

UNCLASSIFIED

Annual Budget Submission

FY 1984

LEBANON



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LEBANON
FY 1984 ABS
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FY 1984 ANNUAL BUDGET SUBMISSION

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

Country/Office AID REP/LEBANON

| <u>DEVELOPMENT ASSISTANCE</u> | <u>FY 1982 EST</u> | <u>FY 1983 EST</u> | <u>FY 1984 REQUEST</u> | <u>PLANNING PERIOD</u> | | |
|-------------------------------|--------------------|--------------------|------------------------|------------------------|-------------|-------------|
| | | | | <u>1985</u> | <u>1986</u> | <u>1987</u> |
| Total DA Account | - | - | - | - | - | - |
| <u>ECONOMIC SUPPORT FUND</u> | 6000 | 8000 | 8000 | 8000 | 8000 | 8000 |
| Total ESF Account | 6000 | 8000 | 8000 | 8000 | 8000 | 8000 |
| Grants | 6000 | 8000 | 8000 | 8000 | 8000 | 8000 |
| Loans | - | - | - | - | - | - |
| <u>TOTAL DA and ESF</u> | 6000 | 8000 | 8000 | 8000 | 8000 | 8000 |
| <hr/> | | | | | | |
| PL 480 (ron Add) | - | - | - | - | - | - |
| Title I | - | - | - | - | - | - |
| (of which Title III) | - | - | - | - | - | - |
| Title II | - | - | - | - | - | - |
| Housing Guarantees | - | - | - | - | - | - |
| <hr/> | | | | | | |
| TOTAL Personnel | | | | | | |
| USDH (work years) | 3 | 4 | 4 | 4 | 4 | 4 |
| FNDH (work years) | 5 | 6 | 6 | 6 | 6 | 6 |

TABLE I - NARRATIVE

AID Rep/Lebanon believes the funding levels summarized in Table I are fully reasonable, given the field-headquarters agreement that flexibility must be a hallmark of program planning for Lebanon. As discussed in the FY 1983-87 Small Program Statement, these levels could be reduced, or increased, depending on overall U.S. strategy, the security situation, and developments in the region. The \$ 8 million planning level will allow us to move forward with a solid development program, funding projects on an annual incremental basis. Likewise at these levels, we do not foresee a serious mortgage problem.

Pipeline also is not a major problem. As of April 30, 1982, the pipeline amounted to \$ 7 million - \$5 million of which is for projects that are disbursing smoothly (TA for CDR, and PVO projects with Save the Children, Catholic Relief Services and YMCA/L.) The remaining \$2 million is found among the various sub-projects of the Health Sector Rehabilitation Project, 268-0305. This nettlesome project has been around since FY 78 and has proven difficult and time-consuming to implement in full. A significant reprogramming exercise has taken place; the Socio-Medical Centers sub-project with UNICEF was dropped; funding for Emergency Medical Services was reduced by half; and two new sub-projects were added to support community-based health networks and training through the Lebanese Family Planning Association. A distinct feature of this reprogramming process is the direct and active involvement of CDR in all decisions. We believe we are now on the right track. We have let it be known to all parties that any sub-project that doesn't move reasonably well will be dropped, with funds diverted to health needs that can utilize monies effectively. Another option is to deobligate funds. In any case, with total obligated funds for on-going projects in the \$25 million range, and discounting the smoothly disbursing activities mentioned above, a \$2 million pipeline is not a serious problem as long as understandings to deal with it are set.

NEW PROJECT NARRATIVE

TA for CDR - 268-0319

In last year's ABS, we provided a New Project Narrative for three years of technical assistance to the Council for Development and Reconstruction, to start in FY 1982 at \$1 million annually through FY 1984. The \$1 million for FY 1982 was obligated in May 1982. However, because of expected leadership changes at CDR, AID Rep/L and AID/Washington chose to assist CDR by extending an existing TA to CDR project (268-0312) for an additional year rather than starting a new one (268-0319) as envisaged when the FY 1983 ABS was prepared.

AID Rep/L continues to rank TA to CDR first in our project portfolio. This assessment is shared by AID/W. An unresolved planning decision is whether to start the new project in FY 1983 or FY 1984. Either way, the budgetary implications for FY 1983 are the same; \$1 million is planned for TA to CDR. For FY 1984, we are planning a level of \$2 million. This assumes progress in political stability sufficient to accelerate institution-building support through CDR to central government agencies and ministries for training and technical assistance needs. If there is no improvement in the Lebanon situation, then an FY 1984 level of \$1 million may turn out to be more realistic.

Faced with these uncertainties, but assuming favorable political and economic developments by FY 1984, we propose a new three-year project with life of project funding of \$5 million, to start in FY 1983 at a \$1 million level, with \$2 million to be provided in both FY 1984 and FY 1985. The purpose of the project will be to assist CDR in the management of Lebanon's reconstruction, and to upgrade management and technical capabilities in key ministries by providing participant training. The project follows directly from grants totalling \$2.4 million from FY 1977 - FY 1982. The second-step beneficiaries will be the people of Lebanon.

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, is being 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 the most interest for AID. The CDR is empowered to monitor the performance of agencies implementing reconstruction projects and also 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 help rebuild their capabilities through focussed support. The CDR has used this power selectively, but effectively, to date. It first created a committee to manage the reconstruction of the 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, and, with the Ministry of Finance and the Central Bank, for managing the finances of the country. Unique arrangements were made with WHO, wherein a private sector counterpart was found for the national waste management project which AID intends to support, 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 CDR, and since then the scope of cooperation has broadened. AID-supported advisors are currently in Lebanon helping to institutionalize a computer-based information system and improved management services.

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, most 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 quasi-independent authority to implement the waste management plan and a commission to oversee community-supported health systems.

Most of the actual resources flowing through CDR for reconstruction will go to the private sector - either directly, to stimulate investment and production by industries hard-hit by fighting, or indirectly, to carry out the rebuilding of physical and social infrastructure under contract to the public sector. AID is seen by CDR as a main supporter in the dynamic process of 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 to the implementing agencies. Specialist help in designing housing credit programs, community health networks, an agricultural credit system, improved taxation systems, water management organizations, and many other systems not currently functioning will be required. Consistent with its historically innovative economic role in the region, Lebanon will be inclined to seek and apply the best available knowledge and technologies in forging these systems. 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.

Under the proposed grant, attention to improving the information and management systems of the CDR itself will continue. During the second and third years of the project, a greater share of grant funds will be devoted to the training of mid-level and decision-making officials who will carry out important responsibilities as conditions make it possible and necessary for Lebanon's government to resume and extend normal functions throughout the country. The training aspect will be development-related and largely carried out in the U.S., although some technical upgrading can be conducted in-country. By the end of the three-year period, assuming stability in Lebanon, we project that the CDR will be largely able to finance the expertise and training it needs for reconstruction from government resources, without major reliance on concessional U.S. assistance.

FY 1984 ANNUAL BUDGET SUBMISSION

| TABLE V - FY 1984 PROPOSED PROGRAM RANKING | | Country/Office AID REP/LEBANON | | | | |
|--|---------------------------------|-----------------------------------|----------------|------------------|----------------------------|------|
| RANK | PROGRAM ACTIVITY DESCRIPTION | ONGOING/ NEW | LOAN/ GRANT | APPROP. ACCT. | PROGRAM FUNDING (\$000) | |
| | | | | | INCR | CUM |
| | <u>All Continuing Projects</u> | | | | | |
| 1 | 268-0319 TA For CDR | 0 | G | ESF | 2000 | 2000 |
| 2 | 268-0321 Waste Management | 0 | G | ESF | 3000 | 5000 |
| 3 | 268-0322 PVO Reconstruction | 0 | G | ESF | 2500 | 7500 |
| 4 | 268-0318 Vocational Training | 0 | G | ESF | 500 | 8000 |

TABLE V - NARRATIVE

The recently approved Small Program Strategy Statement for Lebanon, covering FY 1983-87, delineates AID's three major aims in Lebanon:

-- Strengthen and extend central government authority by strengthening and improving government capabilities;

-- Promote national reconciliation and cohesion by equitably administering assistance to fuel economic opportunity, improve public services, and strengthen private institutions;

-- Alleviate hardship and suffering through humanitarian and other assistance.

Supporting the pursuit of these objectives is the intent to concentrate on a smaller number of projects. Responsibilities with respect to pipeline activities, AUB, and various centrally-funded programs will continue, but with the overall volume declining as older activities come to an end. We hope to concentrate new obligations on no more than three to four projects annually.

The FY 1984 project priority listing has been chosen with a view to the three objectives cited above. Also taken into consideration are security conditions, a small staff, the AID level, AID's experience in-country, the intent of Congress on PVO involvement in Lebanon, the need to stay flexible, and the philosophy and priorities of the Reagan Administration.

Our first priority project, TA for CDR, is basically an institution-building activity. It has links to all three SPS aims but primarily relates to strengthening government authority. The CDR was established in 1977 as the country's reconstruction agency. It is the vehicle through which the oil-rich Arab states and other donors channel their assistance. The funds are used to restore both the private and public sectors. The Council is responsible for overall management and coordination of reconstruction as well as long-range economic planning. CDR has looked to AID from the outset as the principle source for strengthening the Government's capabilities to manage reconstruction. In addition to technical assistance, this project will emphasize managerial training of public sector decision-makers. A carefully-developed program to train decision-makers and key day-to-day managers in selected areas of need can help appreciably to enhance government performance and citizen respect, and thus contribute to stability and national unity.

Few would disagree with ranking TA to CDR as the Mission's number one project. The number two priority is a more difficult choice because the VolAGs have been doing an outstanding job and a country-wide waste management program is so badly needed. However, considering its need and the importance the GOL attaches to U.S. support, waste management is our second choice. Also the magnitude of other donor financing which \$6.5 million in U.S. technical assistance could help to orchestrate over three years is a significant consideration. Starting with an "urgent works" phase, the project supports the government's capability to provide critical services to the population as a whole, and constitutes Lebanon's first comprehensive effort to rehabilitate a major sector of the economy. The project directly strengthens the government and will also promote national cohesion and economic opportunity. Likewise, it contributes to improving the health and welfare of individual citizens.

Our third priority is the umbrella project for Private Voluntary Organizations - PVO Reconstruction. PVOs have played a vital role in providing needed services since the 1975-76 war. Credit, restoration of private service institutions, youth vocational training, and rehabilitation of the handicapped are among the areas where AID-supported PVOs have made major contributions to the alleviation of hardship and suffering and improvement in community prosperity and well-being. This project will also help to strengthen the government since it will be managed by CDR. The sub-projects the PVOs will undertake will be developmental in nature, and where feasible, carried out in cooperation with related government programs. Other sub-projects could reach low-income or war-affected groups where needed services are inadequate.

Our fourth priority, vocational training through the YMCA/Lebanon, will be phased down as cost-sharing arrangements are developed. This project started in 1979 and has been highly successful. It has simultaneously raised incomes, given youth an alternative to joining armed militias, met a national need for semi-skilled workers in the building trades, enhanced community cooperation, and earned support from the government and all groups in all parts of the country. An appropriate follow-on sub-project under the PVO umbrella project will be strongly encouraged.

In accordance with Agency guidance and Lebanon program needs, no funds have been programmed in FYs 1983 and 1984 for the American University of Beirut. We are therefore concerned about the planned program for either year if a portion of AUB's emergency needs must be provided from the bilateral funding level. To the extent the \$8 million planned for FY 1983 cannot be programmed as described in the Agency's FY 1983 Congressional Presentation - either because funds are insufficient or AUB needs take precedence - then the forced reductions would require major

alteration of both the FY 1983 program presented in the Congressional Presentation and the FY 1984 program discussed above. We recognize this situation is beyond the full control of AID and STATE, and the Bureau's overall level may be less than planned if AID is forced to operate under a Continuing Resolution in FY 1983. However, we do feel that contingency plans should be established for AUB emergency needs in FY 1983 so that we do not find ourselves in a situation where it becomes necessary to support U.S. regional interests in a strong AUB by diverting funds from the program of a single country, Lebanon.

OPERATING EXPENSE SUMMARY
 FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

| | FY 1982 | | | | FY 1983 | | | |
|---------------------------|---------|-------------|--------------|-------|---------|-------------|--------------|-------|
| | TOTAL | TRUST FUNDS | AID/W FUNDED | UNITS | TOTAL | TRUST FUNDS | AID/W FUNDED | UNITS |
| <u>U.S. DIRECT HIRE</u> | 238 | -0- | 191 | 3.00 | 242 | -0- | 207 | 3.75 |
| <u>F.N. DIRECT HIRE</u> | 73 | -0- | -0- | 5.00 | 103 | -0- | -0- | 5.75 |
| <u>CONTRACT PERSONNEL</u> | 8 | -0- | -0- | XXXXX | 9 | -0- | -0- | XXXXX |
| <u>HOUSING EXPENSES</u> | 57 | -0- | -0- | 3.00 | 102 | -0- | -0- | 4.00 |
| <u>OFFICE OPERATIONS</u> | 167 | -0- | -0- | XXXXX | 151 | -0- | -0- | XXXXX |
| <u>TOTAL</u> | 543 | -0- | 85 | XXXXX | 606 | -0- | 94 | XXXXX |
| <u>RECONCILIATION</u> | 276 | -0- | 276 | XXXXX | 301 | -0- | 301 | XXXXX |
| <u>MISSION ALLOWANCE</u> | 267 | -0- | -0- | XXXXX | 305 | -0- | -0- | XXXXX |

Footnote:

Fiscal Year 1983

Total dollar funded local currency costs included in budget \$ 244,000

OPERATING EXPENSE SUMMARY
 FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

| | FY 1984 MINIMUM | | | | FY 1984 CURRENT | | | |
|--------------------|-----------------|-------------|--------------|-------|-----------------|-------------|--------------|-------|
| | TOTAL | TRUST FUNDS | AID/W FUNDED | UNITS | TOTAL | TRUST FUNDS | AID/W FUNDED | UNITS |
| U.S. DIRECT HIRE | 238 | -0- | 224 | 4 | 238 | -0- | 224 | 4 |
| F.N. DIRECT HIRE | 129 | -0- | | 6 | 129 | -0- | -0- | 6 |
| CONTRACT PERSONNEL | 11 | -0- | | XXXXX | 11 | -0- | -0- | XXXXX |
| HOUSING EXPENSES | 87 | -0- | | 4 | 87 | -0- | -0- | 4 |
| OFFICE OPERATIONS | 151 | -0- | 100 | XXXXX | 183 | -0- | 100 | XXXXX |
| TOTAL | 616 | -0- | 324 | XXXXX | 648 | -0- | 324 | XXXXX |
| RECONCILIATION | 324 | -0- | -0- | XXXXX | 324 | -0- | -0- | XXXXX |
| MISSION ALLOWANCE | 292 | -0- | -0- | XXXXX | 324 | -0- | -0- | XXXXX |

OPERATING EXPENSE SUMMARY
 FY 1984 ANNUAL BUDGET SUBMISSION
 TABLE VIII

| FY 1984 PROPOSED | | | | | |
|--------------------|-------|-------------|--------------|-------|--|
| | TOTAL | TRUST FUNDS | AID/W FUNDED | UNITS | |
| U.S. DIRECT HIRE | 238 | -0- | 224 | 4 | |
| F.N. DIRECT HIRE | 129 | -0- | -0- | 6 | |
| CONTRACT PERSONNEL | 11 | -0- | -0- | XXXXX | |
| HOUSING EXPENSES | 87 | -0- | -0- | 4 | |
| OFFICE OPERATIONS | 183 | -0- | 100 | XXXXX | |
| TOTAL | 648 | -0- | 324 | XXXXX | |
| RECONCILIATION | 324 | XXXXX | XXXXX | XXXXX | |
| MISSION ALLOWANCE | 324 | XXXXX | XXXXX | XXXXX | |

USAID/LEBANON
OPERATING EXPENSE BUDGET
FY 1983
Supplement To Table VIII

| <u>Required Funding Levels</u> | <u>Dollars</u> |
|--------------------------------|----------------|
| Travel | 38,690 |
| Official Residence Expense | 1,700 |
| Representation Allowance | 1,600 |

Workforce and Narrative

| <u>USDH</u> | <u>82</u> | <u>83</u> | <u>84</u> | <u>85</u> | <u>86</u> | <u>Remarks</u> |
|------------------------------|-----------|---------------------|-----------|-----------|-----------|----------------|
| AID Representative | x | x | x | x | x | A |
| Program Officer | x | x | x | x | x | B |
| General Development Officer | x | x | x | x | x | D |
| Assistant Program Officer | - | 9 | x | x | x | B |
| | 3-3 | 4-3 ³ /4 | 4-4 | 4-4 | 4-4 | |
| <u>FNDH</u> | | | | | | |
| Program Specialist | x | x | x | x | x | B&E |
| Procurement Specialist | x | x | x | x | x | D |
| Accounting Technician | x | x | x | x | x | E |
| *Secretary | x | x | x | x | x | |
| *Driver | x | x | x | x | x | |
| Capital Development/Engineer | - | 9 | x | x | x | D |
| | 5-5 | 6-5 ³ /4 | 6-6 | 6-6 | 6-6 | |

With a small staff and an active and relatively diverse portfolio, we cannot afford staffing gaps as vacancies loom. Fortunately, this has not been a recent problem. For the future, we continue to project that approved positions will equal actual workyears.

It should be noted the AID-approved fourth U.S. position is contingent upon security conditions and a final okay and "call forward" from the Ambassador. Assuming this happens, we are planning a January 1983 start for the Assistant Program Officer position.

We have outlined the reasoning for a sixth FNDH position in our Small Program Statement and again in a May 18, 1982 cable (Beirut 3469). It relates to involvement in the National Waste Management Plan and the need for a technically qualified Lebanese professional to help monitor AID's anticipated three-year \$6.5 million project. As we have stressed already, every attempt will be made to hire a qualified individual on a contract basis, but we may find there is no choice but to go the direct-hire route.

*Could be converted to PSC upon departure of incumbent.

PD&S Projected Requirements
FY 1983

| <u>Activity Purpose</u> | <u>Estimated Cost</u> |
|---|-----------------------|
| 1. WID Project Financing is required for the replication and testing of model used in teaching illiterate women in child health and family planning. | \$150,000 |
| 2. Health Sector Rehabilitation The numerous sub-projects under the Health Sector Rehabilitation Project, 268-0305, should be thoroughly evaluated by a health systems expert. | \$ 20,000 |

TDY Projected Requirements - FY 1983

| <u>Activity Purpose</u> | <u>Number of persons and Time Required</u> | <u>Individual or AID/W Office Requested</u> | <u>Quarter</u> |
|---|---|---|----------------|
| Controller Assistance (Damascus) | 1 person, 8 trips, total time: 3 weeks | Individual | 1234 |
| Legal Assistance (Amman) | 1 person, 8 trips, total time: 3 weeks | Individual | 1234 |
| Project Design PD Capital Development (PP preparation of Waste Water Management, 268- 0321) | 2 persons, 1 trip total time: 5 weeks | AID/W | 1 |
| Project Assistance NE/TECH - Health (Assistance required for review of health sector sub-projects and new Health Education Project, 268-0320) | 1 person, 2 trips total time: 4 weeks | Individual | 13 |
| CP Assistance Lebanon Desk | 1 person, 1 trip total time: 2 weeks | Individual | 1 |
| Economic Analysis (Amman) | 1 person, 1 trip total time: 1 week | Individual | 1 |
| Project Evaluation NE/TECH (Mid-Term Evaluation of Credit Cooperatives OPG, 268-0317) | 1 person, 1 trip total time: 1 week | Individual | 1 |

TDY Requirements - FY 1983

| <u>Activity Purpose</u> | <u>Number of persons and Time Required</u> | <u>Individual or AID/W Office Requested</u> | <u>Quarter</u> |
|--|--|---|----------------|
| Project Evaluation NE/DP (Final Evaluation of Reconstruction and Rehabilitation OPG 268-0313) | 1 person, 1 trip total time: 1 week | Individual | 4 |
| Project Design PD Capital Development (PP preparation of TA for CDR project, 268- 0319) | 2 persons, 1 trip total time: 4 weeks | AID/W | 2 |