its special responsibility towards our country. Our needs for technical assistance are increasing rather than diminishing and we would urge, therefore, that our real and urgent requirements should be given favourable consideration when allocations of technical assistance funds are next made.

I have to record that the invitation expressed in paragraph 1 of resolution 1303 (XIII) has so far met with no favourable response. However, as you will know, a number of Member Governments have for some years provided direct financial and technical assistance to Libya. This considerable support, together with the aid of United Nations experts, has helped greatly in implementing our programmes for economic and social development.

We recognize that the progress so far made is but the beginning of the programme of work which we must undertake. Great difficulties have beset our early efforts and many of these problems will remain with us for long years to come. The initial handicaps of wartime damage and destruction have now been largely overcome, although restoration has necessarily diverted our efforts from more fruitful development activities and must, to a smaller extent, continue

to do so. Libya's natural resources, with the single exception of recently discovered petroleum reserves, are extremely limited, and the shortages of cultivable land, water supplies and skilled personnel are acutely felt.

Nevertheless, the considerable endeavours which have been made to overcome the difficulties and shortages have not been unrewarded and we can record encouraging progress in the development of Libya's resources. But even greater effort is required to develop to the full the latent skills of our people and the economy of our country. My Government is determined that despite the difficulties and the lack of domestic capital and resources every effort shall be exerted to raise the living standards of the Libyan people and to attain a self-supporting and prosperous economy. If our progress towards these ends is not to be seriously retarded at the present critical stage, we shall continue to need for some time to come the financial support and technical assistance provided by Member Governments and the United Nations. My Government would therefore ask that the attention of the General Assembly should be directed to the recommendations embodied in resolution 1303 (XIII) and would urge the reaffirmation of these recommendations by the Assembly.

There can be no question that the economic prospects for Libya in the future are bright and hopeful: this should not, however, obscure the fact that the revenues from the commercial exploitation of our oil resources will not become available in important volume for at least two or three years, nor the fact that our present urgent needs for technical assistance and skilled personnel of all kinds are certain to grow with the increasing technical advances within the country. In fact, the prospect of growing revenues from petroleum makes the shortage of skilled personnel in technical and administrative positions even more acute. Furthermore, in fields such as agriculture, the receipt of petroleum revenues will do little to solve the fundamental problems posed by climate, soil, lack of water and deficient farming techniques. The continuation of the aid provided by international experts is essential if Libyan agriculture is to be improved and the living standards of the majority of the Libyan population are to be raised.

Although Libya's need for capital is still acute and an overwhelming amount of investment is required to achieve the economic and social progress we desire, our most pressing need is for the provision of skilled personnel without which

the effects of our investment programme would be nullified. Indeed, our requirements for expert help have not merely kept pace with economic growth, but have in fact substantially increased. Looking ahead we can see that the need for such services will increase even more rapidly in the future with the establishment of the petroleum industry and the continuation of the development programme.

Despite our best efforts, it has not been possible for our training programmes to keep pace with this demand: given the inherent slowness with which technical education and experience can be imparted and given and also the rising demand for technical services, it is apparent that for some time to come Libya must seek external help to close this gap. The assistance which the United Nations can provide will thus be of particular importance to Libya in the next few years since it is during this period that the foundations for rapid growth must be laid.

My Government recognizes that, with the growth in prosperity which may reasonably be anticipated when substantial revenues from oil become available, the time is probably not far distant when Libya will be in a position to relinquish the waiver on the local costs involved in the provision of technical assistance. However, income from petroleum exploitation is not expected to attain the levels which would make this possible for the next two or three years: during this period the Government will be faced with heavy and growing expenditures which are unlikely to be matched by comparably increasing revenues. My Government would therefore request that the United Nations should continue to grant Libya the waiver on local costs during the short but difficult period of transition which lies ahead. The privilege of the waiver has been of considerable financial help to Libya in the past and there is a real need for the continuation of this help in the immediate future.

In my letter transmitting the previous report, I referred to the foundation of three new United Nations organizations - OPEX, the Economic Commission for Africa and the Special Fund. I am happy to see that all three are now well-established and, in spite of some early difficulties, and particularly the need for more continuity in OPEX appointments, are providing invaluable help, and benefits may be more widely and more abundantly available to the under-developed nations.

/...

It is appropriate to record here a welcome to yet another new international organization now being set up under United Nations auspices. My Government welcomes the establishment of the International Development Association as being a major step to assist the poorer nations of the world in their struggle towards a higher standard of life for their peoples. We would ask all Governments to join us in giving this new enterprise the greatest possible support and we would especially ask the more advanced nations to contribute all they can, even at the expense of their own bilateral aid programmes, so that the goal of increasing prosperity and a better standard of life might be brought a little closer to the majority of the world's people. Most under-developed countries need investment on a substantial scale in projects which for one reason or another cannot be financed on a commercial basis nor from their own resources, but yet are essential to their development. The provision of funds for such projects by the International Development Association on long repayment terms and at practicable rates of interest and amortization will go far to meet one of the most urgent needs of countries such as Libya which are striving to achieve economic and social improvement.

Our task and our intention is to make the best possible use of the revenues which are expected to accrue in the future from oil exploitation and to make a worthy and increasingly substantial contribution to our development from these new resources. We realize the vital importance of the next few years and my Government asks that Member nations will continue to provide financial and technical support in order that our own efforts might be successful. We also ask the United Nations for continuation and if possible for an increase in the technical assistance which is indispensable to our progress. The Government and people of Libya know that they can best show their appreciation of the assistance they receive by themselves making every effort and sacrifice to achieve the economic and social development of their country: this, I am certain they will continue to do.

(Signed) Abdulmejid COOBAR
Prime Minister
and Minister of Foreign Affairs

MEMORANDUM ON UNITED NATIONS TECHNICAL ASSISTANCE TO LIBYA

1. In the two years which have elapsed since the last report on this subject was transmitted by the Government of Libya to the Secretary-General, Libya has continued to benefit from the interest and help of the United Nations. A substantial measure of assistance has been forthcoming from the United Nations in each of the nine years since, at the end of 1951 and as a consequence of a decision of the General Assembly, Libya was created as an independent State. Although the level of this assistance has lately declined, it has nevertheless made a most valuable contribution to Libya's economic and social development. In addition, Libya has received a considerable volume of financial and technical aid directly from Member nations, especially the United States of America and Great Britain.

2. Without the continuity and volume of assistance given so generously to Libya by the United Nations and friendly Governments, the marked progress which has been made in the economic and social development of the country would not have been possible. At the time when it became independent, Libya had little prospect of rapid social and economic advance. This was a country mainly of desert, with negligible proven material resources, a relatively small land area suitable for cultivation, a population without education, technical training and administrative experience and an infrastructure severely damaged by wartime action and neglect.^{2/}

3. From this most unpromising beginning considerable progress has been made: it is to the credit of the United Nations, of the friendly Governments who have provided aid and of the Libyan people themselves that so much has been achieved in such a relatively short period. The restoration of war-damaged facilities is now virtually completed, important progress has been made in providing additions to the infrastructure, a large number of development projects designed to improve

^{2/} An excellent survey of the economy of Libya is contained in the recently presented report of the International Bank for Reconstruction and Development ("The Economic Development of Libya", Washington, D.C., April 1960).

the economic well-being of the country have been implemented and great strides have been made in the field of education and health.^{3/}

4. With the limited statistical and economic data available within the country it is not possible to measure the progress which has been made. This is particularly so since a major contribution towards higher income levels in some sectors has been made by the expenditures in Libya of oil exploration companies, foreign military establishments and the sizeable foreign civilian community: it is thus not easy to isolate the effects of development expenditures. But, if not measurable, the effects of development activities are apparent in terms of benefits to the people of Libya in more acceptable living conditions and greater opportunities for advancement.

5. Nevertheless, it is realized that as yet only a beginning has been made: a vast amount of essential development work must still be undertaken. It will take many years and require very considerable investment of financial and human resources before economic and social conditions in Libya can be raised to the desired levels. To achieve this, Libya will need for some time to come the continuing help and interest of the United Nations and the Member Governments.

6. Libya's situation is now, however, very much more hopeful and promising than it was on the occasion of the last report to the Secretary-General in 1958.^{4/} There are three particular reasons for this improvement, all of which have significance for the future development of the country: they are the discovery of petroleum, the reorganization of the development agencies and the completion of the report of the World Bank Survey Mission in Libya.

^{3/} Details of earlier capital development and technical assistance activities will be found in two reports of the Development Council - "Development Activities in Libya" (1957) and "Financing of Development Programmes" (1958). A new issue of the latter report will be published shortly and will bring up to date the material on capital development and technical assistance.

^{4/} Official Records of the General Assembly, Thirteenth Session, Annexes, agenda item 30, document A/3961.

The discovery of oil

7. The importance to Libya of the discovery of oil can best be judged against the background of a country almost entirely lacking in other natural resources, with a very limited cultivable land area, with inadequate water supplies and hitherto dependent to a substantial degree on external assistance, both for ordinary budgetary expenditures and for development financing. It is as yet too early to estimate the likely volume of petroleum production or to guess the size of the revenues which Libya will derive from oil. Of the 145 wells so far drilled, forty-two have proved to be producing wells giving a total of 87,822 barrels of oil per day. Not all of these wells are sufficiently productive for commercial exploitation, but already the wells in two areas (one in Tripolitania, one in Cyrenaica) have been shown to produce sufficient for commercial purposes. Both areas are within 150 kms. of the coast and pipe-lines are to be laid connecting the wells to two oil shipment terminals which will be constructed on the coast of the Gulf of Sirte. It is anticipated that oil exports from both fields will be flowing in 1962.

8. Libya may therefore look forward to receiving revenues from oil production within the next two years; initially these may not be large, and it may well be four or five years before they are substantially increased. The Libyan Government is conscious that the exploitation of oil resources will not automatically solve all the country's economic problems; indeed it is anticipated that many new problems may thereby be created. Nevertheless, there are firm prospects that the country will in time become economically more self-supporting and consequently less dependent upon external aid for budgetary support and the financing of development activities. The revenues from oil will be devoted mainly to development works, but smaller proportions (15 per cent in each case) will go to the Federal Government and to the province in which the oil is produced. The ordinary budgets of the Federal and Provincial Governments will thus be helped to sustain the burden of recurrent costs arising from new development projects and the way will be opened for growing expenditures on economic and social services. Not only will the Government receive direct revenues from petroleum production and increased revenues from taxation, but increasing incomes will accrue also to the people of Libya, both from the activities of the oil companies and from the economic growth following development expenditures from Government revenues.

9. The impact of oil company activities has had already a marked effect on the economy of Libya. This impact has reinforced, and now overshadows, the effects of expenditures by other parts of the "foreign sector" of the economy: expenditures by foreign military establishments, aid agencies and their personnel have for some time made a considerable impact on certain sectors of the economy, which is in many respects similar to the much greater impact of oil company activities. These companies have provided employment opportunities to a growing number of Libyans in the field, in offices and in ancillary services. Such employment may be expected to increase during the next year or so as exploration is intensified in the period before concessions must be partially surrendered and it is probable that a peak will be reached during the time when exploration and development of production facilities are proceeding together. It is unlikely that the numbers employed in oil production and related industries will ever be large, but salaries and wages are often higher than could be otherwise obtained and offer an incentive to those employed elsewhere.
10. Apart from such direct employment, which can absorb only a small part of the working population, oil company activity is also stimulating demand in those trades and industries which serve the oil industry: transport, building and construction, service industries and, of course, wholesale and retail trade, have grown substantially to meet the requirements of the oil companies and their employees. In addition, there has been a secondary increase in demand for consumer goods arising from the increasing incomes of those who benefit from oil company expenditures. Increased employment in these industries and trades has followed, whilst government revenues from import duties and taxation have also grown. The stimulus to industry and trade, both direct and derived, may be expected to increase as exploration and development move towards peak activity in the next year or so.
11. The discovery of oil in Libya will undoubtedly lead to some further development of domestic industries. Arrangements are already in hand for the construction of two pipe-lines to the coast: it would be a logical development to construct a small refinery, capable of expansion to meet future demands, which would serve the needs of the country, including the foreign military establishments and the air services using Libyan airports. Such a refinery, as well as the possibility of natural gas supplies, would open a potential field of development

in petrochemicals and fertilizers. Foreign investors have shown interest in developing such enterprises, and, indeed, one effect of the discovery of oil is the encouragement it has given to foreign interest in investment in Libyan industrial development. Sound and beneficial foreign investment will be encouraged by the Government, and legislation exists for this purpose. Locally produced oil products may be expected to provide cheaper fuel supplies for power production and for transport and industry. This will widen the scope for industrial development as new enterprises become more economic and will also provide cheaper power and fuel for domestic use.

12. The Government is aware, however, that oil revenues and developments consequent upon the discovery of oil do not of themselves solve all the problems of development or of the economy in general. Many uncertainties and problems remain which must be overcome and resolved by government action or by private enterprise. The timing and volume of oil revenues can be only roughly estimated at this stage. Although Libya has some cost and transportation advantages in supplying petroleum to western Europe, there may be marketing and price difficulties in a period when world oil supplies exceed demand. Employment and relatively high incomes in the oil industry, in related industries and in the trades and services which benefit directly from the development of oil will be limited to a small part of the population. In fact, a decline in direct employment may be expected once the peak of activity is passed and some difficult adjustments may have to be made. So far, the people in agriculture and rural areas have benefited little from the activities associated with oil exploitation. Serious problems are posed by the imbalance between a small urban minority deriving greatly increased incomes and a rural majority barely affected by the increased flows of money in the country. Included in these is the problem of a drift from the land which is both depriving agriculture of needed labour and creating risks of unemployment and under-employment in the main towns. The Government also experiences competition from the oil companies in securing the services of technical and administrative staff and consequently has difficulty in improving its administration and services.

13. The fundamental problem of the risk of inflation arising from rising wages and rising costs, especially in rents and services, is not being neglected.

The problem is under constant study and all necessary measures will be taken to ensure that inflationary pressures are held to a minimum and that the very real dangers inherent in this situation are avoided so far as possible.

14. One of the most important problems, and certainly the most relevant in the present context, is to ensure that the revenues derived from petroleum production are used to the best advantage for the advancement of the Libyan economy as a whole. The greatest effect of oil exploitation will be on government revenues, and legislation has been enacted which provides that 70 per cent of the oil revenues accruing to Libya shall be devoted to development works. It now remains to complete the administrative reorganization and planning which will secure wise and beneficial investment of these funds. The Libyan Government is aware of the pitfalls which must be avoided, of the dangers of too great a concentration on large-scale public works and grandiose but unfruitful enterprises. It is aware also of the need to correct the present imbalance in the economy, to provide more favourable conditions for the rural population through the development of agriculture, to provide necessary basic social services and to invest in those projects giving economic returns and in these ways to make the maximum contribution to the economic and social development of the country. In the paragraphs which follow are set out some of the measures which are being taken to ensure that the country's new resources shall be wisely used.

Development agencies

15. Legislation has recently been enacted and other measures are being taken for the improvement of the machinery for the planning, financing and execution of development projects in Libya. Hitherto, the machinery set up for the development of Libya has tended to become increasingly complex; responsibility has been divided, planning by the agencies has been on an individual and ad hoc basis, whilst co-ordination to the extent necessary has not been possible. In part, this situation arose from the increase in external aid and the creation of new and independent agencies to handle it: in part, it was due to the need to offset relative weaknesses in some parts of the government machinery and in part to the necessity for meeting the requirements both of Libya and of those contributing financial or technical aid.

16. There have been two main planning and financing agencies. The first of these, the Libyan Public Development and Stabilization Agency, was constituted in 1952 and has been financed largely from British contributions with additional contributions from Egypt, France, Italy, Pakistan and Turkey. In 1958, the British grant was discontinued and the Agency has since operated with funds provided through the Ministry of Finance. At times the Agency has acted as executing agency for its own projects and for the Government or other agencies; it has also served the Government as adviser on engineering and public works matters and has been responsible for relief works and the distribution of emergency grain supplies. The second financing agency, the Libyan-American Reconstruction Commission, was set up in 1955 to utilize the economic assistance provided by the United States Government. LARC was created essentially as a programming and financing agency and the whole of its development programmes have been entrusted for execution to other Libyan Government agencies, especially to the Libyan-American Joint Services. As both LARC and LPDSA are to be dissolved, they have been mainly concerned during the past year with the completion of projects begun in earlier years.

17. The Libyan-American Joint Services in the fields of agriculture and natural resources, education and health were also established in 1955, primarily to be the executing agencies for the majority of LARC development projects. They have also conducted a number of technical assistance projects with support from LARC funds. The LAJS as a whole is directed jointly by the Under-Secretary of State of the Ministry of Finance and the Director of the United States Operations Mission in Libya. The heads of the appropriate Libyan Federal Departments and senior USOM advisers act as co-directors of the three Joint Services, each of which is intended as an integral part of the Federal Department concerned. Similar arrangements exist at the provincial level.

18. Under its Director, USOM/Libya provides the policy making, programming and administrative resources which guide, in consultation with the Government, United States financial and technical aid operations in Libya. The majority of United States technical assistance personnel in Libya serve with LAJS in operational and executive positions, some acting also as advisers to the Government. A number of experts, however, have no connexion with LAJS and serve solely as advisers to the Government.

19. At the request of the Government, the United Nations and its specialized agencies have undertaken many activities and projects in Libya: these are co-ordinated by the Resident Representative of the Technical Assistance Board, who acts also as the channel of communication with the Government, especially in the preparation and progress of the country programme and in policy matters. At the technical level there is direct contact between the experts and the government departments concerned. These experts serve the Government in an advisory capacity, although hitherto a small number have been asked by the Government to assume executive responsibilities when non-availability of technically qualified Libyan staff has made this necessary. The United Nations Expanded Programme of Technical Assistance cannot provide funds for Libyan development, but small amounts of equipment and supplies have been given to support certain projects.

20. It is anticipated that a certain amount of technical assistance will be made available to Libya by the Government of the Federal Republic of Germany, and possibly by the Government of Japan. In addition to the foregoing agencies, some finance for development is provided through the ordinary budgets of the Federal Government and the Provinces, and through the Federal Exceptional Budget. A further financial institution, the National Agricultural Bank, exists to provide credit to farmers and agricultural co-operatives. The National Bank of Libya, although not a development agency, has an important position as financial adviser to the Government and participates in the formulation of the economic policy of Libya.

21. A Development Council was established in 1956 to meet the pressing needs for over-all planning and co-ordination brought forth by the rapid growth in the volume of financial and technical assistance and the setting up of independent agencies which led to the complex machinery described above. Members of the Council were appointed in their personal capacities, but its advisers and observers were representative of all departments and agencies concerned with development in Libya. This, combined with interlocking representation on the boards of the other agencies and contact and consultation at all levels amongst the agencies and government departments, made some degree of co-ordination possible.

22. However, although the former Development Council was established as a planning, programme and co-ordinating body, it lacked sufficient authority and staff for a fully adequate performance of these functions. Consequently, its rôle was somewhat

restricted but it nevertheless performed valuable functions in economic analysis and research, in occasional programming operations, in advising in respect of development plans and projects, and in the co-ordination of technical assistance activities.

23. The continued growth of development funds and technical assistance and the pressing need for improved co-ordination and the requirement that development should proceed within the framework of a single over-all plan, have pointed to the urgent necessity for the establishment of a single development authority. After long and careful consideration, legislation has now been enacted establishing a new Development Council, which will be Libya's sole planning and financing agency for development purposes. The Council is to be composed of five Libyan members representing the Federal Government and the provinces; responsibility for development planning will thus be vested in the Libyan Government. The Development Council has authority for long-term planning, programming, financing, the supervision of implementation of programmes, and the co-ordination and management of all technical assistance as well as for economic analysis and research. The formulation of a long-term plan and annual development budgets will make possible greatly improved investment of capital resources and better use of technical assistance personnel.

24. The existing planning and financing agencies (LARC) and LPDSA) are to be liquidated and LAJS will be disbanded. The execution of development programmes will in future be mainly through the Federal Ministries and Provincial Nazirates, although in exceptional cases the Development Council will be responsible. The United States technical assistance personnel will henceforth serve as advisers to the Government: the departments concerned will absorb their executive functions and also the Libyan and other non-American staff of LAJS. When these measures for reorganization are complete, it is expected that much improved utilization of resources available for the development of Libya will result.

Development planning

25. The third important development of the past two years is one which is directly related to the changes which are now being effected in the structure of Libya's development machinery: it is the completion and submission to the Government of

Libya of the final report of the Survey Mission of the International Bank for Reconstruction and Development.

26. The need for a gathering together of available information and for an up-to-date survey of the country's economic, social and administrative situation has long been felt but has hitherto been beyond the available manpower resources. The report largely meets this need and thus provides one essential foundation for future development planning. It also meets the more urgent need for the outlines of a long-term development plan, the preparation of which has been desired for some years, but which has necessarily been deferred because there have not been sufficient professional staff available to undertake the work involved.

27. As the report has but recently been transmitted to the Government, it is too early to define the reaction to all its many recommendations. However, there can be no doubt that it does indeed provide a most valuable starting point for development planning in Libya. The recommendations relating to the development plan have been most carefully worked out and special regard has been given to the extreme difficulty experienced in forecasting the revenues likely to be available for development purposes: provision has been made for the most likely eventualities.

28. It is fully realized, of course, that the report provides a starting point and that a considerable effort must be made to formulate a realistic and effective long-term plan, to translate this plan into annual development budgets which will meet the most urgent priorities and to ensure that these programmes are efficiently and rapidly implemented. The new Development Council, working in close co-operation with the Federal Ministries and Provincial Nazirates, is designed to ensure that these objectives are achieved.

Development programmes

29. In the report which was transmitted to the Secretary-General in 1958 on the occasion of the last General Assembly debate on assistance to Libya,^{5/} a broad general description was given of the activities which had been or were currently being financed in order to promote the economic and social development of Libya. Full details were also recorded in that report of the technical assistance

5/ Ibid.

which had in the past and was then being rendered to Libya by the United Nations. Largely because so much of both the development activity and the United Nations assistance to Libya is of a continuing nature, it is not proposed to repeat in this report all the details that were set forth in its predecessor. With the greater volume of information on development activities in Libya now available,^{6/} such duplication of material would appear to be unnecessary.

30. Of necessity, the greater part of the financing for Libyan development programmes has been derived from external assistance, notably from that provided by the Government of the United States of America. Table 1 sets out the contributions to development funds made in the financial years to 1959/1960. The financing of LARC and USOM activities is from United States aid funds. In 1958/1959 and in 1959/1960, LPDSA was provided with funds through the Ministry of Finance. Both LARC and LPDSA have concentrated in the past year on completing projects begun in earlier years and only the most urgent new work has been undertaken. The majority of projects financed under the United States programme are continuing with funds provided directly to the action agencies by USOM through the Ministry of Finance.

31. No new funds have been allocated through the Exceptional Budget in the past two years: funds voted in previous years are being used to complete projects for the development of agriculture and water resources and tourism and for the construction of the new administrative centre at El Beida.

32. As the development of the country proceeds, a heavy burden is imposed upon the ordinary budget of the State: increasingly large expenditures must be made for economic and social services, for the recurrent costs of completed development projects and for the maintenance of development services, especially in agriculture, education and health. The recent rise in government revenues

^{6/} In addition to the above report, details of technical assistance and capital development activities will be found in "The Economic Development of Libya" - IBRD, Washington, DC; in "Development Activities in Libya" - Development Council, 1957, and in "Financing of Development Programmes" - Development Council, 1958. A new report to be issued shortly by the Development Council will record details of development financing up to 1959/1960.

TABIE 1

LIBYA: CONTRIBUTIONS TO DEVELOPMENT FUNDS - 1952/1953 to 1959/1960

ALL AGENCIES
(in thousands of Libyan pounds)

| AGENCY | 1952/1953 | | 1953/1954 | | 1954/1955 | | 1955/1956 | | 1956/1957 | | 1957/1958 | | 1958/1959 | | 1959/1960 | |
|----------------------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|
| | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total |
| LFDSA ^{a/} | 358 | 100 | 850 | 100 | 833 | 70 | 761 | 13 | 1,022 | 21 | 746 | 8 | 1,196 | 21 | 257 | 4 |
| Exceptional Budget ^{b/} | - | - | - | - | - | - | 1,175 | 20 | 550 | 11 | 1,650 | 17 | - | - | - | - |
| IARC and USOM ^{c/} | - | - | - | - | 357 | 30 | 3,229 | 67 | 3,214 | 67 | 7,196 | 75 | 4,713 | 79 | 5,715 | 96 |
| TOTAL | 358 | 100 | 850 | 100 | 1,190 | 100 | 5,865 | 100 | 4,786 | 100 | 9,592 | 100 | 5,909 | 100 | 5,972 | 100 |

a/ Funds provided principally by Great Britain, with smaller contributions from Egypt, France, Italy, Pakistan and Turkey. In 1958/1959 the British contribution was replaced by £1.1 million from funds received from the United States Government, and the allocation of 25 per cent of contributions to the Stabilization Fund was discontinued. In 1959/1960 LFDSA has been allocated only small sums by the Ministry of Finance for urgent new and continuing works.

b/ Financed from domestic budgetary funds.

c/ Financed by United States funds. In 1959/1960, these funds have not been allocated through IARC but have been passed directly to the Ministry of Finance and the agencies responsible for the execution of projects.

TABIE 2

LIBYA: ANNUAL ALLOCATION OF DEVELOPMENT FUNDS, 1952/1953 to 1959/1960

BY FIELD OF ACTIVITY AND ALL AGENCIES
(in thousands of Libyan pounds)

| Field of activity | 1952/1953 | | 1953/1954 | | 1954/1955 | | 1955/1956 | | 1956/1957 | | 1957/1958 | | 1958/1959 | | 1959/1960 | |
|-------------------------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|
| | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total | £L | Per cent of total |
| Agriculture, Forestry and Fisheries | 56 | 17 | 131 | 16 | 96 | 11 | 630 | 11 | 1,012 | 13 | 208 | 3 | 565 | 10 | 724 | 12 |
| Water development | 52 | 16 | 94 | 12 | 126 | 15 | 689 | 11 | 772 | 11 | 371 | 5 | 421 | 7 | 602 | 10 |
| Public utilities | 102 | 32 | 237 | 29 | 179 | 21 | 1,239 | 21 | 1,738 | 24 | 1,609 | 22 | 681 | 12 | 1,893 | 33 |
| Transport | 52 | 16 | 207 | 26 | 214 | 25 | 693 | 12 | 1,187 | 16 | 970 | 13 | 1,347 | 24 | 258 | 4 |
| Communications | - | - | - | - | - | - | 295 | 5 | 480 | 7 | 1,428 | 19 | 714 | 12 | 498 | 9 |
| Education | 38 | 12 | 72 | 9 | 107 | 12 | 294 | 5 | 403 | 5 | 615 | 8 | 1,279 | 23 | 823 | 14 |
| Health | 10 | 3 | 41 | 5 | 147 | 17 | 480 | 8 | 294 | 4 | 226 | 3 | 454 | 7 | 436 | 9 |
| Banks | - | - | - | - | - | - | 1,200 | 20 | 500 | 7 | - | - | - | - | - | - |
| Miscellaneous | 13 | 4 | 22 | 3 | -1 | - | 416 | 7 | 895 | 13 | 1,953 | 27 | 268 | 5 | 541 | 9 |
| TOTAL | 323 | 100 | 804 | 100 | 868 | 100 | 5,936 | 100 | 7,281 | 100 | 7,380 | 100 | 5,729 | 100 | 5,775 | 100 |

Table 3

ALLOCATION OF DEVELOPMENT FUNDS 1952/1953-1959/1960

AGRICULTURE AND WATER RESOURCES

(In thousands of Libyan pounds)

| Project group | 1952/1953-1957/1958 | 1958/1959 | 1959/1960 | TOTALS |
|-----------------------------|---------------------|-----------|-----------|--------|
| Animal husbandry | 359 | 30 | 134 | 523 |
| Grain storage | 110 | - | - | 110 |
| Tools and machinery | 99 | 44 | 63 | 206 |
| Industry and processing | 290 | 148 | 39 | 477 |
| Land settlement | 156 | 27 | 46 | 229 |
| Assistance to co-operatives | 70 | 27 | 1 | 98 |
| Education and training | 308 | 71 | 175 | 554 |
| Buildings and research | 259 | 51 | 42 | 352 |
| Forestry and dune fixation | 314 | 114 | 130 | 558 |
| Horticulture and tree crops | 163 | 57 | 94 | 314 |
| Fisheries | 5 | -4 | - | 1 |
| Ground-water investigations | 138 | 98 | 132 | 368 |
| Irrigation | 580 | 46 | 52 | 678 |
| Soil and water conservation | 1,200) | 266 | 407 | 2,008 |
| Stock wells and cisterns | 135) | | | |
| Geological mapping, etc. | 51 | 11 | 11 | 73 |
| TOTALS | 4,237 | 986 | 1,326 | 6,549 |

Table 4

ALLOCATION OF DEVELOPMENT FUNDS 1952/1953-1959/1960

PUBLIC WORKS

(In thousands of Libyan pounds)

| Project group | 1952/1953-1957/1958 | 1958/1959 | 1959/1960 | TOTALS |
|-------------------------|---------------------|-----------|-----------|--------|
| Domestic water supplies | 1,028 | 136 | 251 | 1,415 |
| Electricity supplies | 4,053 | 568 | 1,642 | 6,263 |
| Ports and harbours | 687 | 113 | - | 800 |
| Roads | 2,117 | 1,125 | 179 | 3,421 |
| Airports | 519 | 80 | 79 | 678 |
| Railways | - | 29 | - | 29 |
| Telecommunications | 1,137 | 714 | 498 | 2,349 |
| Broadcasting | 1,066 | - | - | 1,066 |
| TOTALS | 10,607 | 2,765 | 2,649 | 16,021 |

Table 5

ALLOCATION OF DEVELOPMENT FUNDS 1952/1953-1959/1960

EDUCATION AND HEALTH

(In thousands of Libyan pounds)

| Project group | 1952/1953-1957/1958 | 1958/1959 | 1959/1960 | TOTALS |
|---------------------------------|---------------------|-----------|-----------|--------|
| School construction | 453 | 547 | 432 | 1,432 |
| University of Libya | 160 | 161 | -20 | 301 |
| Technical education | 212 | 58 | 44 | 314 |
| Teacher-training colleges | 313 | -7 | 53 | 359 |
| Fellowships | 214 | 92 | 1 | 307 |
| Educational aids | 177 | 29 | 27 | 233 |
| Teachers for schools | - | 399 | 286 | 685 |
| Public health | 114 | 53 | 178 | 345 |
| Trachoma control | 196 | 132 | - | 328 |
| Hospitals | 679 | 229 | 252 | 1,160 |
| Ambulatoria and dispensaries | 109 | 40 | 6 | 155 |
| Training | 100 | - | - | 100 |
| TOTALS | 2,727 | 1,733 | 1,259 | 5,719 |

Table 6

ALLOCATION OF DEVELOPMENT FUNDS 1952/1953-1959/1960

OTHER PROJECTS

(In thousands of Libyan pounds)

| Project group | 1952/1953-1957/1958 | 1958/1959 | 1959/1960 | TOTALS |
|------------------------------------|---------------------|-----------|-----------|--------|
| Government buildings and equipment | 2,742 | 17 | -11 | 2,748 |
| Community development | 36 | 55 | 108 | 199 |
| Housing and resettlement | 195 | 16 | - | 211 |
| Antiquities | 21 | 7 | 5 | 33 |
| Tourism | 36 | 3 | - | 39 |
| Public information | - | 14 | 12 | 26 |
| Economic survey | 107 | - | - | 107 |
| Special projects | 25 | -25 | 116 | 116 |
| National Bank of Libya | 700 | - | - | 700 |
| National Agricultural Bank | 1,000 | - | - | 1,000 |
| LAJS administration | 136 | 181 | 311 | 628 |
| TOTALS | 4,998 | 268 | 541 | 5,807 |

has been absorbed to a great extent by such expenditures; nevertheless, it has been possible to set aside sums in both federal and provincial budgets for capital development projects, some of which are of substantial size.

33. The scale of total allocations made by all financing agencies (other than the ordinary federal and provincial budgets) and the distribution of these expenditures between the main fields of development activity are shown in table 2. In the subsequent tables, these allocations are broken down to project groups, to give a more detailed picture of the way in which development funds have been utilized, particularly in the past two years. Although many new activities, and a number of new projects, are included in these project groups, they represent for the most part the continuation of those development works which meet Libya's most urgent requirements. This does not mean that the programme is either rigid or static. Many projects, such as the agricultural and technical schools, remain as they are because they meet important and continuing needs. Others, such as soil and water conservation or public health, also meet such needs but move to new areas or take new directions. All are considered, however, as continuing projects. Some account of these continuing activities is contained in the previous report.

34. New projects which have been started or planned within the period covered by this report are diverse in character and cover the entire field of economic and social development. Thus, in agriculture, a new programme for the repair and construction of water storage cisterns is under way and will provide greatly improved water resources for the agricultural population over a wide area. An experimental plant for the manufacture of syrup from dates is now operating and it is intended to improve its equipment and output in the near future: the plant provides an outlet and a use for coastal-grown dates which, because of high moisture content, do not keep and find no ready market.

35. Libya's urgent needs in the field of education are great and increasingly urgent as the demand for skilled personnel grows. Apart from meeting the requirement for basic education, every effort is being made to provide technical training also. An appropriate instance is the creation of a Libyan Institute of Higher Technology with assistance from the United Nations Special Fund. The Institute will, when completed, give instruction to university standard in

engineering and food technology. Other new training facilities are in operation or are planned, including a new nurses' training school which is to be set up in Benghazi.

36. A major addition to the communications system, so important in a country of such vast area and with so scattered a population as Libya, is the new road now being built to link Fezzan with the other provinces. In the same field, plans for the repair and reconstruction of Benghazi harbour have now reached the contract stage: when this work is completed the Province of Cyrenaica will have much improved port facilities.

37. Smaller projects are not being neglected: for example, finance has been provided for a fishermen's co-operative, which will be provided thereby with a new fishing vessel and gear. This is a first step in the development of Libyan fisheries, which will proceed at an increasing pace in the next few years as a new fisheries administration is set up and training and marketing are facilitated by technical assistance. Finance has also been provided in recent years for a community development programme and this also is being expanded and extended with an increased allocation in the current financial year.

38. The Government is mindful of the desirability of encouraging private enterprise to play its full part in the development of Libya and especially in the establishment or extension of industrial activities which will provide alternative employment opportunities and a broader basis for the economy. Existing legislation is being actively utilized to assist Libyan entrepreneurs who wish to set up or extend industrial enterprises: similarly, foreign investment in sound enterprises which will benefit the economy is also encouraged and helped by a law enacted for this purpose. A number of new private enterprises have been begun in recent years and investment for the improvement of existing industries has also taken place: there is, however, considerable scope for further activity in the private sector. Much the largest and most important private investment in Libya is, of course, in oil exploration. To this will shortly be added the construction of pipe-lines and oil terminals on the coast. It may be hoped that subsequently related industries will come into being, assisting in the diversification of the economy and the furtherance of the development of Libya.

39. In order that the economic and social development of the country may keep pace with the rapid expansion of activities due to oil exploitation, the Government has decided that 70 per cent of all petroleum revenues shall be set aside for basic development schemes. In the next few years, Libya must continue to rely heavily upon external financial assistance to maintain a satisfactory rate of growth. Thereafter, revenues from petroleum production will enable the country to take over an increasing proportion of the financing of development activities and in the longer term, to become financially self-supporting. There is thus good prospect that Libya will be able to provide for both ordinary budgetary expenditures and development financing without benefit of grants and gifts from external sources.

40. The need for technical assistance, however, will continue for many years. Considerable efforts are being made to train Libyans in technical and professional skills, and plans are well advanced for the provision of greater educational and training facilities. But to equip adequate numbers with the necessary skills and to provide them with sufficient experience for the higher professional and technical posts of necessity takes many years. In the meantime, Libya will need more than ever the technical assistance supplied by the United Nations and the help of Member Governments.

United Nations assistance to Libya

41. Since, under United Nations auspices, Libya became an independent country in 1951, the assistance supplied by the United Nations has been an indispensable factor in the country's development. Experts from almost all United Nations agencies have given, and are giving, technical advice and aid in nearly all aspects of the economic and social development of Libya.

42. In the previous report to the Secretary-General, a full account was given of the part played by the United Nations in Libya's development and of the activities of the agencies and experts. For the most part, these activities are continuing and represent projects begun in earlier years: it is thus unnecessary to give here the details set out in the last report.

43. The fact that so many of the projects which make up the programme of United Nations activities in Libya are of a continuing nature is an indication of their

value and their usefulness in promoting the growth of the economy. Because these activities begun in earlier years meet urgent needs to which the Government attaches the highest priority, it finds it necessary each year to request their further continuation. It is thus difficult to find room, within the limited budget available for United Nations aid to Libya, for many of the new projects which the Government would greatly desire and which it knows to be of the utmost importance. For this reason, the Government is much disturbed by successive decreases in the level of assistance to Libya, which reduce each year the possibility of introducing new United Nations projects. The Government hopes that favourable consideration will be given to restoring assistance to Libya to former levels and, if this should be possible, to making some increase in the volume of aid.

44. Despite the need to continue so many previously operating projects and although the reduction in the level of aid has made it difficult to do so, it has been possible, nevertheless, to introduce a few new projects into the Libyan programme in the last two years. Thus, the new Libyan social insurance scheme which came into effect last year was greatly assisted in its early stages by experts in social security, administration, accounting and training supplied by the International Labour Organisation. ILO had for some time previously provided assistance in planning and preparation for the National Social Insurance Institution.

45. In agriculture, a new project for livestock production has begun, with assistance from the Food and Agriculture Organization of the United Nations, which is much wider in scope than an earlier enterprise in this field. Also with technical help from FAO, an experimental plant is now operating for the production of syrup from coastal dates for which other uses are limited by considerations of quality. A marketing expert to advise on the marketing of produce passing through a cold storage plant shortly to be erected in Benghazi is being provided by FAO.

46. The United Nations Educational, Scientific and Cultural Organization has recently assigned a technical adviser on education who is now assisting the Fezzan Administration. This agency is also sending an expert in audio-visual teaching aids to the Fundamental Education Centre in Cyrenaica.

47. In addition to these examples and other new projects, a number of short-term consultants have been assigned to Libya in the last two years by United Nations agencies. Recent visits have resulted in valuable recommendations for the development of fisheries, for the improvement of tobacco production and for the establishment of libraries. A larger number of new activities are included in the country programme for 1961 and 1962, and it is hoped that further short-term specialist investigations will be made in those fields where basic information is most needed.

48. Not only does Libya receive assistance under the Expanded Programme of Technical Assistance, but substantial contributions have been made under the regular programmes of several agencies, more particularly in the United Nations Bureau of Technical Assistance Operations, the World Health Organization and UNESCO. This additional help has been greatly appreciated and has had a considerable impact in the fields of activity concerned.

49. The Government has welcomed the new United Nations scheme for providing operational and executive personnel to work in government services (OPEX), which has already proved its value in Libya. The experience of the first year's operation has demonstrated that OPEX can meet the need for technical personnel in executive positions where the recruitment of expatriates would otherwise prove difficult and costly to the Government concerned. Although, as a general principle, Libya would subscribe to the view that expatriates should be employed only in advisory roles, the acute shortage of technically qualified Libyans makes this ideal impossible of realization at present.

50. A second new United Nations enterprise is also rendering substantial aid to Libya: the Special Fund has undertaken to meet part of the cost of establishing a Libyan Institute of Higher Technology. The Institute will give training to university standard in several branches of engineering and in food technology, and will make a major contribution towards meeting the country's most pressing requirements for well qualified technical personnel. A second and smaller project to train technicians in telecommunications and radio engineering is now before the Fund: if approved it will also provide skilled personnel in a vital field. Distances between population centres in Libya are great and there is a fundamental requirement for a good telecommunications system such as is now being created. Further project proposals may be submitted to the Special Fund in due course.

51. Libya has welcomed the opportunity to participate in the first year's work of the Economic Commission for Africa. The advantages arising from full co-operation between African countries in solving their common economic problems are obvious and Libya looks to the Commission for a lead in this respect and for providing opportunities for countries of the continent to contribute experience and assistance for mutual development.

52. The International Development Association, which is now being set up under United Nations auspices, is a most valuable addition to the international financing institutions. It may be found that the provision of finance on the terms proposed for IDA could help to meet some of Libya's needs in this respect during the period before oil revenues accrue in sufficient quantities.

53. The responsibility for co-ordinating all United Nations activities in Libya, including Special Fund and OPEX, rests with the Resident Representative of the United Nations Technical Assistance Board. Together, officials and experts of the United Nations and its specialized agencies serving throughout the country have provided Libya with a considerable and invaluable contribution of assistance and advice. The aid supplied to Libya by the United Nations is deeply appreciated within Libya and has helped to make possible a substantial measure of economic and social advance which could not otherwise have been achieved. It is the earnest hope of the Government of Libya that the United Nations will continue to show the same interest and to provide aid to the efforts of the Government and people of Libya which are essential for the further progress which is to be made.
