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SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE: SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE

Assistance for the reconstruction and development of Lebanon

Report of the Secretary-General

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I. INTRODUCTION

1. On 17 December 1982, the General Assembly adopted resolution 37/163, by which it affirmed the urgent need for substantial international action to assist the Government of Lebanon in its effort to undertake a large-scale reconstruction and rehabilitation programme in the immediate future, requested the Secretary-General to continue his intensive efforts to mobilize all possible assistance within the United Nations system for this purpose and called upon the organs, organizations and bodies concerned to expand and intensify their programmes of assistance to Lebanon. The Assembly also requested the Secretary-General to report to the Economic and Social Council at its first regular session of 1983 and to the General Assembly at its thirty-eighth session on the progress achieved in the implementation of the resolution.

2. On 17 May 1983, the United Nations Co-ordinator of Assistance for the Reconstruction and Development of Lebanon presented an oral report to the Economic and Social Council. The Co-ordinator described the prevailing economic situation as characterized by negligible economic growth and continuing budget deficits, but went on to say that despite difficulties, Government had approved a programme of LL 2 billion reconstruction for the year 1983. He further stated that the Lebanese Government Council for Reconstruction and Development (CDR) was also revising its medium-term and long-term reconstruction and development plans and a World Bank mission, which paid two visits to Lebanon in November 1982 and February 1983, had formulated a three-year programme, to be implemented between 1983 and 1985 at an estimated cost of \$US 6 billion. The Co-ordinator described the activities of the organizations of the United Nations system as well as the interest shown by several friendly countries in helping Lebanon's reconstruction and development.

3. The Co-ordinator pointed out that the progress made in reasserting Government authority over the area of the capital and its surroundings had made it possible to begin work on reconstruction projects in these areas. However, he concluded that the launching of a full-scale reconstruction and development programme could only be undertaken when the authority of the Lebanese Government was fully restored throughout the country. In this context, he referred to the agreement reached between Lebanon and Israel concerning the withdrawal of Israeli forces from Lebanese territory, and stated that the Government of Lebanon was making efforts to reach agreement on the withdrawal of other foreign forces from Lebanese territory.

4. The Economic and Social Council adopted a decision on 17 May 1983 in which it took note of the Co-ordinator's oral report and appealed to all Member States, organs, organizations and bodies of the United Nations system to continue to mobilize all possible assistance for the reconstruction and development of Lebanon.

5. The present report is submitted in pursuance of General Assembly resolution 37/163 and gives an account of the developments which have taken place since the above-mentioned oral report to the Economic and Social Council.

II. GENERAL SITUATION

A. Security

Units of a quadrupartite multinational force, composed of contingents from France, Italy, the United Kingdom of Great Britain and Northern Ireland and the United States of America remain deployed in support of the Lebanese Government in various parts of greater Beirut since October last. The Observer Group Beirut, established in pursuance of Security Council resolution 516 (1982) of 1 August 1982, composed of 50 United Nations military observers, is deployed in the area to monitor the situation in and around Beirut. The Government of Lebanon was able to extend its control and deploy its army and security forces over the whole of the greater Beirut area and some of the surrounding countryside. However, no progress has been made towards the withdrawal of foreign forces from Lebanese territory since the Israel-Lebanon accord was signed on 17 May 1983. The greater part of the national territory still remains outside the Government's control. The Israeli troops have decided to redeploy behind the Awali river and Syrian and Palestine Liberation Organization forces remain in the Bekaa valley and the Tripoli region. Militias controlled by various factions also continue to operate in different parts of the country. Fighting among them in some of the mountain areas overlooking Beirut, in the city of Tripoli and the Bekaa valley has caused considerable loss of life and property and isolated these areas from the capital and other parts of the country. As a result, there has been a renewal of tension also in the areas which are under Government control, particularly in the capital city where there have been a number of incidents of car bombs that caused severe damage to property, loss of life and a further loss of public confidence. At one stage, the Beirut airport had to be closed down for a week. This situation has brought about a serious decline in production and economic activity in the affected areas and the country as a whole. It has also resulted in a substantial increase in displaced population and a number of emergency humanitarian requirements. In the light of these developments, the Secretary-General asked me to exert all possible efforts to alleviate the sufferings of the afflicted people in the area and in particular to help provide them with emergency humanitarian assistance. Resources available from the United Nations Trust Fund for Lebanon and from various United Nations agency programmes were immediately made available for this purpose.

B. Economy

In the early part of 1981, output was rising substantially, but it declined later in the year as a result of the deterioration in security conditions. In 1982, the war caused a fall in production, but economic activity recovered as confidence grew after the unanimous election of the President in September and the stationing of a multinational force in Beirut. The budget deficit rose sharply in the same year and was met by the sale of treasury bills. In fact, the Government sold treasury bills in excess of its own need in order to absorb excess liquidity in the banking system caused by a decreased demand by that private sector for credit. In this connection, it should be noted that the rate of inflation in 1982 was unofficially estimated at between 20 and 25 per cent. There was a large trade deficit in 1982 which was met, as usual, by remittances from Lebanese working overseas that were large enough to give the country a substantial surplus in overall balance of payments. As a result foreign exchange reserves went up by \$1.1 billion, to a total of \$US 2.6 billion. In addition to these currency reserves, Lebanon also maintained unchanged a reserve of 9.2 million ounces of gold.

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8. The economic situation in 1983 and the prospect for the future remain clouded by the uncertain political and security conditions described above. Owing to the absence of statistics, exact indicators are not available, but it is apparent that investment is not taking place to the extent needed or expected. The productive sectors are facing particular difficulties due to unregulated imports from Israel and fighting in the Shuf mountains and in the Bekaa valley. A visit by the United Nations Co-ordinator to these areas and discussions with local officials showed that citrus growers were facing severe problems and there was considerable unemployment and under-employment. Lebanese exports have suffered also from the difficulties of movement and restrictions imposed by Arab countries.

9. Notwithstanding this, the Government's collection of customs duties, which constitute the main component of government revenues, increased threefold. These revenues would increase substantially if unauthorized imports into and through territories not under the Government's control could be stopped. The level of remittances received from Lebanese overseas remained high, but whether this will continue to be the case depends on the security situation, the level of activity in the Arab oil-producing countries from where the bulk of the remittances are received and other factors beyond the Government's control.

III. RECONSTRUCTION AND DEVELOPMENT

A. The Government of Lebanon's programme

10. Planning for reconstruction and development began in 1977 with the establishment of the Lebanese Government autonomous Council for Development and Reconstruction (CDR) charged with the responsibility to draw up short-term and medium-term reconstruction programmes as well as to undertake long-term planning. In 1978, CDR prepared a plan of assistance which it was estimated, would cost approximately LL 22 billion. A description of this programme was given in previous reports submitted under this item. CDR has now revised its programme and estimates that it will cost about LL 70 billion over a nine-year period. The increase in the size of the programme is due to the additional damage suffered by the country since 1978, as well as inflation and more elaborate programming. The precise extent of the damage to physical assets caused by eight years of war and disturbance is difficult to assess. However, the World Bank mission which visited Lebanon in November last estimated the damage caused in a number of major sectors during this period as follows:

	<u>Millions of Lebanese pounds</u>
Housing	4 600
Beirut Central Business District	7 500
Public schools	314
Public health facilities	140
Beirut port	72
Beirut airport	90
Roads	500
Water supply and sewage	350
Telecommunications	410
Power and energy	241

se estimates of damage per se are not comprehensive either sectorally or nationwide.

The reconstruction programme is designed not only to rebuild property damaged destroyed, but also to carry out some measure of development by improving and modernizing facilities. Thus, the plan for the reconstruction of the Beirut Central District, while it aims to maintain the essential character of the area, provides for redesigned roads, sewerage, parking arrangements and open places so as to enhance the aesthetic and environmental conditions and improve the flow of traffic in the area. The main elements of the revised programme are as follows:

Billions of Lebanese pounds

Housing	21.0
Education	2.0
Roads and transportation	12.0
Water supply and irrigation	6.0
National waste management plan	3.0
Telecommunications	7.0
Agriculture	0.2
Electricity	4.0
Health	1.0
Beirut Central District	1.8
Credit to private sector (industry, tourism and agriculture)	2.7

The programme covers only public sector projects, except for easy credit to the private sector: private enterprise is expected to play the main role in the productive sectors and to generate its own funds. CDR has based its programme on the following guidelines:

- (a) Private sector will be the main generator of economic and productive activity;
- (b) Public sector would increase its role in providing education, health and social services;
- (c) Government will provide incentives to decentralize economic activity from Beirut to other parts of the country;
- (d) Taxation system would be revised eventually to become more equitable and yield greater revenues;
- (e) Government would provide 20 to 25 per cent of the total funds required over the nine-year reconstruction programme, the rest would have to be raised through external loans and grants;
- (f) Government would take counter-inflationary measures such as the rapid expansion of the construction industry and housing supply, stimulation of domestic savings and the import of needed goods and services.

B. World Bank programme

13. At the request of the Government of Lebanon, the World Bank sent a full-scale mission to the country which submitted its report and recommendations in March of this year. The report embodies a three-year programme of essential reconstruction projects costing a total of \$US 6 billion. It is the Bank's assessment that if this programme were started in 1983 it could be completed by 1985. The main elements of the programme are: roads, LL 2.9 billion; ports, LL 628 million; airport, LL 700 million; water supply, LL 2.2 billion; sewerage, LL 797 million; telecommunications, LL 4.1 billion; power, LL 3.8 billion; education, LL 2.2 billion; health, LL 1.2 billion; urban development, LL 2.1 billion; housing and public buildings, LL 1.6 billion; assistance to the private sector, LL 2.9 billion. The Bank's programme excludes investments in agriculture, which would have to be added on the basis of studies prepared by the Food and Agriculture Organization of the United Nations (FAO) in 1981. The Bank estimates that, in order to finance this programme, the Government should raise not more than LL 19 billion through foreign borrowing, leaving a net capital inflow of LL 8 billion (\$US 2 billion). A roughly equal amount should, in the Bank's view, be raised in the domestic market through special reconstruction and long-term borrowing and without encroaching on the credit needs of the private sector. The balance of LL 10 billion (\$US 2.5 billion) will have to come in the form of external grants in order to preserve the country's long-term financial viability and creditworthiness. Furthermore, the Bank considers it essential that external assistance in the period 1983-1985 should include a substantial provision for budgetary support linked to the programme of reform of the public sector.

14. The Bank's report also makes recommendations for improvements in financial management and generally in public administration. In order to eliminate the continuing and increasingly large deficits in the current budget, the Bank suggests

- (a) Strengthening of existing tax collection procedures and machinery;
- (b) Preparation of a consolidated budget covering all public sectors, current deficits, transfers and capital expenditures;
- (c) Progressive elimination of subsidies on consumer goods, limiting social assistance to the truly needy;
- (d) Measures to ensure that public enterprises become financially self-sufficient.

The Bank also suggests that action be taken to strengthen the capacity of public departments in preparing and supervising projects, streamline Government supervision of public sector agencies, consolidate overlapping sector agencies, e.g., for water supply and sewerage, and establish autonomous public enterprises to deal with subjects such as telecommunications.

C. Donors' meeting in Paris

15. On 20 July 1983, a group of potential donors met in Paris at the invitation and under the chairmanship of the Government of Lebanon. The meeting was held at the Paris Offices of the World Bank, which had also conducted preliminary discussions with potential donors and made all arrangements for the meeting. Austria, France, Canada, Germany, Federal Republic of, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America sent representatives and the Netherlands and Saudi Arabia attended as observers. Other participants were the representatives of the European Economic Community and Investment Bank, the International Monetary Fund and the United Nations.

16. The purpose of the meeting was to exchange information and views on Lebanon's reconstruction and development plans, the report of the World Bank mission and to seek co-financing for a number of short-term projects prepared by the Bank for the greater Beirut area. These projects are in the field of education, housing, water supply, telecommunications. Highway maintenance and Beirut port were selected on the basis of: (a) their priority, (b) status of preparation, (c) location in areas which would permit execution and supervision by the Government and (d) implementation capability of the executing agencies. A brief outline of the projects in each field is as follows:

(1) Education: (a) school reconstruction and re-equipment to accommodate 50,000 school children currently not enjoying adequate education opportunities, (b) construction and expansion of accelerated vocational training centres to help meet manpower needs for reconstruction and provide employment, (c) establish a planning and co-ordination unit in Education Ministry and (d) develop and strengthen national vocational training system.

(2) Housing and Urban Development: (a) repair and reconstruct 6,000 dwellings for low-income families and (b) consultancy services to prepare a land-use plan for Lebanon, a land assembly/sites project and urban transport project.

(3) Water Supply: reconstruction and expansion works in various areas; technical assistance to the Beirut Water Authority, and studies to establish a unified water and sewerage authority and prepare a national master-plan for development and use of water resources.

(4) Telecommunications: rehabilitate/restore 60,000 telephone and 1,000 telex lines and provide technical assistance in development planning and project implementation to the Ministry of Posts and Telecommunications.

(5) Ports: This project is a continuation of ongoing programme consisting of the clearing of wrecks from the harbour, rehabilitating infrastructure and technical assistance to improve port management and operations.

(6) Highway maintenance: This project provides for technical assistance to improve the maintenance operations of the Directorate of Roads and Buildings.

The estimated costs of the various elements of this programme are as follows:

<u>Item</u>	<u>Local cost</u>	<u>Foreign exchange</u>	<u>Total Millions of US dollars</u>
Education	9.05	9.65	18.70
Housing and Urban Development	32.20	30.05	62.25
Water supply	16.85	17.15	34.00
Telecommunications	23.00	57.00	80.00
Port of Beirut	8.92	24.68	33.60
Highway maintenance	0.30	0.80	1.10

17. At the Paris meeting, the World Bank expressed its readiness to provide \$100 million credit for this programme and sought contributions from the participants to cover the remaining amount needed.

18. According to preliminary indications, the following contributions can be expected:

	<u>Millions of US dollars</u>
France	24.00
Italy - bilateral	19.00
- through UNICEF	10.00
United States of America	50.00
European Economic Community and Investment Bank	8.00

19. A question arose as to local costs. The Lebanese delegation indicated that, in the current state of affairs, the Government would find it extremely difficult to meet the local costs since it was not able to collect revenues in full because the major portion of its national territory was even now outside its control. The World Bank recommended that in the circumstances donors might consider meeting local costs. Participants took note of this recommendation but some of them pointed out that their domestic legislation may make it difficult for them to do so.

IV. UNITED NATIONS ROLE AND ACTIVITIES

20. In 1982 most of the United Nations effort was focused on providing emergency relief assistance to those affected by the war. In his oral report, the United Nations Co-ordinator informed the Economic and Social Council in May that the emergency assistance had been wound up. Distribution of food rations to war-affected people was continuing in disturbed areas such as the Shouf and Aley, South Lebanon and Western Bekaa, but this was being done from existing stock and need for new donations was not then anticipated. The total amount of such assistance received by Lebanon from various sources was estimated at \$US 220 million. The Government has taken steps to implement a special programme

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for the rehabilitation of the southern suburbs of the city of Beirut which were severely damaged during last year's military operations and has welcomed United Nations assistance in the drawing up and implementation of this programme.

11. In response to the Government's appeal for increased United Nations assistance to the reconstruction and development of Lebanon, special missions from a number of specialized agencies, organs and bodies visited Lebanon during the period under report. The project proposals made by them are as follows:

Estimated cost
(United States dollars)

Economic Commission for Western Asia

Rural Self-Help Co-operative Housing in Lebanon (in four Mouhafazat)		
Self-Help Construction		
Self-Help Improvement		
Co-operative Housing		
Total		4 000 000

United Nations Industrial Development Organization

Strengthening of the Industry Institute	2 444 000	
High-level Consultancy, Trouble-Shooting and Training for Lebanese Industrialists	1 203 000	
Product Adaptation and Development for Export	580 000	
Consultancy and Training Centre for the Use of Small Computers in Industrial Management in Lebanon	1 040 000	
Sectoral Support Studies in the Fields of Food, Leather and Pharmaceutical Industries	1 000 000	
Assistance in the Optimization of Utilization of Electric Energy in Industrial Enterprises as well as in the Development of Alternate Sources of Energy	700 000	
Engineering Centre on Development of Technology and Rationalization of Manufacturing Capacities of Agricultural Machinery Industries	2 350 000	
Total		9 317 000

United Nations Centre for Human Settlements (Habitat)

Assistance to Housing Co-operatives	350 000	
Assistance on Preparation of Housing Policies	160 000	
Assistance for Reconstructing the City Centre	240 000	
Total		750 000

Estimated cost
(United States dollars)

International Labour Organisation

Labour Market Information and Labour Market Policies (3 phases)	680 000
Accelerated Vocational Training	3 000 000
Vocational Rehabilitation of the War Disabled	800 000
Establishment of Public Employment Service	<u>141 000</u>
Total	4 621 000

Food and Agriculture Organization of the United Nations

Rehabilitation and Modernization of Coastal Fisheries in Lebanon	3 500 000
Establishment of National Bank for Agricultural Development	546 000
Rehabilitation of Agriculture in the region of Damour	566 000
Land Use and Conservation Planning	4 000 000
Improvement and Development of Olive Culture in South Lebanon	500 000
Development of Animal Production	1 800 000
Organization and Reinforcement of Food Quality Control and Norms	1 225 000
Agricultural Mechanization	1 200 000
Agricultural Documentation Centre	2 000 000
Technical Assistance for Agricultural School of Mayfouk	500 000
General Agricultural Census	300 000
Development of Natural Silk Production	250 000
Storage and Refrigeration of Fruits	<u>1 500 000</u>
Total	17 887 000

United Nations Educational, Scientific and Cultural Organization

National Council for Scientific Research	
Replacement of Lost Scientific Equipment	500 000
Modernization of Basic Scientific Equipment	3 360 000
Development projects:	
Solar energy	250 000
Seismic detection	400 000
Geological exploration	<u>1 000 000</u>
	1 650 000
Faculty of Sciences of the Lebanese University	
Replacement of lost equipment	1 500 000
Faculty of Engineering (Lebanese University)	5 000 000
Faculty of Agronomical Sciences	<u>4 000 000</u>
Total	16 010 000

Estimated cost
(United States dollars)

International Civil Aviation Organization

Equipment/Supplies for Civil Aviation System (damaged or lost)	9 937 000	
Training Programmes for Airport and Meteorological Personnel	1 240 000	
Technical assistance requirements (to coincide with equipment repairs and maintenance)	<u>608 500</u>	
Total		11 785 500

World Health Organization

(Bridging phase between emergency and longer-term development needs managed respectively)		
Dispensaries equipment	500 000	
Pilot Health Centre	1 000 000	
Hospital System Consultancy Group	300 000	
Health information	500 000	
Pharmaceutical Adviser	30 000	
WHO Emergency Health Kits	500 000	
Fellowships	<u>150 000</u>	
Total		2 980 000

International Telecommunication Union

Telecommunications Training Centre	817 700	
Improvement of telecommunications maintenance services	<u>112 400</u>	
Total		930 100
GRAND TOTAL		<u>68 280 600</u>

International Fund for Agricultural Development

Local manufacture of plastic apple boxes	
Restocking of livestock through importation of 1500 in-calf Friesian cattle	(To be financed by IFAD loan)
Repair and extension of 130 km small rural roads	
Supply of credit	

In addition, information on assistance provided by a number of agencies and programmes of the United Nations system is contained in an addendum to the present report (A/38/217/Add.1).

V. CONCLUSION

22. The proposals outlined above are for important infrastructure projects in the social and primary sectors. They complement, especially in the field of agriculture, industry and the social sectors, the programme proposed by the World Bank mission. The United Nations system has the technical competence and experience to implement these projects in accordance with the wishes and the priorities of the Government of Lebanon. However, the United Nations system does not have the financial resources to implement a programme of this size in Lebanon. As a token of their support for Lebanon's reconstruction, most agencies have offered to provide some assistance from their own regular budgets, but of course this will cover only a small fraction of the estimated cost of the above-mentioned proposals, which amount to \$68 million. The net resources available for Lebanon from UNDP during the third cycle (1983-86) are expected to be around \$7.5 million, after deducting the 45 per cent across-the-board cut imposed last year. Government cost-sharing could bring the figure up to about \$9.5 million. However, much of this amount is already committed to existing projects which were established during the second cycle and not many of the proposed new projects can be taken up in the third cycle. The current level of Lebanon's full indicative planning figures (IPF) is too small to finance the new projects suggested by the United Nations system. The Government, therefore, hopes that its request for a special and substantial increase of the country's IPF will be approved by the Governing Council of UNDP.

23. Funds have been raised in other ways for United Nations implementation of reconstruction and development projects in Lebanon. One example is the UNICEF project for the reconstruction of schools, hospitals and water supply systems in South Lebanon, which is financed by an allocation of \$45 million from the aid received by Lebanon under the Tunis pledge. A UNESCO project for equipping school laboratories is financed by a grant from the Islamic Bank. The Government of Italy proposes to make a contribution to UNICEF for a project to rehabilitate, refurbish and re-equip primary schools. In consultation with and at the wish of the Government of Lebanon, similar ways can be explored of finding external financing for projects proposed by the United Nations and approved by the Government.
