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AID REP/LEBANON
FY 1983 ABS
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NARRATIVE OVERVIEW

AID Rep/Lebanon was not required to submit a Country Development Strategy Statement this year. This section is thus intended to offer perspectives that would not ordinarily appear in a budget submission and to preview ideas which might be considered in preparing AID's FY 1984 CDSS.

Security conditions in Lebanon worsened in the spring of 1981 and have made the future more than usually obscure. Lebanon is at a low point, reminiscent of 1978 and rivalling the violence of the 1975-6 conflict. The confrontation of Israel and Syria on Lebanese soil has as a by-product the continuing infringement of Lebanese sovereignty by both parties, and articles in the world press have begun speculating on the very existence of the State. Israeli air and sea attacks on Palestinian positions in the south of the country became almost daily occurrences through the spring, while the Syrians and their supporters continued attempts to bombard the Kataeb areas in central Lebanon and east Beirut into submission. Kataeb retaliatory shelling broadened to include residential and recreational areas of west Beirut which were untouched in previous conflicts. A lull in fighting as mid-June approached left the Lebanese wondering if this was the beginning of a durable reconciliation or only another pause in six years of continual warfare.

Despite the gloom of recent months, the resilient citizens who remain in this embattled country continue to hope and rebuild. The active roles of the United States and Saudi Arabia, in particular, in mediating the Syrian-Israel "missile crisis" have been broadly popular, giving rise to anxious hopes that the participation of these powers will be extended to resolve the domestic security tensions. Most Lebanese, recognizing and perhaps exaggerating the role of international forces in fomenting their crises, have long felt their situation to be beyond their own capacities to resolve. They search each diplomatic initiative for its potential to help Lebanon to regain a hold on its affairs.

Few expect a permanent resolution of the situation until an overall settlement of the Arab-Israeli animosities permits at least the disarming, if not the relocation, of the half-million or so Palestinians in Lebanon. But the spring 1981 crisis has made the world aware that a turbulent, warring Lebanon poses a constant threat to world peace, and a more stable interim solution to chaos in Lebanon has thus become a goal of heightened priority on the agendas of the major regional and world powers.

In the difficult years since the 1975-76 civil conflict, U.S. policy towards Lebanon has consistently expressed support for

the sovereignty and territorial integrity of the State and the efforts of the elected Government to enhance the unity and cohesiveness of the Lebanese nation and to expand and strengthen its authority in every part of the country. Important instruments of policy instrumentation, apart from wide-ranging and intensive diplomatic efforts, have been the provision of supplies to the rebuilding Lebanese army and a modest economic assistance program utilizing principally Economic Support Funds.

In the aftermath of the 1975-76 conflict, sizable U.S. economic aid was committed in support of U.S. policy objectives. As this assistance began to move, widespread conflict erupted again in 1978. Our assistance, in a setting of continuing instability, has included:

- Humanitarian relief to alleviate immediate suffering, provided through the International Committee of the Red Cross, the Ambassador's disaster assistance authority, and other channels;
- Support for high-priority reconstruction projects such as the port, health facilities, and repair of damaged homes and potable water systems;
- Widespread assistance to help Lebanon's communities rebuild schools and hospitals and to help people who lived modestly before the fighting and suffered losses to get a fresh start in earning a living, provided principally through Private Voluntary Organizations;
- Technical assistance to the Council for Development and Reconstruction, which is Lebanon's reconstruction command post.

In FY 1981, U.S. economic assistance continued to include all four of these elements. Expenditures under earlier grants and new commitments of \$4 million in bilateral assistance through PVOs and the Government were supplemented by emergency assistance of \$1 million through the ICRC and \$25,000 through the Ambassador's disaster fund in response to the escalation of violence and casualties throughout the country in the spring of 1981. We sought in every way feasible to engage and enhance the authority of the central government in providing this assistance, though in fact most of it was committed through non-governmental organizations.

U.S. economic assistance strategy for FY 1982 will continue to support expressed U.S. policy objectives in helping Lebanon and its people to hold the course and rebuild.

- It will seek to enhance central government authority by strengthening the capacity of the government to reconstruct the country through new assistance to the Council for Development and Reconstruction, by providing aid in health, education and rural development through government institutions, and by engaging the participation of the government in successful innovations by PVOs to increase income and productivity of the war-affected poor;
- It will support national unity and cohesiveness by assuring that U.S.-assisted projects to provide economic opportunities and rebuild social institutions are administered to the benefit of all major groups in Lebanese society;
- It will support national spirit and integrity by standing ready to provide humanitarian assistance in the unfortunate event that emergency relief again becomes necessary.

For FY 1983 and beyond, the volatility of the present situation, the vital U.S. interests in the region as a whole and the wide range of possible future foreign policy objectives concerning Lebanon, together require an unusual degree of flexibility in planning U.S. economic assistance. It is within the realm of possibility that the United States could decide that no useful purpose would be served by the continued provision of economic support to a chaotic and fragmented Lebanon by 1983; or that U.S. efforts to enhance the stability of the region require a greatly increased assistance program by then in order to speed the process of reconstruction. More probably, the Administration may recommend to the Congress that the modest support levels of the present be maintained.

In the face of these uncertainties, and to achieve a flexible posture, we have planned our budgets so that the funding of all current or proposed projects could be completed by the end of FY 1984. Within this operating framework, we believe the following options merit consideration for the FY 1983-FY 1984 period:

1. The AID Rep Office could start closing down in late FY 1983 or FY 1984. This option, which appears to us unlikely, would follow a U.S. determination that the United States has no further policy interests in Lebanon which can be served by the provision of Economic Support Funds. In this case, the staff of AID Rep/L could be reduced to one USDH and two to three FSNs in FY 1984, and two FSNs in subsequent years to handle residual affairs and ASHA and AUB work.
2. The FY 1984 AID program could shift new project funding entirely to PVO grants, along the lines of the present program for the West Bank and Gaza. This option could follow from a U.S. determination that strengthening the authority of the

Government of Lebanon was no longer a major policy objective, but U.S. interest in promoting well-being and maintaining communication with Lebanese communities remained important. Established PVOs could administer a \$5 million program, with such backstopping as AID/Lebanon currently provides shifting in full to AID/Washington and PVO headquarter offices. Staff levels for such a program might be two USDH and three FSNs in FY 1984, phased down to two or three FSNs thereafter.

3. The FY 1983 and 1984 programs could continue at the \$5 to \$7 million level in support of the current policy objectives. Under this option, a gradual shift in emphasis would be appropriate to give more attention to improving the reconstruction capacities of the Lebanese Government. Under current conditions, when the Lebanese army controls only a few pockets in the country and the militias and the Syrian soldiers of the Arab Deterrent Force are responsible for security, such as it is, the reconstruction effort is perhaps the major means the Government has to demonstrate that it exists. In fact, its operational capacities are weak, so strengthening this capacity is a priority task in the context of the U.S. policy objectives of maintaining the integrity of the State and strengthening national institutions.

The administrative reform required to rejuvenate the bureaucracy, such as the dismissal of ineffective employees, the reorganization of ministries, and the institution of competitive salaries, is beyond the political and economic powers of the Government at this time. The principle instrument for effective action, often through circumvention of the bureaucracy, is the Council for Development and Reconstruction. AID assisted in the organization of the CDR and the drafting of the 1978 reconstruction plan. Currently we are helping to develop the CDR's management and information systems.

In the future, we intend to work on improving the operational capacities of key agencies and ministries of the Government through the CDR. This will involve training and technical assistance connected with reconstruction projects and programs.

Staffing requirements for AID Rep/L could remain at current levels under this option, assuming considerable TDY assistance arranged by AID/Washington for project development, trouble-shooting, and evaluation.

4. U.S. assistance could be increased appreciably starting in FY 1983 and 1984 in support of a major reconstruction effort. This option assumes a breakthrough in the regional peace process or at least a relaxation of political tensions in Lebanon engineered in part by the U.S. It also assumes

a U.S. determination that Lebanon needs a major infusion of U.S. assistance to get back on the path of recovery. This option may not have a high probability for FY 1983 or FY 1984, but at some point in this decade we should be prepared with the option to move quickly in support of efforts to stabilize the country's reconstruction.

In such an event, it can be assumed that the major capital investments, already estimated by the CDR at over \$3.5 million, will be made from Arab and domestic sources. Arab aid, however, is without technical content, and it is quite likely that an implicit or explicit partnership would be sought by both the Lebanese and their donors involving U.S. technical expertise. Considering the U.S. stake in this region and the ESF levels recommended by the Department of State in the past to support policy objectives in Jordan and Syria, not to mention Israel and Egypt, \$50 to \$80 million annually would not be a surprising sum.

A program of this size could include both grants and loans, the former perhaps at the \$30-40 million level and the latter at \$20-40 million. The grant component would cover technical assistance and projects in the social sector where visibility and geographical distribution are important. The technical assistance required includes: 1) advisory services to build up the management capacities of key government institutions including the CDR, the Ministry of Finance, Health, Education, Agriculture and Public Works, and operating agencies such as the Grande Projet du Liban, the Grande Projet du Beyrouth, and the Agricultural Research Agency. In early 1978 the CDR drew up a plan for the mobilization of technical assistance from all sources amounting to \$25 million. Subsequent disruptions made this infeasible, but a major reconstruction effort would clearly require assistance of this magnitude; 2) technical studies of key economic sectors such as water resources, agricultural development, decentralization, health services planning, manpower planning and the building of a statistical department.

Social sector projects for which grant assistance is most appropriate include the spread of well-managed rural and neighborhood Basic Service Units, each tailored to community needs, of which only a few of the planned 51 are in operation, credit for small farmers and village cooperatives, support for restoring schools, health facilities and other social institutions, and vocational education assistance.

Loan funds could be applied to public sector projects in the fields of water and sanitation, road reconstruction or port development. Loans could also support Government easy credit programs for war-damaged industry, touristic facilities, and

lower to middle income housing.

U.S. financial participation in specific projects, whether through loans or grants, is considered by the CDR to be especially valuable in mobilizing other funds. Although the oil-rich Arab states pledged \$2 billion in 1979 for Lebanon's reconstruction, to be provided at a rate of \$400 million annually from 1980 through 1984, payments are substantially in arrears and unlikely to be resumed while current tensions exist. When the situation improves, the CDR believes that the amounts of Arab aid are likely to depend importantly on the degree to which the U.S. participates in Lebanon's reconstruction, and also applies diplomatic suasion on those Arab states we can influence which are behind in their payments.

Technical assistance, our main potential contribution to a large-scale effort, is relatively labor-intensive for AID. We would anticipate staffing requirements of 7 to 10 USDH and 12 to 15 FSN if this option were adopted in the magnitude outlined. We would want to encourage U.S. and Lebanese private sector involvement in the effort to greatest extent feasible.

5. A special option concerning the American University of Beirut could be considered in conjunction with options 1 through 4. USG support for AUB, currently at the level of \$3.5-\$4 million annually, comes from the ASHA account. Foreign policy considerations are not a major factor in ASHA allocations, so far as we know. In addition, the United States has been providing close to \$4 million annually from development assistance funds for regional scholarships to attend AUB.

As the principal private American educational institution in the Arab world, AUB has both symbolic and political value to the United States. The gradual decline, due both to lack of funds and the security situation, is taken by Lebanese and other Arabs to be a measure of uncertain U.S. interest in AUB's importance. U.S. assistance through the ASHA program has been declining at the same time that local and regional fund raising efforts have produced far below hopes.

The State Department and AID should in our opinion undertake an evaluation of the importance of AUB in serving U.S. policy objectives in Lebanon and in the region more broadly. Such an assessment could possibly result in increased funding for AUB, either annually or on an exceptional basis.

Which of the first four options, with or without option 5, becomes most desirable and feasible is impossible at this

moment to predict. It will depend upon events in the region within and beyond U.S. influence, on the United States' role in efforts to reduce tensions in Lebanon, and on the Administration's judgment of the value of foreign aid in serving U.S. objectives.

We believe it only prudent, however, to be as prepared as possible for an expanded role in Lebanon, which could confront AID rather suddenly. This possibility puts a premium on maintaining an experienced staff in AID/L, knowledgeable of the workings of the society and particularly the Government, and aware of potential program opportunities which could be developed on short notice.

As the Middle East policy of the Administration unfolds in coming months, it will be important for AID/W to assess the implications for expanded or contracted efforts in Lebanon.

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

Country/Office AID Rep/Lebanon

DEVELOPMENT ASSISTANCE	FY 1981 EST	FY 1982 EST	FY 1983 REQUEST			PLANNING PERIOD			
			MIN	CURR	AAPL	1984	1985	1986	1987
Total DA Account	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
ECONOMIC SUPPORT FUND									
Total ESF Account	4000	5000	-	-	5000	5000	5000	5000	5000
Grants	4000	5000	-	-	5000	5000	5000	5000	5000
Loans	-	-	-	-	-	-	-	-	-
<u>TOTAL DA AND ESF</u>	4000	5000	-	-	5000	5000	5000	5000	5000

PL 480 (non-add)	-	-	-	-	-	-	-	-	-
Title I									
(of which Title III)									
Title II									
Housing Guaranties (non-add)	-	-	-	-	-	-	-	-	-
TOTAL PERSONNEL	9	8*	-	-	8	8*	8	8	8
(USDH (workyears))	4	3	-	-	3	3	3	3	3
FNDH (workyears)	5	5*	-	-	5	5*	5	5	5

*It may be necessary to add a Foreign National Secretary; see Table V narrative

TABLE I NARRATIVE

Elsewhere in this submission, particularly in the Program and Planning Overview section, we have discussed the uncertainties affecting future planning for the Lebanon program. We have outlined different options for the future, depending on events and decisions. Table I assumes a future year program of essentially the same magnitude and make-up as at present. A decision to contract or expand the program could alter appreciably both the aid levels and the personnel requirements shown in Table I.

We do not anticipate any serious pipeline or mortgaging problems at this time. We have given special attention recently to three slow-moving projects:

1. Socio-medical Centers (268-0305.a)

Some \$650,000 remain in this \$1.0 million FY 1978 sub-project to develop nine multi-purpose social/health/education centers leading to a national strategy to develop 51 such "Basic Service Units" throughout Lebanon. UNICEF completed an in-depth assessment of the pilot program in March 1981. AID Rep/L and the Council for Development and Reconstruction began an intensive dialogue with the responsible Minister and UNICEF in May 1981 to determine if and how the program can be improved. While AID Rep agrees that the basic idea has merit, the Government understands that we do not want to see the AID money tied up indefinitely waiting for deficiencies to be cleared up. There are signs of progress, though initial steps at improvement would mainly be confined to the best of the existing centers. CDR and AID Rep agree that rapid expansion would be imprudent before the Government is strong enough to assure that the basic concepts can be implemented as intended.

2. Emergency Medical Services (268-0305.c)

About \$980,000 remains in this \$1.0 million FY 1978 sub-project to establish a pilot EMS system for Beirut. Poor security has been the source of the latest delay, preventing Parliament from meeting to consider enabling legislation. In June 1981, AID Rep/L and the prime Lebanese planner of the sub-project concluded that the scheme was too sophisticated for current Lebanese conditions. It was decided to redesign the project to retain the original concepts for Phase II attention but to focus now on a new Phase I dimension to upgrade emergency rooms in Government hospitals. Work on a legislative charter for Phase II would continue, but for the present,

transport, communications, and other ingredients of a total EMS system would be put off for more stable times. Under the redesign, if approved by the Government, U.S. funding would go for emergency room equipment and staff training. Each hospital receiving a grant would contribute in some way to the upgrading. We anticipate a redesign that will require Washington TDY assistance and will free up some of the remaining funds for reprogramming.

3. Restoration of Ministry of Agriculture Services (268-0311)

Some \$545,000 remains of this \$768,000 project which represents a reimbursement by the GOL to AID for certain vehicles. AID and the Ministry of Agriculture have agreed in principle to use the reimbursement to finance the equipment to rebuild a dairy collection and processing center in North Lebanon. Technical reviews of the dairy center have been completed and, if approved by AID/W, the project could begin soon after the vehicle reimbursement has been made. The reimbursement is incorporated in Lebanon's FY 1981 budget. The government has been operating since January 1, 1981, on a "Continuing Resolution" of sorts, because of frequent shelling around the Parliament building. It is hoped that Parliament will be able to meet long enough to approve major business, including the 1981 budget.

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
 FY 1981 to FY 1983
 (\$ thousands)

Country/Office AID Rep/Lebanon

APPROPRIATION ACCOUNT	FY 1981	FY 1982	FISCAL YEAR 1983		
			MINIMUM	CURRENT	AAPL
DEVELOPMENT ASSISTANCE	-	-	-	-	-
ECONOMIC SUPPORT ASSISTANCE	4000	5000	-	-	5000
<u>Grant</u>					
Disease Surveillance (268-0305.e)	100	-	-	-	-
Wastewater Ponds (268-0305.f)	200	-	-	-	-
TA for CDR (268-0312)	150	-	-	-	-
Reconstruction of Private Institutions (268-0313)	535	750	-	-	690
Health Education (268-0316)	175	500	-	-	500
Agriculture & Small Business Credit Systems (268-0317)	2000	2000	-	-	2060
Vocational Training in Building Trades (268-0318)	840	750	-	-	750
TA for CDR (268-0319)	-	1000	-	-	1000
<u>Loan</u>	-	-	-	-	-
TOTAL ESF	4000	5000	-	-	5000
TOTAL ESF & DA	4000	5000	5000	5000	5000

TABLE IV PROJECT BUDGET DATA

PROJECT NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUM PIPELINE AS OF 9/30/80	FY 1981		FY 1982		FY OBLIGATIONS				ITEM #		
			INITIAL	FINAL			OBL	EXP	OBL	EXP	1983 ADPL	1984	1985	1986		1987	FUTURE YEAR
			FY 78	FY 81*													
268-0305.e	Disease Surveillance	G	FY 78	FY 81*	100/200	50		100	60	-	90	-	-	-	-	-	-
268-0305.f	Wastewater Ponds	G	FY 78	FY 81*	200/400	160		200	20	-	340	-	-	-	-	-	-
268-0312	TA for CDR	G	FY 78	FY 82*	1000/1500	300		150	400	-	-	-	-	-	-	-	-
268-0313	+Reconstruction of Private Institutions	G	FY 79	FY 83*	5000/6285	3000		535	1500	750	1000	690	1/	1/	1/	1/	1/
268-0316	+Health Education	G	FY 81	FY 83*	175/175	-		175	50	500	500	500	-	-	-	-	-
268-0317	+Agriculture and Small Business Credit Systems	G	FY 81	FY 83*	506/0606	-		2000	750	2000	2000	2060	1/	1/	1/	1/	1/
268-0318	+Vocational Training in Building Trades	G	FY 81	FY 83*	500/2340	-		840	500	750	800	750	1/	1/	1/	1/	1/
268-0319	TA for CDR	G	FY 82	FY 84	3000	-		-	-	1000	500	1000	1000	1/	1/	1/	1/
TOTAL ESF																	
All Projects with Unliquidated Balance (as of 9/30/80)						12995 20610	3510	4000	3280	5000	5230	5000	5000	5000	5000	5000	5000
268-0300	Vocational Education					700											
268-0301	Prosthetics Training					2280											
268-0305	Health Sector Rehabilitation					250											
268-0306	Potable Water					400											
+268-0309	Vocational Training					600											
268-0311	Restore MOA Services					1100											
+268-0314	Agriculture Rehabilitation					90											
268-HG-002	1977 Housing Grant					(15000)											
Housing Guaranty																	
* = Change from FY 1982 CP																	
+ = PVO. Note: 268-0316 shifts from PVO to GOL starting FY 1982																	
1/ = See Narrative Overview for comments on out-year funding																	

Country/Office

AID Rep/Lebanon

ESTIMATED U.S. DOLLAR COST (\$000)

NEW PROJECT NARRATIVE

TA for CDR - 268-0319

AID/Lebanon plans to start a new three-year technical assistance grant to the Council for Development and Reconstruction (CDR) in FY 1982. This project follows directly from the grants of \$1,100,000 made in FY 77 and FY 78. While we would like to leave open the possibility of providing assistance to CDR by amending the existing project, the central importance of this activity to AID's program, its bearing on U.S. foreign policy objectives, and its proposed three-year character would seem to make its designation as a new project more appropriate at this time.

The purpose of the project will be to assist CDR in the management of Lebanon's reconstruction. We propose life of project funding of \$3 million, with \$1 million to be provided in both FY 1982 and FY 1983. The second-step beneficiaries will be the people of Lebanon.

We believe the most useful way to bring perspective to key issues that need to be considered in project development is to discuss briefly the role, progress and plans of CDR, with particular reference to where U.S. management assistance has and can fit in.

The CDR has responsibility for mobilizing external finance, economic planning, and managing the reconstruction process. The first of these functions is more political than technical, in the context of the Middle East, and is not appropriate for sustained U.S. involvement. The second, economic planning, while not of urgent utility under present circumstances, will be supported by the UNDP. It will enable the CDR to ensure that its reconstruction program does not conflict with long-term national development activities.

The third function, the management of reconstruction, holds most interest for AID. The CDR is empowered not only to monitor the performance of agencies implementing reconstruction projects, it is also able to create new institutions and administrative arrangements where it sees the existing structure to be inadequate. This means, in effect, that the CDR is the only vehicle for administrative reform in the country. It cannot force changes upon established ministries and agencies, but it can circumvent them or even replace them under some conditions.

The CDR has used this power selectively, but effectively, to date; of necessity its innovations must receive the approval

of the Council of Ministers. It first created a committee to manage the reconstruction of Port of Beirut, enabling the reopening of that vital installation in remarkably short time. Since then, it has created management committees for the airport repair and expansion, for road repair, for the socio-medical centers program, and, with the Ministry of Finance and the Central Bank, for managing the finances of the country. Unique arrangements have been made with WHO, wherein a private sector counterpart was found for the national waste management project which otherwise could not have begun, and with UNICEF, in which that institution serves as implementing agency for a range of projects in the south.

AID responded favorably to an initial request from CDR for assistance in organizing the Council, and since then the scope of cooperation has broadened, particularly in the area of management systems. AID-supported advisors are currently in Lebanon helping to create an operations information room and a management services unit.

Looking to the future, CDR does not intend to grow into a large organization. It envisages a limit of 15 to 20 professional staff members, a considerable expansion of the present six, but still modest for the range of the CDR's functions. Most of the 20 will be on two-year rotating assignments, seconded from other Government agencies or the private sector, gaining experience from CDR work and returning to more permanent occupation in the operating agencies. Thus, the CDR will have a training function, aiming at raising the quality of management throughout the Government. In addition, CDR will continue creating new agencies where required, such as a commission to implement the waste management plan currently being produced, and will help solve management problems of critical services such as road maintenance.

AID is seen by CDR as a partner in the dynamic process of gradually upgrading the competence of the Government to manage reconstruction and development programs. Resident advisors will never be required in large numbers, but many opportunities are foreseen for providing specialized expertise to the CDR itself, and through the CDR to the implementing agencies. Specialist help in designing the housing credit program, the socio-medical center system, an agricultural credit system, medical technician training facilities, water management organizations, and many other systems not currently functioning will be required. An increasing use of IQC services and locally hired consultants is anticipated as the CDR develops its ability to respond to the technical requirements of the rest of the Government.

In the first year of the proposed grant, emphasis will remain on improving the management systems of the CDR itself. Gradually, a greater share of grant funds will be devoted to

project-related expertise made available to agencies through the CDR. By the end of three-year period, assuming greater stability in Lebanon, we anticipate that the CDR will be in a position to tap the expertise it needs for reconstruction from local and foreign sources without calling upon AID resources.

TABLE V - FY 1983 PROPOSED PROGRAM RANKING		Country/Office AID REP/LEBANON							
RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		WORKFORCE (Number of Workmonths)		
					INCR	CUM	INCR	CUM	INCR
	DECISION PACKAGE: AAPL								
	<u>Pipeline Projects (as of 9/30/82)</u>				(3000)	12	12	24	24
	<u>New and Continuing Projects</u>								
1	268-0319 TA for CDR	0	G	ESF	1000	1000			
2	268-0317 Agriculture and Small Business Credit Systems	0	G	ESF	2060	3060			
3	268-0318 Vocational Training in Building Trades	0	G	ESF	750	3810			
4	268-0313 Reconstruction of Private Institutions	0	G	ESF	690	4500			
5	268-0316 Health Education	0	G	ESF	500	5000			
6	Basic Workforce					5000	24	36	60
	<u>Total AAPL Package and Related Workforce</u>				5000		36		60

TABLE V NARRATIVE

Recognizing that the Lebanon program is funded from the Economic Support Fund, we have sought in the Narrative Overview of this ABS to outline program options tied to U.S. foreign policy objectives. These objectives could be modified in the months ahead depending upon the local security situation, events in the region and the degree of U.S. participation in efforts to stabilize Lebanon. Accordingly, our scenarios range from cessation of aid, through different methods of managing a program at current levels, to a substantial increase of the program to levels more commensurate with the hopes of the Lebanese Government.

While the composition, workforce size, and priority ranking of the FY 1983 program are based on the \$5 million AAPL level, we believe that U.S. interests in Lebanon and the region are so substantial that AID should maintain the flexibility to adapt our program sharply upward or downward on fairly short notice in response to policy initiatives or revisions. This implies workforce levels adequate not only to administer our current program but to make programming changes on short notice.

Our pipeline through 1983 will require one USDH and two FNDH to administer. New programming at the annual budget level of \$5.0 million through FY 1983 requires an additional two USDH and three FNDH staff. The total FY 1983 staff of three USDH and five FNDH, our current staff level, is sufficient to manage foreseen activities barring a policy change leading to a substantially greater program effort.

In this respect, it should be noted that the USDH staff was reduced from 4 to 3 effective July 1981 with the elimination of the single U.S. executive assistant/secretarial position. This will leave us with only FN secretary, which is not adequate for the heavy workload. If efforts to fill the gap for which we have budgeted an FN contract do not work out as required, it will be necessary to increase the FNDH complement by one during FY 1983 or earlier.

The program described in Table V is consistent with the precepts outlined in the Narrative Overview and with CDSS objectives of previous years, i.e. increased program concentration, replication of successful

projects, and enhancement of host country management capabilities.

First priority is assigned to Technical Assistance to the Council for Development and Reconstruction (CDR) because this action most directly supports the principal foreign policy thrust of the USG in Lebanon to strengthen the institutions of the central government. This objective was strongly re-enforced by the Reagan Administration in a letter from Secretary of State Haig to President Sarkis of Lebanon in April, 1981.

In the non-military sphere, strengthening the capacities of national institutions engaged in economic and social reconstruction and development is most vital. Lebanon has one of the weakest central governments in the world. Its institutions were held in low regard even before the war; economic activity and many of the social services were entirely or largely in the private sector. Since the conflict, poor security, political divisions in the country, and opportunities for more lucrative employment abroad or in the private sector have worsened the Government's already feeble capacities. In addition, the political weakness of the State renders administrative reforms almost impossible to make.

The CDR was given extraordinary powers when created in 1977 to make unorthodox administrative arrangements to accomplish priority tasks. The factors inhibiting the rest of the Government have affected the CDR as well, and it has not been able to invoke the full range of its statutory authorities. Nevertheless, while the pace of reconstruction remains slow and sometimes slides into reverse, the CDR has a deserved reputation for honesty, ingenuity, hard work and commitment.

AID strategy has been to build the capacities of the CDR itself, planning then to work through the CDR to improve the performance of other ministries and agencies. Grants for technical assistance to the CDR of \$100,000 and \$1,000,000 were made in 1977 and 1978 respectively. We plan an evaluation of these projects early in FY 1982 in advance of the preparation of a project paper covering the next three years' cooperation. In our judgement, the effort has gone reasonably well, given the crisis environment, and both CDR and AID have gained valuable experience in getting results by coping.

The Government of Lebanon concurs that U.S. technical assistance to the CDR should have highest priority in Lebanon's reconstruction, citing the need for technical competence in utilizing Arab funding and the catalytic effect on Arab donors of U.S. participation in projects.

Further discussion of this project, to start in FY 1982, appears in this document as a New Project Narrative. It should be noted in Table IV that we propose to increase life of project funding under the current TA to CDR project (268-0312) by \$150,000 to \$1,150,000. This will make it possible to meet important CDR requirements before funds become available under the new project.

Second priority is accorded to the Save the Children project supplying credit to farmers, small businesses and rural cooperatives through a revolving loan fund. Save the Children has a good track record which it continually seeks to improve, and this project builds upon an earlier successful activity supported by AID.

This project - AID's largest for FY 1983 - will broaden and create avenues for reaching low-income rural and small-town families who have suffered because of the continuing conflict. It is also highly attractive because it focuses on income generation; offers visible and widespread evidence of U.S. concern for all Lebanese communities; supports efforts of the national government to serve its citizens in rural areas; and incorporates features intended to involve both the government and the private banking system in supplying credit to this neglected target population.

Third priority is assigned to the YMCA/Lebanon program for vocational training in the building trades. The "Y" has demonstrated its capacities in this field of training by successfully administering an earlier AID-supported project. The GOL is well-informed on this project and concurs that it fills a gap not being served by government-sponsored vocation training programs.

This project, like the Save the Children project, benefits Lebanese of all denominational backgrounds. The project not only meets the demands of the skill-starved construction industry, paradoxically a booming sector even now, it also

offers a more lucrative alternative to gun-toting to that generation of young Lebanese men who have done little else.

Fourth priority goes to the CRS-managed effort to reconstruct private health, education and welfare institutions. Although not normally a priority target for AID funding, private institutions are of great importance in the Lebanese social and political context. Often confessional in origin, though not usually exclusive in clientele, private institutions provide the bulk of social and educational services and generate a remarkable level of individual philanthropy.

The Ambassador has stressed civic responsibility and national unity at the signing and opening ceremonies associated with this project. These occasions are also valuable in publicizing U.S. goodwill towards all the communities of Lebanon.

The Government has appreciated the conscientious and efficient job of CRS in administering this program, but may want a larger role for CDR in channelling future funds to war-damaged institutions. We subscribe to the goal of increasing public support for the Government in this way, and will seek ways to restructure CDR participation in the project without sacrificing CRS efficiency.

In this regard, we have begun to get better acquainted with the main social organizations in Lebanon which have their origin in the major denominational communities. As a generality, the foremost among these are non-political; managed by well-educated middle and upper-middle class professionals; concerned with preserving Lebanon's traditional values; and active in development work, especially the improvement of educational and health institutions. Some of the institutions have received grants through AID's project with Catholic Relief Services. We will be exploring possible ways to associate these organizations' activities more closely with AID's work in pursuit of U.S. foreign policy objectives in Lebanon.

Fifth priority goes to an elementary school health education project, a prime objective of the Ministry of Education. It is a three-year pilot project to develop and test curricular materials for grades one through nine. The Ministry intends to extend results of this pilot project from the initial 100,000 children participating to all of

Lebanon's public and private schools. Health status declined in Lebanon with the war, so the project has rehabilitation as well as longer term development motivations.

All five priority projects in the FY 1983 budget continue successful current activities. This reflects our strategy of consolidating the program and building on success. Three of the five projects, utilizing 70 per cent of the funds, are PVO-administered. This reflects the importance assigned to visible, well-administered, widely distributed activities to demonstrate American concern for the welfare of all Lebanese communities in an era of continued instability. If the prospects for a local settlement become more promising, and the United States should decide to increase the ESF allocation for Lebanon, we would expect the proportion of PVO projects to the total program to decline substantially. In that event, greater emphasis would be put on strengthening national institutions and stimulating reconstruction efforts in key sectors, including housing.

Our interest in housing has not declined despite the omission of a housing project in the FY 1983 budget submission. At the currently anticipated levels of funding, we believe our most effective contribution to this sector is to strengthen policy-making and program design capabilities through technical assistance to the CDR.

Housing remains a top priority in Lebanon's reconstruction program, but the Government has made little progress apart from the substantial easy-credit program for the repair of damaged housing (Decree Law 20) to which AID's \$15 million HG-001 loan and a \$4.5 million U.S. Housing Grant were applied. A \$15 million HG-002 loan approved in FY 1979 is in a "hold" position and the Government has not yet been in a hurry to meet the conditions precedent. Various plans have been vetted by the CDR and the Ministry of Housing to stimulate the construction of units for middle to low-income groups, but so far the programs have not materialized.

There is general agreement that the Government should not itself build low-cost housing because of the meagre capacities of the Ministry, the political struggles which would arise over location and the selection of beneficiaries, and the difficulty of avoiding corruption. Little consensus is found, however, on alternatives.

The CDR favors a credit program to be administered through private banks and the Housing Bank. The approach has promise, but is still impeded by the absence of an adequate formula for administering the program. High interest rates and land prices threaten the feasibility of any program for lower-income people barring ruinous subsidies. We will be prepared to support through technical assistance CDR's efforts to work out details, and may later recommend a loan or grant contribution to program initiation, if a more promising scheme emerges than we can now with confidence anticipate.

The health area is also high priority, and again the weakness of the Ministry is a factor militating against more systematic AID support at the present time. Under these circumstances, we will continue to support health improvement selectively through on-going projects and may, through reprogramming, provide assistance to population activities during or before FY 1983. We will also stand ready to assist in a systematic reorientation of public health programs at any time such action becomes appropriate, but we do not see this as a strong probability by FY 1983.

Finally, we believe there is merit in considering special action to reinvigorate the American University of Beirut. It is for this reason that we recommend in the Narrative Overview that the State Department and AID undertake an assessment of AUB's importance in serving U.S. foreign policy objectives in Lebanon and the region. It would not be appropriate, in our judgment, for any additional U.S. support for AUB beyond current levels for operations and scholarships to be financed as a draw-down from the Lebanon program.

TABLE VIII

OPERATING EXPENSE SUMMARY

(\$000's)	FY 1980		FY 1981		FY 1982			
	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost
220.5	4.0	55.1	258.3	4.0	64.6	228.4	3.0	76.1
65.7	5.0	13.1	79.9	5.0	16.0	97.5	5.0	19.5
1.2	0.1	12.0	-	-	-	17.9	1.0	17.9
-	-	-	-	-	-	-	-	-
51.6	4.0	12.9	52.9	4.0	13.2	61.3	3.0	20.4
91.4	xx	xx	123.3	xx	xx	136.0	xx	xx
430.4	xxx	xxx	514.4	xx	xx	541.1	xx	xx
198.0	xxx	xxx	240.0	xx	xx	286.6	xx	xx
52.8	xxx	xxx	78.7	xx	xx	80.0	xx	xx
0	xxx	xxx	0	xx	xx	0	xx	xx

COST SUMMARIES

US Direct Hire

FN Direct Hire

US Contract Pers.

FN Contract Pers.

Housing Expense

Office Operations

Total Budget

Mission Allotment

FAAS

Trust Fund

TABLE VIII

	FY 1983 Minimum			FY 1983 Current			FY 1983		
	(\$000's)	Related Workyear	Unit Cost	(000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost
<u>COST SUMMARIES</u>									
US Direct Hire	243.9	3	81.3	243.9	3	81.3			
FN Direct Hire	111.3	5	22.3	111.3	5	22.3			
US Contract Pers.	18.4	1	18.4	18.4	1	18.4			
FN Contract Pers.	-	-	-	-	-	-			
Housing Expense	59.3	3	19.8	59.3	3	19.8			
Office Operations	114.2	xx	xx	114.2	xx	xx		xx	xx
Total Budget	547.1	xx	xx	547.1	xx	xx		xx	xx
Mission Allotment	288.7	xx	xx	288.7	xx	xx		xx	xx
FAAS	80.0	xx	xx	80.0	xx	xx		xx	xx
Trust Fund	0	xx	xx	0	xx	xx		xx	xx

AID REP/LEBANON EVALUATION SCHEDULE FOR FY 1982

Project Number and Title	Date PES Submitted	Proposed Date (FY 81-83) of Next Evaluation		Purpose and Nature of Evaluation	Requirements for Evaluations		Remarks
		Conducted	Submitted		Staff	Funds	
<u>HOUSING</u>							
1. Housing Guaranty (268-HG-001)	04/81	-	-	Terminal	-	-	-
2. 1977 Housing Grant	11/80	-	-	Assessment	-	-	-
<u>HEALTH</u>							
1. Prosthethics Training (268-0301)	-	FY-81(4)	FY-81(4)	Terminal Assessment	AID Rep	-	UNICEF/GOL-prepared
2. Socio-medical Centers (268-0305.a)	06/81	-	-	-	-	-	-
3. Tripoli Hospital (268-0305.b)	-	-	-	-	-	-	-
4. Emergency Medical Services (268-0305.c)	-	FY-83(1)	FY-83(2)	Assessment	NHA	Project	-
5. Disease Surveillance (268-0305.e)	-	FY-83(1)	FY-83(2)	Assessment	CDC	Project	-
6. Environmental Sanitation (268-0305.f)	-	-	-	-	-	-	-
7. Vocational Rehabilitation (268-0305.g)	-	FY-82(4)	FY-83(1)	Terminal	2 pw	PD&S	JWK Int'l IQC
8. Potable Water (268-0306)	-	FY-82(2)	FY-82(2)	Terminal	2 pw	PD&S	Hydraulic Engineer
<u>AGRICULTURE/COOPERATIVES/CREDIT</u>							
1. Agriculture Rehabilitation (268-0314)	08/80	-	-	PP Input	-	-	-
2. Restore MDA Services (268-0311)	-	FY-83(1)	FY-83(2)	Terminal	2 pw	PD&S	Dairy Specialist
3. Agriculture/Small Business Credit - (268-0317)	-	FY-82(4)	FY-82(4)	Assessment	2 pw	OE	AID Credit Spclst
4. Rehabilitation of Bourj-Hammoud - (268-0303)	-	FY-82(1)	FY-82(2)	Assessment	1 pw	OE	AID Credit Spclst
<u>EDUCATION</u>							
1. Technical Education (268-0300)	-	FY-83(2)	FY-83(3)	Terminal	AID Rep	OE	-
2. Vocational Education (268-0309)	07/80	-	-	-	-	-	-
3. Health Education (268-0316)	-	FY-82(2)	FY-82(3)	Assessment	2 pw	OE	NE/TECH/HPN
4. Vocational Training Building Skills (268-0318)	-	FY-82(3)	FY-82(4)	Assessment	2 pw	Project	-
<u>PLANNING</u>							
1. TA for CDR (268-0312) and (268-0304)	-	FY-82(1)	FY-82(1)	Assessment	3 pw	PD&S	-
<u>RECONSTRUCTION</u>							
1. Restoration of Private Institutions (268-0313)	-	FY-82(1)	FY-82(1)	Assessment	AID Rep	OE	NE/TECH/SPR