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EVALUATION REPORT  
OF THE  
HOUSING GUARANTY PROGRAM  
268-HG-002

Prepared for the  
United States Agency for International Development  
( USAID)  
by  
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## DELIVERABLES AND RELATIONSHIPS

We enclose in Appendix A, 10 Black and White photographs relating to the DL20 dwelling units visited and the infrastructure projects inspected.

In the course of our evaluation of the USAID / Government of Lebanon Housing Guaranty Program 268-HG-002, we worked closely with concerned personnel of the Ministry of Housing and Cooperatives and the Council for Development and Reconstruction and we followed the guidance provided by USAID / Lebanon and RHUDO/MENA.

We pay special thanks to the cooperation we have received from H.E. Mr Fouad Zebian, the MOHC Director General, Dr Nagi Nasr, AID Program Director at the MOHC, Mr Riad Zok, Finance Director at CDR and to Mr Ghassan Jamous, Development Program Specialist of USAID.



## EXECUTIVE SUMMARY

Lebanon suffered gravely from 17 years of war. Tens of thousands of houses and related public utilities were damaged or destroyed. The Government of Lebanon (GOL) has made important investments in the reconstruction and repair of damaged dwelling units and in the reconstruction of infrastructure in urban residential areas and all over the country.

The DL20 program was established by (GOL) in 1977 with a view to helping people repair or reconstruct their houses damaged by the war. In 1982 GOL reactivated the program and launched a US\$ 75 million project to repair or reconstruct 60,000 damaged dwelling units.

On December 15, 1982 GOL through the Ministry of Housing and Cooperatives and the Council for Development and Reconstruction borrowed from an American investor, through USAID, US\$ 15 million under a Housing Guaranty Program (268-HG-002) for the repair and reconstruction of war damaged dwelling units occupied by low income families. The loan was also restricted to the support of the US\$ 75 million DL20 program. In 1992, seven infrastructure projects (sewerage) were integrated to form a part of the Housing Guaranty Program and the costs thereof became eligible for reimbursement out of the US\$ 15 million loan.

### Major findings and conclusions

On evaluating GOL management and accounting systems in respect of DL20 program and the infrastructure projects, we have found that the systems in force are sound and follow generally accepted accounting principles. However, due to staff shortage, the MOHC records in respect of the loan repayments are not up-to-date and serious efforts should be made to update them.

As for the verification of the DL20 loans, disbursed during the period from July 18, 1986 to June 30, 1991, submitted to AID for reimbursement, we were unable to verify the exact amounts disbursed as of June 30, 1991, particularly the amount claimed through request no.6. The Ministry officials have stated that request no.6 shall be reviewed and most likely amended to reflect the actual amount disbursed as of June 30, 1991.

The exchange rates used by MOHC for the translation of the infrastructure expenditures into US\$ are the exchange rates at the dates of contracts while AID requested the translation of these expenditures into US\$ at the exchange rate prevailing at the date of completion of work. We were unable to determine the exchange rate(s) MOHC should have used to claim reimbursement for the infrastructure projects.

Except for the lack of proper documentation of the loan repayments and the uncertainty about the exact amount disbursed under DL20 for the



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repair or reconstruction of dwelling units damaged by the war, and subject to the decision to be taken by AID's officials in respect of the exchange rate(s) to be used to translate the costs of the infrastructure projects into US Dollars, in our opinion, GOL has complied, in all material respects, with the terms and provisions of the Implementation Agreement of December 15, 1982 signed between GOL and the United States Agency for International Development.

During our evaluation of the DL20 Program we have documented the following observations :

- a) The DL20 program objectives have been implemented, ( within the limitation of the availability of funds), and all the terms and conditions of the Implementation Agreement have been met and respected.
- b) The Program has reached the intended population of low income families as defined by IA.
- c) The program has not burdened the financial resources of the borrowers and the quarterly repayments of the loan plus payments for shelter does not exceed, in all respects, 25% of the family income.
- d) The accessibility to the loan has been ensured through the regional and subregional offices which have been established throughout the Lebanese territory.
- f) Priorities were given to people with urgent needs - that was evident from GOL instructional circulars and management directives.
- h) The GOL granted 9,465 loans to war affected borrowers benefiting more than 13,000 families and an approximate population of 65,000 persons. However, from June 1, 1982 to date, according to MOHC records, 90,000 applications have been presented to MOHC out of which 30,000 applications have been approved. It can be noticed that the number of people in need of the program exceeded the initial damage assessment number because more houses were damaged after 1982 due to the resumption of hostilities in the country, thus, disabling the program from providing funds to repair or reconstruct all dwelling units damaged by the war. However, GOL intends to allocate funds from various sources in order to complete this vital program.

#### Recommendations and lessons learned

At the time the HG-002 Implementation Agreement (IA) was signed on December 15, 1982 between the Government of Lebanon (GOL) and the USAID it was probably hoped that hostility in Lebanon would cease and life would resume . But the war continued with intermittent lulls and the destruction of property went on until the war finally ended in November 1990. The HG-002 program was supposed to implement its objectives in





two years' time as of December 15, 1982 but the resumption of hostilities made impossible for it to be completed within that specified period.

Because of this challenging situation there were a few lessons learned and consequently our major recommendations in this respect are the following :

#### 1- Provision of technical assistance

A program such as 268-HG-002, which involves humanitarian aspects of significant proportions, other than its financial and contractual commitments, may require for its proper implementation some kind of technical assistance. Apart from the property damage inflicted by years of war, Lebanon's human resources both in the public and the private sectors were badly affected by a stream of consequential movements in its labor force including largely the public sector.

The program implementation was affected by shortage in personnel and equipment and technical assistance was needed in areas such as (a) the purchases of information technology, (b) staff training and (c) providing management consultancy services to help manage the project more efficiently.

#### 2- Annual and periodic reporting

The grantee should submit an annual and periodic institutional reports informing USAID of significant activities, accomplishments, problems, plans for the future, and the contribution the loan is making to the beneficiaries. The report should cover the goals of the government as well as the assumptions on which the goals are based, changes, improvements or setbacks in the program implementation, local and international events affecting operations, administration, staffing, budget and finance. The report should inform USAID of any current or potential problems affecting the character and progress of work and steps taken, or to be taken, to resolve them.

#### 3- Interim evaluation

Interim program evaluation would have been useful to monitor the progress of the program as specified in the implementation agreement.

There are probably a number of lessons learned from this project, however, these lessons are overshadowed by a very important one which is : this humanitarian program touched the hearts and minds of the beneficiaries and left its indelible marks on their life and USAID is always called upon to continue its efforts in this regard.



## EVALUATION REPORT

### I- Introduction

In 1977, the Government of Lebanon (GOL) launched through the Ministry of Housing and Cooperatives (MOHC) a program, the objective thereof was to provide long-term loans to people whose houses were damaged during the war in order to enable them repair or reconstruct their homes.

This program came into effect in 1977, under legislative decree no. 20 / 1977. The program was rescinded and replaced by DL17 on March 25, 1983. The program will be referred to hereinafter as DL20 .

In 1982, the MOHC reactivated the program and launched a US\$ 75 million project, under the same DL20 with a view to providing long-term loans to households to repair or reconstruct 60,000 dwelling units damaged by the war.

On December 15, 1982, GOL, through the Council for Development and Reconstruction (CDR) and the Ministry of Housing and Cooperatives signed a US\$ 15 millions Housing Guaranty Program (268--HG-002) with the United States Agency for International Development for the repair and reconstruction of war damaged dwelling units occupied by below median income families.

The US\$ 15 million HG-002 loan was restricted to the support of a planned US\$ 75 million MOHC program under DL20 for repair or reconstruction of dwelling units.

In July 1993, AID and GOL signed Project Implementation Letter (PIL) no.5 which expanded the definition of eligible expenditures to include sewer, water, roadways and electrical systems investments in addition to shelter investments. According to PIL no.5, seven infrastructure projects were integrated to form a part of the Housing Guaranty Program and the costs thereof became eligible for reimbursement out of the US\$ 15 million loan.

On July 20, 1993, we were invited by the United States Agency for International Development (AID) through the US Embassy in Beirut, Lebanon to submit an offer for an evaluation of the USAID / Government of Lebanon Housing Guaranty program, 268-HG-002 in accordance with a statement of work to be performed. The evaluation assignment was awarded to us on August 5, 1993 and our field work started on August 30, 1993.



The purpose of the evaluation as required by USAID is :

- a) to evaluate the GOL management and accounting systems in respect of the DL20 program and to assess GOL management systems in respect of the infrastructure works.
- b) to verify that the DL20 loans submitted to AID for reimbursement were made in accordance with the terms and provisions of the HG-002 Implementation Agreement and that the work was actually completed in a satisfactory manner; and to verify that the infrastructure works were made in accordance with the terms and provisions of the HG-002 Implementation Agreement and the work was completed in a satisfactory manner.
- c) to make an assessment of the impact and value of the program in the context of the conditions in Lebanon during the implementation period.

We conducted our evaluation of the HG-002 program in accordance with the terms and provisions of HG-002 Implementation Agreement (IA), and we shall report on each task separately and in sequential order.

## II. Evaluation of the USAID / GOL Housing Guaranty Program 268-HG-002

We started our evaluation of the program on August 30, 1993 and comprehensively included all the tasks required of us to be performed. The tasks are enumerated in accordance with the statement of tasks as required by USAID.

### A . THE DL20 LOAN PROGRAM

We find it useful to explain the main features of the amendments to DL20 since March 25, 1983.

In March 25, 1983, the GOL issued legislative decree no. 17, rescinding and replacing DL20, however, most of the provisions of DL20 remained unchanged, and the main changes focused on the maximum amounts loanable for repair and reconstruction. DL17 was also subject to various amendments. DL17 and its amendments were dictated by inflation, hyperinflation economics and the devaluation of the Lebanese Pound (LL).

The following table explains the yearly average exchange rate of one US\$ to one Lebanese Pound (US\$/LL) since 1982.

Table 1  
Variation in the exchange rates from 1982 to 1991

	1982	1983	1984	1985	1986
US\$ / LL	4.72	4.52	6.51	16.42	38.37
	1987	1988	1989	1990	1991
US\$ / LL	224.74	409.23	496.5	701.76	928.23



This hyperinflation economy led GOL to issue a number of legislative decrees amending the maximum loanable amounts for the repair and reconstruction of damaged units.

The following table shows the changes that took place since March 25, 1983 up to May 24, 1993:

Table 2  
Maximum amounts loanable under DL20 program as amended

Decree	Date	Maximum amount for repair	Maximum amount for reconstruct.	Max amount for common facilities
DL20	1977	30,000	30,000	60,000
DL17	March 25, 1983	55,000	55,000	100,000
DL45/86	Sept. 24, 1986	100,000	100,000	180,000
Decree 166	Sept. 27, 1989	500,000	1,500,000	800,000
Decree 192	Nov. 3, 1989	1,000,000	1.8 / 3 M	1.3 M
Decree 74	July 24, 1991	3 M	12 M	4 / 8 M
Decree 232	May 24, 1993	6.2 M	24 M	8.6 / 16 M

On studying the new maximum loanable amounts, as decreed by various laws, in relation to the existing maximum amounts, we find that the new amounts correspond in values to the old amounts with respect to their purchasing power, i.e. the previous amounts were restated by applying new indices.

**A.1. Government of Lebanon (GOL) Management and Accounting systems**

*Task 1.a) Prepare a descriptive summary of all loans made under DL20 program since June 1, 1982 in two parts : those made to below median income families eligible for AID reimbursement and others*

The MOHC received 55,076 applications for loans since June 1, 1982 to July 31, 1993 for the repair or reconstruction of 99,028 residential damaged property. 30,998 applications were approved as eligible for loans out of which 9,465 loans were disbursed, totaling LL 19,006,343,000.

The following is a descriptive summary of the phases that an application for a loan passes through till disbursed :

Phase 1: The applicant fills out an application for a loan, and a number is assigned thereto. Then the applicant is requested to produce a number of documents.

Phase 2: If the applicant produced all necessary documents, his file is then studied by MOHC officials and if found in conformance with DL20 terms and conditions, the officials visit the damaged property and if found as reported, the applicant is requested to further provide additional documents such as a bank guarantee, a mortgage, or other.

Phase 3: When the applicant's file is complete and in compliance with DL20 provisions, a contract is signed between the MOHC and the applicant for the loan. The loan is disbursed by a number of payments and in accordance with the progress of the repair or reconstruction.

Phase 4: After signing the loan contract, the MOHC ensures that the repair or reconstruction is carried out within the limitations imposed by DL20.

The following table provides MOHC statistical information about the application process since June 1, 1982 to January 14, 1993 :

Table 3. Applications processing since June 1, 1982

From June 1, 82 until	Applications received	Applications rejected	Applications approved
May 20, 1983	16,447	834	15,877
July 31, 1983	21,085	835	17,887
Nov. 9, 1983	23,481	1,221	18,937
Feb. 28, 1986	23,100	N/A	16,571
July 17, 1986	40,800	1,230	23,692
June 30, 1991	45,706	1,639	26,173
Jan. 14, 1993	55,076	1,729	30,998

Source : MOHC statistics

According to the MOHC statistics, the number of contracts signed , the total amounts of signed contracts, and the amounts disbursed for the period June 1, 1982 to January 14, 1993 are, as follows :

Table 4. Applications disbursements

From June 1, 82 until	Number of loans made	Amounts contracted (LL)	Amounts disbursed (LL)
May 20, 1983	910	44,514,416	35,687,472
July 31, 1983	1,422	44,611,416	59,548,522
Nov. 9, 1983	1,723	97,407,228	76,344,067
Feb. 28, 1986	2,038	104,932,508	102,324,776
July 17, 1986	2,935	186,287,043	137,499,150
June 30, 1991	6,002	4,710,845,913	4,693,258,426
Jan. 14, 1993	8,400	14,156,364,297	11,675,940,366

Source : MOHC requests for disbursement

In the course of our evaluation and audit of the applications' process and the related contracts for the period June 1, 1982 to January 14, 1993, we extracted the following figures from the books of all MOHC locations around the country which were all visited by our staff :

Table 5. Amounts contracted since June 1, 1982

From June 1, 82 until	Number of contracts made	Amounts contracted (in thousands of LL)
May 20, 1983	981	45,056
July 31, 1983	1,491	81,349
Nov., 9, 1983	1,834	99,965
Feb., 28, 1986	2,849	145,522
July 17, 1986	3,363	170,064
June 30, 1991	6,595	3,250,381
Jan., 14, 1993	8,916	14,996,443

Source KPMG survey

The following table shows the amounts contracted and the amounts disbursed according to MOHC statistics and the amounts contracted as verified by us, in thousands of LL :

Table 6. Amounts contracted and disbursed  
Comparison between MOHC figures and KPMG figures

Period	Amounts contracted per MOHC	Amounts disbursed per MOHC	Amounts contracted per KPMG study
From June 1, 82 to July 17, 1986	156,287	137,499	170,064
From July 18, 86 to June 30, 1991	4,554,558	4,555,759	3,080,317
From June 1, 82 to June 30, 1991	4,710,845	4,693,258	3,250,381

Explanation on why differences exist between MOHC statistics and our finding, and our evaluation opinion thereon :

- Some contracted loans but not fully disbursed were canceled either by the applicant or by the MOHC after the period reported in the request for disbursement
- Incompetent personnel in the Statistics department
- Shortage in staff
- The negative impact of 17 years of war
- The Ministry's headquarters at Achrafieh were occupied by the militias in 1986 and 1987, and in 1990, which resulted in the loss of a significant number of files

The data are processed manually and the MOHC does not have a back-up information system or a computerized management information technology. However, MOHC is rebuilding the data from copies of the contracts held by the Statistics Department or from the banks' files.

### Loans eligible to AID - Low income families

The MOHC contracted and disbursed loans under DL20 program without making any distinction between low income families and others, and as such, the records at the Head Office and the regional offices were kept under this concept.

#### Our conclusion :

We were unable to obtain official information leading us to differentiate between loans granted to low income families and loans granted to others from MOHC records.

*Task 1.b) Verify that GOL used the program eligibility criteria agreed to in the Implementation Agreement for those loans reimbursed by AID under the HG-002 Program: specifically, the median family income for the residents occupying the units repaired.*

#### **1.b.1) Criteria concerning loans granted to low income families**

##### **a) Low income criterion**

The Implementation Agreement (IA) stipulates that 50% or more of the program's beneficiaries must be low income families. As explained above, MOHC does not keep separate records that distinguish between low income families and others. Thus, we were unable to verify the number of loans granted to low income families out of the 9,465 total number of loans granted under DL20 since June 1, 1982.

#### Overview of the economic situation in Lebanon since June 1, 1982 to date

The economic situation in Lebanon since June 1, 1982 to date deteriorated very badly to the verge of almost total collapse. A rampant inflation eroded on a continuous basis the purchasing power of the national currency and impoverished the majority of the Lebanese people. The absence of official data as a yardstick to identify low income families makes it difficult to provide accurate figures and percentages of those families in relation to the population as a whole.

However, the Council for Development and Reconstruction has established the median income per person based on the official minimum salary. The following table is an extract from CDR's studies:



Table 7. CDR study on family median income

Effective date	Minimum salary (LL)	Median family monthly income (LL)
June 1, 1982	1,200	1,500
July 1, 1983	1,200	2,500
Jan. 1, 1986	2,200	4,025
July 1, 1986	3,200	6,000
Jan. 1, 1987	4,300	7,100
July 1, 1987	8,500	19,600
Jan. 1, 1988	15,000	33,250
July 1, 1988	25,000	52,500
July 1, 1989	25,000	87,500
Jan. 1, 1990	45,000	107,500
Jan. 1, 1991	75,000	217,500
Jan. 1, 1992	118,000	280,500

Source CDR

In translating CDR's figures into US\$, as shown in the following table, we can recognize how far the yearly median income has deteriorated since June 1, 1982. Article 1, section 1.02(b) of the Implementation Agreement and as revised on July 8, 1983 considered LL 30,000 or US\$ 6,667 as the median family income.

Table 8. Countervalue of CDR's median income in US\$

Effective date	Countervalue of median monthly income(US\$)	Countervalue of median yearly income (US\$)
June 1, 1982	318	3,813
July 1, 1983	553	6,637
Jan. 1, 1986	105	1,250
July 1, 1986	156	1,876
Jan. 1, 1987	32	379
July 1, 1987	87	1,046
Jan. 1, 1988	81	972
July 1, 1988	128	1,536
July 1, 1989	164	1,968
Jan. 1, 1990	153	1,836
Jan. 1, 1991	233	2,796
Jan. 1, 1992	162	1,944



### Verification of the Criterion

Relying on the information provided by CDR, as explained above, we established criterion to verify whether more than 50% of the loan beneficiaries were low income families and we considered the revised median income of LL 30,000 or US\$ 6,667 as a base year for our evaluation.

### Conclusion:

We conclude, based on CDR's statistics and the revised established base year median family income of the Implementation Agreement, that more than 50% of the program beneficiaries were low income families as tested in our 2% sample of the 9,465 disbursed loans.

However, we noted the absence of any supporting documentation of the applicants' declared income, and we considered the declarations to have been made in good faith by the applicants. The Ministry's officials accepted the declarations as given in order to obviate unnecessary troubling and lengthy procedures.

Moreover, some applicants' files do not include a declaration of income, and had we considered those applicants' income to be over the median, we would have still reached a conclusion to the effect that more than 50% of the program's beneficiaries were low income families.

### **b) Affordability of the subloans**

Article 6 Section 6.02 of the Implementation Agreement stipulates that "subloans will be kept at a level affordable to low income families and their monthly payments for shelter including DL20 payments will not be in excess of 25% of their monthly income."

Our evaluation of the affordability criterion focused on comparing the maximum monthly loan repayments (MMLR) and the median monthly income (MMI) as established by CDR at a particular point in time.

We found that those repayments were below 15% of the median family income in all periods. However, during 1990, 1991 and 1992, the repayments for the reconstruction tended to exceed the 25% limit as shown in the following table :

Table 9. Affordability of the subloans under DL20

Effective date	MMI (LL)	MMLR (LL) for repair / reconstruction	Percentage of MMLR to MMI
June 1, 1982	1,500	216	14.4%
July 1, 1983	2,500	394	15.76%
Jan. 1, 1986	4,025	394	9.78%
July 1, 1986	6,000	716	11.93%
Jan. 1, 1987	7,100	716	10.08%
July 1, 1987	19,600	716	3.65%
Jan. 1, 1988	33,250	716	2.15%
July 1, 1988	52,500	716	1.36%
July 1, 1989	87,500	7200 / 25000	8.22 / 28.5%
Jan. 1, 1990	107,500	7200 / 25000	6.7 / 23.25%
Jan. 1, 1991	217,500	25000 / 100000	11.49 / 45.9%
Jan. 1, 1992	280,500	25000 / 100000	8.91 / 35.65%

Conclusion :

We consider that the affordability criterion for the repayment of the subloans has been observed in all respects.

**c) Management of the Program**

Section 6.02 of the Implementation Agreement also stipulates that " the borrower will manage the project so that the benefits flow to such low income families."

We reviewed the circulars communicated by the MOHC to the regional offices which directed that low income families be given priority when granting the subloans. Circular 22/1/M of August 9, 1983 Chapter 4 refers.

We were also informed that, during the weekly meetings of the regional heads, the Director General of MOHC repeated the emphasis on this priority and gave directions for its implementation.

We also confirmed this point during our visits to the regions and through our discussions with the regional officers.

Conclusion :

We believe the Program has been managed properly in this respect and low income families have been the primary beneficiaries of the program despite the adverse impact of 17 years of war.

### 1.b.2). Other criteria of the Implementation Agreement

The Implementation Agreement stipulates that the borrower will :

a) " Assure that tenants with legal occupancy have immediate access to DL20 loans".

Conclusion :

We have reviewed the MOHC's procedures concerning this provision and we believe that tenants with legal occupancy have immediate access to Decree Law 20 loans.

b) " Assure that grace periods under Decree Law 20 loans will not be extended without prior consultation with A.I.D. "

Conclusion :

Grace periods have not been extended for the repair and the reconstruction of dwelling units under DL20 program.

c) " Assure priority, at least through the end of February, 1983 to loan disbursements for repairs limited to LL 12,000 (c. US\$ 3,000) so that improved housing can be made available to as many families as possible before the winter season, such loans ( together with those made available through anticipated AID grant funding) to benefit at least 2,000 families. "

We have obtained and reviewed data relating to this provision as shown in the following table :

Table 10. Number of dwelling units served under DL20 program

From June 1, 1982 to	Applications received		Loans disbursed	
	Applications	Units	Loans	Units
May 20, 83	16,447	38,699	910	1,593
Feb. 28, 86	23,100	55,324	2,038	5,007
Jan. 14, 93	55,076	99,028	8,400	46,153

Source MOHC requests for disbursement

Conclusion :

It is apparent from the above table that MOHC did not attain the number of 2,000 families to benefit from the loans by the end of February, 1983. The Head of the AID program at MOHC explained that the failure in this respect was due to the worsening security situation in Lebanon at that period which prevented the program from attaining this objective.



d) " Simplify loan procedures and documentation requirements under Decree Law 20 so that loans can be made to repair as many dwelling units as possible and at least 15,000 within two years. "

We have reviewed and documented in our working papers the flow of the loan procedures and documentation requirements.

Conclusion :

We find the procedures to be simple and effective, and the documentation requirements were comprehensive and controlling.

As for the repair of at least 15,000 units within two years, this number could not be attained as shown in table 10 paragraph (A.1.c) above particularly for security reasons.

e) " Increase the number of staff and operating regional MOHC offices including at least four located outside the Beirut Metropolitan area, each with full authority to approve and disburse loans locally. "

We visited all the regional offices and found that each office maintained an adequate number of staff. Most offices were staffed by the following personnel :

- 1 Chief regional officer (civil engineer )
- 1 Secretary
- 1 Internal Auditor
- 1 Accountant
- 1 Chief Team Officer
- 4 Technical assistants

In 1982, there were 5 regional offices located in the 5 regions ( Mohafazats) of the Lebanese territory, each with full authority to approve and disburse loans locally. However, currently the MOHC has 9 regional offices, in the same 5 mohafazats, which provide easier access to the loans applicants.

The following table shows the number and location of each office :



Table 11. Current distribution of regional and subregional offices

Mohafazat	Regional Offices Location	Subregional Offices Location	Area covered
North Lebanon	Tripoli	-	North Lebanon
Beirut	Bir Hassan	-	All Beirut
South Lebanon	Saida	Tyre	Saida district
	Nabatieh village	-	Nabatieh district
	Jezzine	-	Jezzine and occupied area
Bekaa	Zahleh	-	All Bekaa
Mount Lebanon	Bir Hassan	-	Baabda, Chiah, Ghobeiry, Chouf
	Aley	-	Aley district
	Achrafieh	-	Kesrouan, Jbeil
	Furn el Cheback	-	Metn district

Conclusion :

We believe that the MOHC has attained this objective in terms of staffing and the number of regional offices since 1982 to date.

*Task 1.c) Verify the exchange rates used by GOL at the time of each request for disbursement and the dollar value equivalent of the eligible expenditure submitted by GOL for reimbursement.*

We have reviewed the exchange rates used by GOL at the time of each request for disbursement and compared them to the minimum official exchange rates as published by the Central Bank of Lebanon, during the 30 days period preceding the time of request for disbursement. The following table shows the exchange rates used by the MOHC and the official minimum rates used in the first five requests for disbursement :

Table 12. Verification of the exchange rates used by MOHC in the first five requests for disbursement

PERIOD OF REQUEST	Exchange rate used by MOHC	Official rate of Central Bank
June 1, 1982 - May 20, 1983	4.00	4.15
May 20, 1983 - July 31, 1983	4.88	4.21
August 1, 1983 - Nov. 9, 1983	5.15	5.13
Nov. 10, 1983 - Feb. 28, 1986	19.40	19.45
March 1, 1986 - July 17, 1986	30.00	36.10



The impact of the differentials on the dollar value equivalent of the eligible expenditures submitted by GOL for reimbursement is shown in the following table :

Table 13. Requests for disbursement  
Exchange rates differential impact

PERIOD OF REQUEST	Amount requested by MOHC	Amount calculated by KPMG	Differential (US\$)
June 1, 1982 - May 20, 1983	2,676,560	2,579,576	96,984
May 20, 1983 - July 31, 1983	1,466,868	1,692,273	(225,405)
August 1, 1983 - Nov. 9, 1983	978,399	982,213	(3,814)
Nov. 10, 1983 - Feb. 28, 1986	401,759	400,726	1,033
March 1, 1986 - July 17, 1986	351,744	291,120	60,624
Total	5,875,330	5,945,908	(70,578)*

\* Amount short requested by MOHC

Despite the fact that the exchange rates used by MOHC differ from those established by the Central Bank of Lebanon, it can be verified that the MOHC's exchange rates used were not materially different from the official rates and did not impact adversely on the reimbursement process.

The MOHC requested reimbursement of US\$ 5,875,330 for the period June 1, 1982 to July 17, 1986 whereby the amount reimbursable could have been US\$ 5,945,908.

As for request No.6, which covers the period from July 18, 1986 to June 30, 1991 the exchange rates used by MOHC were very close to the official rates except for the period January 1, 1991 to June 30, 1991. The rate used of LL1,000 was greater than the average rate of LL928. This would result in the MOHC requesting less dollar value than it should have requested.

Table 14. Verification of the exchange rates used by MOHC  
Request for disbursement no.6

PERIOD	Exchange rate used by MOHC	Official rate of Central Bank
July 18, 1986 - Dec. 31, 1986	38.97	37.60
Jan. 1, 1987 - Dec. 31, 1987	224.75	225.43
Jan. 1, 1988 - Dec. 31, 1988	410.00	409.01
Jan. 1, 1989 - Dec. 31, 1989	495.66	495.71
Jan. 1, 1990 - Dec. 31, 1990	650.00	701.76
Jan. 1, 1991 - June 30, 1991	1000.00	928.23



The differences in exchange rates may be explained as the result of changes in exchange rates occurring within the same day or even within the same hour and due to the lack of instant information on the exchange rates.

However, we have not been able so far to determine the exact amount disbursed as of June 30, 1991 particularly the amount claimed by request no.6. The Ministry's officials have stated that request no.6 shall be reviewed and most likely amended to reflect the actual amount disbursed by MOHC as of June 30, 1991.

N.B.: On February 15, 1994, request no.6 has been reviewed and amended accordingly.

Conclusion :

We verified that the rates of exchange used by MOHC were not materially in conflict with the official rates and did not impact adversely on the dollar value equivalent of the eligible expenditures submitted by GOL for reimbursement. We also confirm that we have been unable to verify the exact amount disbursed by MOHC in terms of equivalent dollars as of June 30, 1991.

Task 1.d) Summarize repayment history under the DL20 program for AID reimbursable loans and others

Once the loans are paid to the beneficiaries the files are transferred to the MOHC's headquarters at Achrafieh and the regional offices duties are relieved at this point of any involvement in the repayment process. The MOHC takes full control of the repayment aspects. The accounting and recording process is maintained manually and the MOHC does not have an EDP system.

The MOHC has kept accounting records for the loan repayments for the period since 1982 to 1987, thereafter the Ministry failed to update the repayment process due to a number of reasons particularly the shortage in the number of employees to do the work and in the absence of a computerized system to handle the increasing volume of the repayment paper work.

The MOHC receives monthly statements and bank slips from the collecting banks of all payments received from the borrowers during the period. The Ministry's employees just file the statements and the slips without recording the amounts in any accounting records and without checking whether the repayments are complete or not and without identifying the defaulting borrowers.

On discussion with MOHC's officials, they admit that the repayment recordkeeping should be updated the soonest possible. However, they contend that all the loans granted to the borrowers are fully guaranteed by mortgage, bank guarantees, and other securities and the MOHC shall not sustain any losses at any event. Any defaulting parties shall pay the principal plus interest on any delay in repayments.



The Ministry also, upon a suggestion, investigated the repayments history of the 189 borrowers we selected during our evaluation process. The outcome of this investigation, as reported by the Ministry and without our verification is as follows :

Borrowers' files not found	3
Borrowers repayment schedules not yet started	79
Borrowers defaulted in repayment	56
Borrowers repaid in full or still repaying	<u>51</u>
Total	<u>189</u>

Conclusion :

It is impossible to summarize the repayment history under the DL20 program for AID reimbursable loans and others because the MOHC recordkeeping of the repayment is not upto date and in no way have we been able to apply alternative procedures to effect the summarization of the repayment history. The MOHC is called upon to take appropriate steps to update the repayment recordkeeping and to collect payments from defaultees.

*Task 1.e) Assess, following standard accounting principles, the GOL DL20 management and accounting methods and procedures with specific attention to the loan application evaluation and approval process; and GOL procedures for record keeping, collections and project accounting.*

We have reviewed the accounting books and records relating to the program, the loans and the implementation agreement and documented in our working papers the flow of information, the system and the procedures employed by MOHC. We paid particular attention to the following areas of concern :

1- The GOL management and accounting methods and procedures (in general) :

On reviewing GOL practices in this respect, we find that the management and accounting methods and procedures used are technically sound and effective. However, because of staff shortage and the adverse impact of the war the accounting records in connection with the repayment recordkeeping in particular are materially incomplete and require updating. During discussions with MOHC's officials they offered the following explanations :

- a) Severe shortage of staff
- b) Continual absenteeism from work of available staff
- c) Total absence of Information Technology
- d) Poor performance by available staff



2- Loan application evaluation and approval process :

These two functions are very well procedured and complete and are followed in a systematic way.

3- GOL procedures for recordkeeping :

The procedures as discussed earlier are sound and effective, however the recordkeeping in connection with the repayments is incomplete and require updating.

4- Collections :

We noted that the procedures laid down by GOL are adequate. However, these procedures have not been followed and implemented. The most serious deficiency in the entire program lies in the bookkeeping of the collection process.

5- Project accounting :

The project accounting is basically sound except for the functional implementation of the collection process and its related bookkeeping aspects.

( continued next page )

## A.2. Verification of DL20 loans made and work completed

*Task 2.a) Prepare summary data of those DL20 loans made by income categories, building type, tenure, number of persons served for the DL20 loans reimbursed under the AID HG-002 Program and others. Subject to data availability, report on the impact and availability of this program as it has affected women or female headed households.*

The MOHC does not keep records or data that provide the required information with respect to income categories, building type, tenure, number of persons served and women or female headed households. As we have indicated in paragraph A.1.a above, the Ministry does not distinguish between persons served for the DL20 reimbursed under the AID HG-002 Program and others. However, in order to prepare the summary data we analyzed the 2% sample we selected to evaluate and the following is a summary of our findings.

### Distribution per income categories

In order to provide a useful analysis of incomes according to categories, we established the following criteria and based our study thereon.

Category 1 : Families with income lower or equal to the median income, as categorized by CDR. Paragraph A.1.b above, refers.

Category 2 : Families with income lower than or equal to 3 times the official minimum salary

Category 3 : Families with income lower than or equal to AID's defined low income of LL30,000 or US\$ 6,667.

Category 4 : Families with income higher than US\$ 6,667 .

A summary of these 4 categories shows the percentage of each income category in relation to the population as a whole :

Table 15. Population according to income categories

Income	Below median income	Below low income	Below 6,667 US\$	Over 6,667 US\$
% of beneficiaries	52.15%	72.17%	90.43%	9.57%

By calculating the income in US\$, using the yearly average of the exchange rate in US\$ on the date of the application, i.e. the date the applicant stated his income, we obtained the following distribution :



Table 16. Distribution by income categories

Annual Income (AI)	% per category	Cumulative %
AI < 2,000 US\$	52.17%	52.17%
2,000 < AI < 4,500 US\$	23.48%	75.65%
4,500 < AI < 6,667 US\$	14.78%	90.43%
AI > 6,667 US\$	9.57%	100%

This analysis shows that about 90% of the Lebanese families earn annually less than US\$ 6,667.

Building type :

The applicants' files do not contain any reference to the type of the building. However, from the 22 dwelling units we visited we observed that 16 units were apartments and 6 units were individual houses.

Tenure :

Our sample shows that the loan beneficiaries were as follows :

Table 17. Distribution by tenure

	Owners	Tenants
% of Beneficiaries	68%	32%

Number of persons served for the DL20 eligible loans and others :

The number of persons served for the DL20 eligible loans and others cannot be extracted from the beneficiaries' files. However, through our sample of 189 loans, we found that these loans served 263 dwelling units. By extrapolation, it can be presumed that the total number of units served could be  $9465 \times (263/189)$  or 13,156 units. And assuming that each unit is occupied by a typical Lebanese family consisting of 5 persons, therefore the number of persons served is 65,780.

Impact and availability of the program as it has affected women or female headed households :

Our sample revealed that the applications of the contracting parties consisted of 85% men and 15% women.

*Task 2.b) Take a 2% sample from GOL list of AID eligible loan records (9,216), and prepare a detailed cross-tab summary of the characteristics of the borrowers.*

We analyzed the 9,465 files of the contracting beneficiaries for the period June 1, 1982 to July 31, 1993 in terms of Mohafazats and regional offices



and the following table shows the distribution of GOL DL20 loans and the sample size of our selection :

Table 18. Distribution of the files by Mohafazats

MOHAFAZAT, Regional Office	Number of files	Sample
<b>BEIRUT</b>		
Beirut, Bir Hassan	1939	36
<b>SOUTH LEBANON</b>		
Saida, Tyre	1067	23
Nabatieh	198	4
Jezzine	173	4
<b>NORTH LEBANON</b>		
Tripoli, Koura	706	14
<b>BEKAA</b>		
Zahleh	231	4
<b>MOUNT LEBANON</b>		
Baabda	2658	53
Aley	1116	22
Chouf	275	6
Bourj Hammoud	82	2
Kesrouan, Jbeil, Metn	1020	21
<b>TOTAL</b>	<b>9465</b>	<b>189</b>

We took a 2% random sample from GOL list of DL20 loan records based on a systematic approach to attain the percentage required. We selected every 50th item in the population after a random start. After writing up the tables that show the files to be drawn from the population, we requested the files from each regional office according to our tables. Unfortunately, we were unable to follow this approach since many of these files were at different locations for different reasons and could only be traced after unnecessary labor and waste of time.

Thus, in order to surmount this difficulty we selected the samples randomly from the available files at each location and of those available at MOHC headquarters at Achrafieh as shown in the following table :



Table 19. Selection of the sample

MOHAFAZAT, Regional Office	Original Sample selected	Number of files traced and found	Files randomly selected
BEIRUT Beirut, Bir Hassan	36	21	15
SOUTH LEBANON Saida, Tyre Nabatieh Jezzine	23 4 4	19 1 1	4 3 3
NORTH LEBANON Tripoli, Koura	14	9	5
BEKAA Zahleh	4	4	0
MOUNT LEBANON Baabda Aley Chouf Bourj Hammoud Kesrouan, Jbeil, Metn	53 22 6 2 21	4 5 2 0 13	49 17 4 2 8
TOTAL	189	79	110

We have already described in detail in paragraph (2.a) above the characteristics of the borrowers, however at the risk of repetition we recite here again those characteristics.

Distribution per income categories:

Out of the 189 loan applications sampled, 74 loan applicants did not state their income, these applicants were 56 males and 18 female. In this circumstance we had to consider only the 115 applications that included income ( 189 less 74). In analyzing the income of these 115 applicants in LL and translating them into US\$ using the rates prevailing at the dates of the applications, we reached the following :

Table 16. Distribution by income categories

Annual Income (AI)	% per category	Cumulative %
AI < 2,000 US\$	52.17%	52.17%
2,000 < AI < 4,500 US\$	23.48%	75.65%
4,500 < AI < 6,667 US\$	14.78%	90.43%
AI > 6,667 US\$	9.57%	100%



Population served :

The number of dwelling units served, according to our sample, is as follows:

Table 20. Dwelling units served

Dwelling units served	
Total number of dwelling units in 189 applications	263
Minimum number of dwelling units per application	1
Maximum number of dwelling units per application	6

On analyzing the sample applications of the 189 dwelling units, we found that 147 applications were for the repair or reconstruction of a single dwelling unit and the remaining 42 applications were for the repair or reconstruction of multiple units.

Repair and reconstruction of the dwelling units

Our study shows that 92% of the dwelling units were repaired, against 8% reconstructed.

Tenure :

Our sample shows that 68% of the beneficiaries were owners, while 32% were tenants. The files studied do not include information on the beneficiaries' occupation. However, during our field visits of the 22 dwelling units, we observed that most of the beneficiaries were either civil servants or employees in the private sector.

Gender of the beneficiaries :

Our sample shows that 85% of the contracting parties were men, while 15% were women.

*Task 2.c) Take a 10% sample (22) of the summary records and do field inspection and verification of the actual units repaired. Continue sampling until 22 units have been found and record reason for previous units not being found. Interview the borrowers and report on the tenure of the occupants, loan terms, work proposed to GOL and actually completed, family income, repayment indicators, intention to repay, cost of work completed and current conditions.*

We selected randomly 22 units from the 189 units already selected for our evaluation purposes with a view to visiting these units, interviewing the borrowers, and reporting thereon as required by this task.

On reviewing the files of the selected 22 units we found that some files did not contain clear information about the locations of the units and consequently we were unable to locate these units.

On visiting the units with clear information about the location we were faced with the following difficulties :

- a) Some of the locations as described in the applicants' files were incorrect and consequently we were unable to locate these units.
- b) Some of the beneficiaries of the found units were not available at their dwelling units when we visited them. Advance notice to these people was impossible due to the prevailing communication problem in Lebanon.
- c) The technical assistants who performed the evaluation of the damaged units were no longer available due to a number of reasons. This made our task more difficult because the assistants who replaced the old staff did not know much about the locations.

However, to accomplish the objectives of this task we had to effect 33 visits in order to cover 22 units. The 11 extra visits we made were due to :

- a) 7 visits to units that we could not find
- b) 4 visits to units where no one was available to receive us.

The field visits we were able to carry out comprised the following areas :

Table 21. Location of units and number of field visits

Location of the dwelling units	Number
South Lebanon, Saida area, Maghdouche	3
Mount Lebanon, Aley area, Kaifoun / Baysour villages	4
Mount Lebanon, Baabda area, Hadeth & Baabda villages	5
Bekaa, Zahleh area	2
North Lebanon, Tripoli town and suburbs	5
Beirut, Mazraa and Achrafieh areas	3
Total	22

As part of our planning, we established a set of standard questionnaire in order to gather information based on uniformity of objectives. Our field visits and interviews with the borrowers revealed the following :

Tenure of the occupants : Most of the occupants are employees and about 60% are civil servants and the others are in the private sector. We found that 19 beneficiaries were owners of their houses and the other 3 were tenants.

Loan terms : On interviewing the borrowers we found that the majority of them borrowed the maximum amounts they could and for the longest repayment period.

Work proposed and completed : We reviewed the work proposed to GOL and the work actually completed and found that the work completed in 17 units was in accordance with the work proposed to GOL. We observed that the other 5 units were still under repair or reconstruction and in accordance with the proposed plan.

Family income : We noted during our field visits and interviews with the borrowers that 17 out of the 22 ( sample) selected were low income families. Low income was discussed in paragraph (A.1.b.1) above. The other 5 borrowers were above the low income norm. We also noted that most of the low income borrowers were civil servants or employees with the private sector.

Repayment Indicators and intention to repay : We noted that only 2 loans were repaid in full, of repayment 10 loans had not started and 10 loans some of them were being repaid and some we were unable to confirm repayment or otherwise. However, since all loans without exception, were guaranteed by the borrowers through mortgage, bank guarantees and other securities, we believe that the repayment process is properly controlled and will be completed according to the terms and conditions of the loan.

Cost of Work : The cost of the reported damages as estimated by the MOHC's technical assistants was accurate in so far as applying the GOL established fixed costs to the repair and reconstruction work to be carried out. However, the GOL established fixed costs were not in strict harmony with the market prices and costs. The borrowers complained first, that the GOL fixed costs and prices were lower than the market costs and prices, and second, complained that the maximum amounts they could borrow did not cover the repair of all the damages sustained or the reconstruction of their dwelling units. We were unable to obtain information about the cost of work completed from 4 visits due to the absence of the persons having such knowledge.

Current Conditions : We found that all the units we visited were for residential use. 19 units were occupied by the borrowers themselves and 3 units were rented by the borrowing owners. We also found that all repaired units we visited were in excellent conditions and the repair in unfinished work was progressing satisfactorily. The borrowers, apart from their complaints about the amounts borrowed, were very pleased and happy about the program.



### A.3. Summary of accomplishments of the DL20 Program

*Task : Based on the investigations made in tasks 1 and 2 of this section A, write an overall summary and assessment of the impact and value of the program in the context of the conditions in Lebanon during the Implementation period.*

In the context of writing a summary of accomplishments of the DL20 program it may be useful to recite the declared main objectives of the DL20 program which are:

- a) to enable the Lebanese, particularly the low income people, to repair or rebuild their dwellings, within the shortest delays, and
- b) to render the program within reach of the largest possible number of persons.

During our evaluation of the DL20 Program we have documented the following observations :

- a) The DL20 program objectives have been implemented, ( within the limitation of the funds availability), and all the terms and conditions of the Implementation Agreement have been met and respected.
- b) The Program has reached the intended population of low income families as defined by IA.
- c) The program has not burdened the financial resources of the borrowers and the quarterly repayments of the loan plus payments for shelter does not exceed, in all respects, 25% of the family income.
- d) The accessibility to the loan has been ensured through the regional and subregional offices which have been established throughout the Lebanese territory.
- e) The regional offices have had the full authority to recognizing eligibility of the borrowers and to the granting of the loans, this simplified the procedures and ensured faster disbursements of the loans.
- f) Priorities were given to people with urgent needs - that was evident from GOL instructional circulars and management directives.
- g) The budgeted amounts for each region ( Mohafazat) were allocated based on an overall damage assessment process.
- h) The GOL granted 9,465 loans to war affected borrowers benefiting more than 13,000 families and an approximate population of 65,000 persons. However, since June 1, 1982 todate, according to MOHC records, 90,000 applications have been presented to MOHC out of which 30,000

applications have been approved. It can be noticed that the number of people in need of the program exceeded the initial damage assessment number because more houses were damaged after 1982 due to the resumption of hostilities in the country, thus, disabling the program from providing funds to repair or reconstruct all dwelling units damaged by the war. However, GOL intends to allocate funds from various sources in order to complete this vital program.

i) As explained in paragraph A.1.e above, the GOL management and accounting methods and procedures are technically sound and effective, however, because of staff shortage and other adverse circumstances, the repayment recordkeeping and other clerical work require updating.

In summation we believe that the program with its limited resources has succeeded in implementing its initial objectives ( with fund constraints) and the borrowers who have repaired or reconstructed their homes expressed their satisfaction of the program.

( continued next page )

**B. RESIDENTIAL INFRASTRUCTURE PROGRAM**

**B.1. Assessment of GOL Management Systems**

*Task 1.a) Summarize the expenditures by date, category, location and verify that the infrastructure investments were made in eligible urban residential areas both in Lebanese pounds and USD.*

Our technical engineer reviewed the drawings of 5 sites of the infrastructure work and all other pertinent information. As for the remaining 2 sites all information was reviewed except the drawings.

All 7 infrastructure works were sewer projects and the following table shows the expenditures summarized by date, category, and location :

Table 22. Infrastructure expenditures

SEWER PROJECT	COST (LL)	CONTRACT DATE	LOCATION
Sewage Network	122,370,262.86	March 22, 1983	Dora, METN
Ablah	46,916.93	July 7, 1983	Ablah, BEKAA
Baabdet	2,361,327	January 28, 1986	Baabdet, METN
Rayak, Houch Hala	834,959	May 21, 1984	Rayak, BEKAA
Bhirsaf	1,573,351	June 4, 1986	Bhirsaf, METN
Dbaye, Nahr el Mot	3,112,596	July 18, 1983	METN highway
Mansourieh	707,081	Sept. 7, 1984	North METN

The following table shows the regions served by the infrastructure projects:

Table 23. Population served by the infrastructure projects

SEWER PROJECT	POPULATION SERVED
SEWAGE NETWORK	All the population of North Metn and East Beirut
ABLAH	Population of the village of Ablah
BAABDET	Part of population of the village of Baabdet
RAYAK	Population of the village of Rayak
BHIRSAF	Population of the village of Bhersaf
DBAYE, NAHR EL MOT	Population of North Metn, especially population living in the highway's area
MANSOURIEH	Population of the village of Mansourieh

We verified that the infrastructure expenditures have been made in urban residential areas that have been damaged as a result of the war. However, we are not in a position to verify that more than half of the households in these areas earn less than the median annual urban income and that is due to the absence of official information about the people living in those areas. However, CDR's national survey concerning the Lebanese median incomes since June 1, 1982 to January 1, 1992 provides an insight and a basis for general application. Thus, we believe that the majority of the population served by the 7 infrastructure work falls within the definition of the low income families. The Sewage Network, for instance, covers a wide region serving a number of villages, municipalities and industrial areas and it is difficult to assess the benefits of such a project as derived by each community.

*Task 1.b) Verify the value in GOL Lebanese pounds and USD and the exchange rates used and for the conversion of the GOL local currency expenditures into Dollars using an exchange rate at the date the infrastructure was completed.*

This task requires us to verify the exchange rates using exchange rates at the date the infrastructure was completed.

We believe that using rates at the date the infrastructure was completed would not lead to accurate figures and would distort the actual expenditures in terms of US Dollars for the following reasons :

1- When the contracts were consummated with the contractors the intention was to pay according to exchange rates prevailing at the times of the contracts or in another word with the same purchasing power of the Lebanese currency. Because of the unofficial devaluation of the Lebanese pound, the contractors suffered grave losses and refused the contracted Lebanese pounds as settlements for their works. The contractors are to this date still negotiating with GOL for justice in this respect.

2- The value of the contracts in LL cannot be translated into US\$ as at the date the infrastructure was completed because other factors were present to refute this concept, such as :

(a) down payments were made and translation thereof had to be effected at the rates prevailing at the dates of receipts

(b) progress billings were made and translation thereof had to be effected at the rates prevailing at the dates of receipts

3- All contracts consummated between GOL and contractors have in recent years been denominated in LL with specific exchange rate or rates and the value in LL is adjusted upward or downward depending on the prevailing exchange rates at the dates of payments. The adjustment in a typical contract is effected as follows :



- a) The 10% downpayment is not affected by exchange rate fluctuation and therefore remains constant in value.
- b) The cost of material in the contract is adjusted with exchange rates fluctuations
- c) The labor cost is adjusted according to wage and salary changes.

We noticed no material differences between the exchange rates used by the MOHC and the official rates at the date of contract, as shown in the following table :

Table 24. Exchange rates used for infrastructure expenditures

SEWER PROJECT	Date of contract	Exchange rate by MOHC	Official exchange rate
SEWAGE NETWORK	Mar. 22, 1983	4.18	4.16
	Sept. 30, 1985	5.11	5.10
ABLAH	July 7, 1983	4.35	4.36
BA ABDET	Jan. 28, 1986	20.03	20.23
RAYAK	May 21, 1984	5.78	5.80
BHIRSAF	June 4, 1986	4.35	4.36
DBAYE, NAHR EL MOT	July 18, 1983	4.27	4.26
MANSOURIEH	Sept. 7, 1984	7.08	6.99

The differences between the date of signing the contract and the date of completion of the works as shown in the following table, have an important impact on the value of money because of the hyperinflationary economy in the country :

Table 25. Differences between contract dates and completion dates for infrastructure works

SEWER PROJECT	Date of contract	Date of completion of work
SEWAGE NETWORK	Mar. 22, 1983	Sept. 30, 1985
	Oct. 10, 1983	Sept. 30, 1985
ABLAH	July 7, 1983	Aug. 7, 1983
BA ABDET	Jan. 28, 1986	June 2, 1987
RAYAK	May 21, 1984	Jan. 27, 1985
BHIRSAF	June 4, 1983	Dec. 31, 1983
DBAYE, NAHR EL MOT	July 18, 1983	Dec. 31, 1984
MANSOURIEH	Sept. 7, 1984	May 26, 1986

The value in US\$ of the infrastructure expenditures, if we apply the exchange rate at the date of contract, is as shown in the following table:

Table 26. USDollars value of the infrastructure expenditures

SEWER PROJECT	COST (LL)	Exchange rate by MOHC	Countervalue in US\$
SEWAGE NETWORK	120,557,032	4.18	28,841,395
	1,813,230	5.11	354,839
ABLAH	46,916	4.35	10,785
BAABDET	2,361,327	20.03	117,889
RAYAK	834,959	5.78	144,456
BHIRSAF	1,573,351	4.35	368,466
DBAYE, NAHR EL MOT	3,112,596	4.35	715,539
MANSOURIEH	707,081	7.08	99,870
Total	131,006,649		30,653,239

Conclusion :

We reviewed the books at the Central Accounting Department for project infrastructure at MOHC and verified that the amounts expended in LL were recorded in accordance with the contracts terms.

However, since the negotiation between GOL and the contractors are in progress, we believe that that we are not in a position to make a definite conclusion on this issue at this juncture ( except the explanation given above) and we hope that AID's officials may be in a better position to make the final judgment.

*Task 1.c) Following standard accounting principles, assess the GOL DL20 management and accounting procedures used in project infrastructure accounting and management to assure that the funds claimed for reimbursement were actually expended.*

The MOHC invites, through the official gazette and local newspapers, prequalified contractors to submit their bids for the infrastructure works in accordance with the work specifications and as detailed in the tender documents. The contracts are awarded to those meeting the MOHC standard provisions and offering the lowest prices. After signing the work contract, the contractor receives generally a down payment of 10% of the total value of the contract.

As the work progresses, the contractor submits progress billings to the MOHC. The work completed is examined by the MOHC technical team and if approved a bill is prepared and approved by the contracting parties and sent to the Bureau of Disbursements for review. The Bureau prepares a disbursement voucher and sends it to the Ministry of Finance - Disbursement Department for payment. The contractor receives its

progress billing less proportionate liquidation of the 10% advance. This process continues until the work is totally completed.

Conclusion :

We believe that the accounting methods employed by MOHC are technically sound and follow generally accepted accounting principles. The management and accounting methods and procedures used in project infrastructure accounting and management assure that the funds claimed for reimbursement were actually expended.

**B.2. Verification of Infrastructure Installation**

*Task 2.a) Take a sample of 5 sites from the summary records and do field inspection and verification of the actual infrastructure projects claimed for reimbursement and report on the cost in Lebanese pounds and the USD equivalent at the time built. It is recommended to survey at least 3 sites in the eastern Beirut suburbs, where are located the most important investments; the other sites to be surveyed could be in the Bekaa plain and in the druze mountain.*

We have selected the 5 shaded sites to visit and field inspect. The table below provides details relating to type, cost in LL, the exchange rate when contracted, the equivalent in US\$, and the location.

Table 27. Infrastructure projects inspected

SEWER PROJECT	COST (LL)	Rate	Equiv \$	LOCATION
Sewage Network	120,557,032	4.18	28,841,395	Dora, METN
	1,813,230	5.11	354,839	
Ablah	46,916	4.35	10,785	Ablah, BEKAA
Baabdet	2,361,327	20.03	117,889	Baabdet, METN
Rayak, Houch Hala	834,959	5.78	144,456	Rayak, BEKAA
Bhirsaf	1,573,351	4.35	368,466	Bhirsaf, METN
Dbaye, Nahr el Mot	3,112,596	4.35	715,539	METN highway
Mansourieh	707,081	7.08	99,870	North METN

Our technical engineer reviewed the projects drawings and inspected the actual infrastructure projects claimed for reimbursement.

Conclusion :

a) The infrastructure projects inspected by us were constructed in accordance with the projects drawings and the technical reports of the MOHC's inspection team.

b) the amounts expended on the projects were in accordance with the terms and conditions of the tender documents and the contracts signed between the MOHC and the contractors.

c) The expenditures claimed for reimbursement were for the costs of pipes and related sewerage works and did not include specific costs of any plant and equipment.

*Task 2.b) Following field inspection, report on the current condition of the infrastructure project, the population served and the amount and quality of service.*

During our inspection of the selected infrastructure projects we documented the following observations :

a) The Mansourieh project is placed in operation and functioning properly

b) The Baabdet project is complete but not placed in operations and is intended for future use.

c) The Rayak project was completed and was placed in operations and was functioning properly. However, the end part of the project was damaged and the sewerage network is no longer operational and funds are required to repair the damages.

d) The Sewage Network and the Dbaye-Nahr el Mot highway projects have been completed and ready to be placed in operations awaiting the completion of other connecting projects such as the North Metn and the eastern suburb of Beirut projects.

e) The population served by the infrastructure projects are the people living in the villages and areas as explained in the table in paragraph (1.a) above. We inferred from discussions with people we met during our visits that people served by the infrastructure projects were pleased and satisfied with the work done.

*Task 2.c) Verify that the population served meets the requirements of the HG-002 Implementation Agreement.*

As explained earlier, we field inspected 5 infrastructure projects and reached the following conclusion :

Conclusion :

It is verified that the infrastructure expenditures have been made in urban residential areas in which more than half of the households earn less than the median annual urban income.



### B.3. Summary of the GOL Residential Infrastructure Program

*Task 3 : Based on the investigations made in Task 1 and 2, write an overall summary and assessment of the impact and value of the infrastructure program in context of the conditions in Lebanon during the Implementation period.*

Lebanon suffered so gravely from 17 years of war. Tens of thousands of houses and related public utilities were damaged or destroyed. GOL has made important investments in the construction, repair and reconstruction of infrastructure in urban residential areas throughout the country.

These infrastructure projects ( sewer, water, electricity, street constructions, repairs and lighting) have been of great importance to the public at large. The services provided by the infrastructure deteriorated very badly during the war years. Electricity was at minimum supply, water was scarce and in most areas contaminated, sewers were damaged and overflowed the streets or contaminated potable water and so forth for other infrastructure and public utilities services.

The infrastructure works have been very important to the welfare of the population and GOL has exerted great efforts to do as much as possible in this respect in order to alleviate the people's sufferings. Thus, the projects carried out have had a very positive impact on the people and have been highly appreciated considering the overall situation in the country. As we are witnessing these days, GOL through CDR has embarked on a project worth more than US\$ 2.2 billion all dedicated to infrastructure work in 15 main locations divided into 135 sub locations.

### C. FINAL EVALUATIONS

#### **Evaluation of progress toward attainment of the objective of the program :**

In our estimation, we believe that the DL20 program has succeeded in achieving its overall declared objectives. It has enabled, within the funding constraints, low income families to repair or reconstruct their dwelling units damaged by the war. It has reached the largest possible number of people the program targeted.

Moreover, the infrastructure projects have been made in urban residential areas in which more than half of the households are low income families and as such the projects have achieved these declared objectives.

However, although the overall objectives of the DL20 program and the infrastructure projects, have been met in generic terms, the DL20 program failed to provide funds to all the occupants of the 60,000 dwelling units intended to be repaired or reconstructed and that was due to shortage of



funds and to continued hostility in the country which finally ended in November 1990.

**Assessment of strengths and weaknesses of the program :**

The major strengths of the DL20 program are :

- a) The borrowers have not been overburdened with the loans and the repayment conditions are favorable to the borrowers in all material respects.
- b) The DL20 program has been made accessible to the population at large through the establishment of sufficient number of regional and sub-regional offices.
- c) The decision to grant loans to eligible borrowers has been entrusted with full authority to the regional offices. This decentralization proved to accelerate the lending process.
- d) The application procedures as a whole are simple and devoid of any complexities.

The major weaknesses of the program are :

- 1- The maximum amounts loanable have not been sufficient to meet the requirements of the individual borrowers, and,
- 2- The total amount of the program has not been sufficient to meet the national needs.

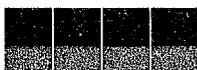
**Evaluation of the overall development impact of the program to the degree feasible :**

In order to repair or reconstruct the dwelling units damaged by the war, it is estimated that hundreds of millions of US dollars are needed. However, the program in spite of its limited resources, has had a positive impact on the population served. The program alleviated the people's sufferings and to a large extent helped those people to stay at their homes and not to relocate to other areas.

*KPMG Peat Yarnick*

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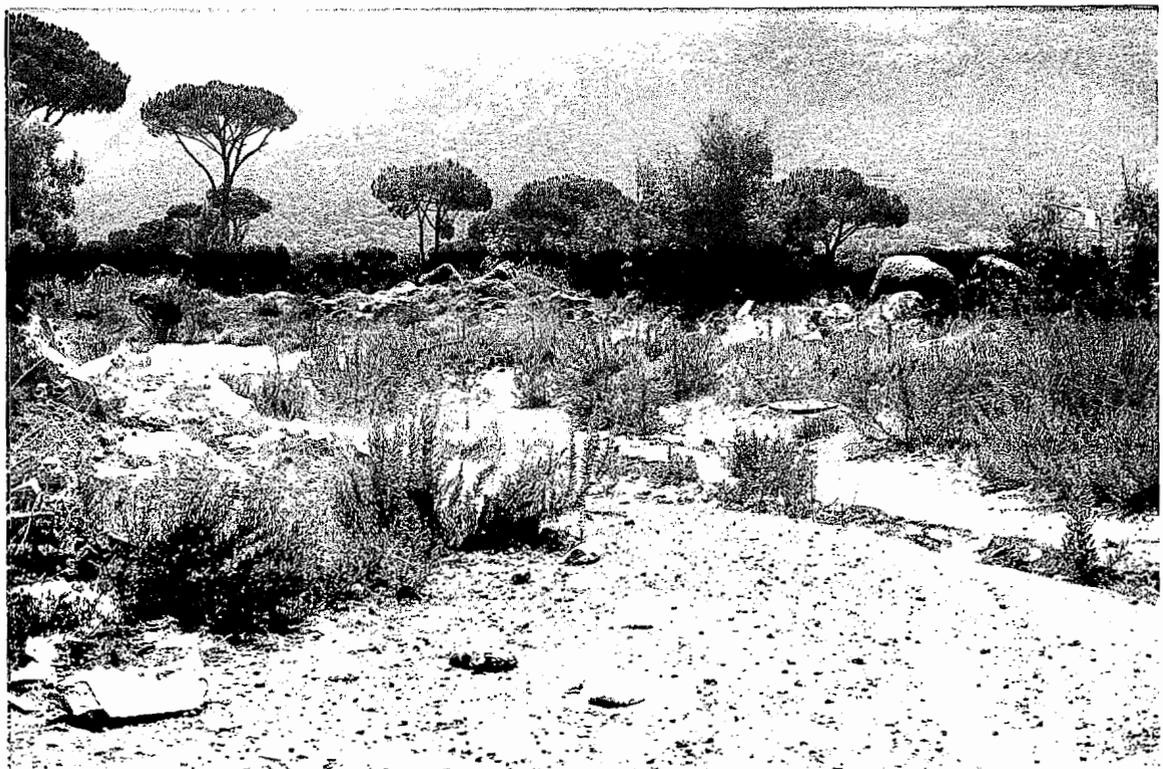
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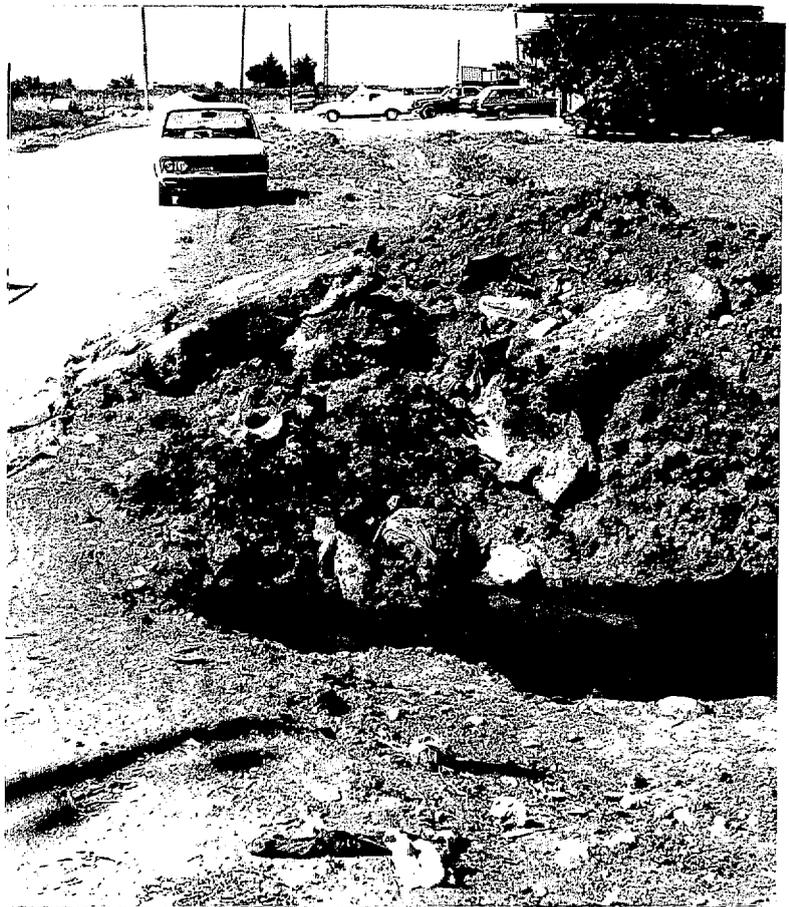
# APPENDIX A



Photograph 1. Sewage Outfall at Dora, Eastern suburb of Beirut, September 21, 1993



Photograph 2. Baabdate infrastructure project, Metn district, September 24, 1993



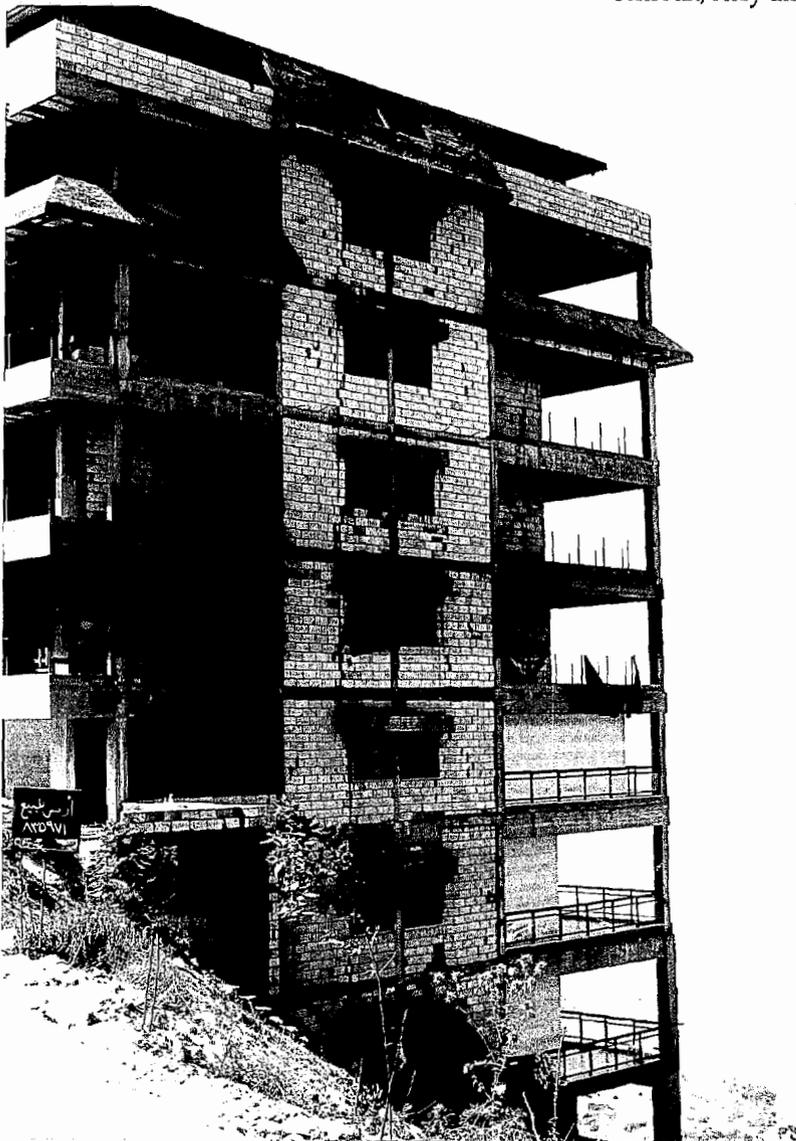
Photograph 3. Rayak infrastructure project, Bekaa  
September 25, 1993



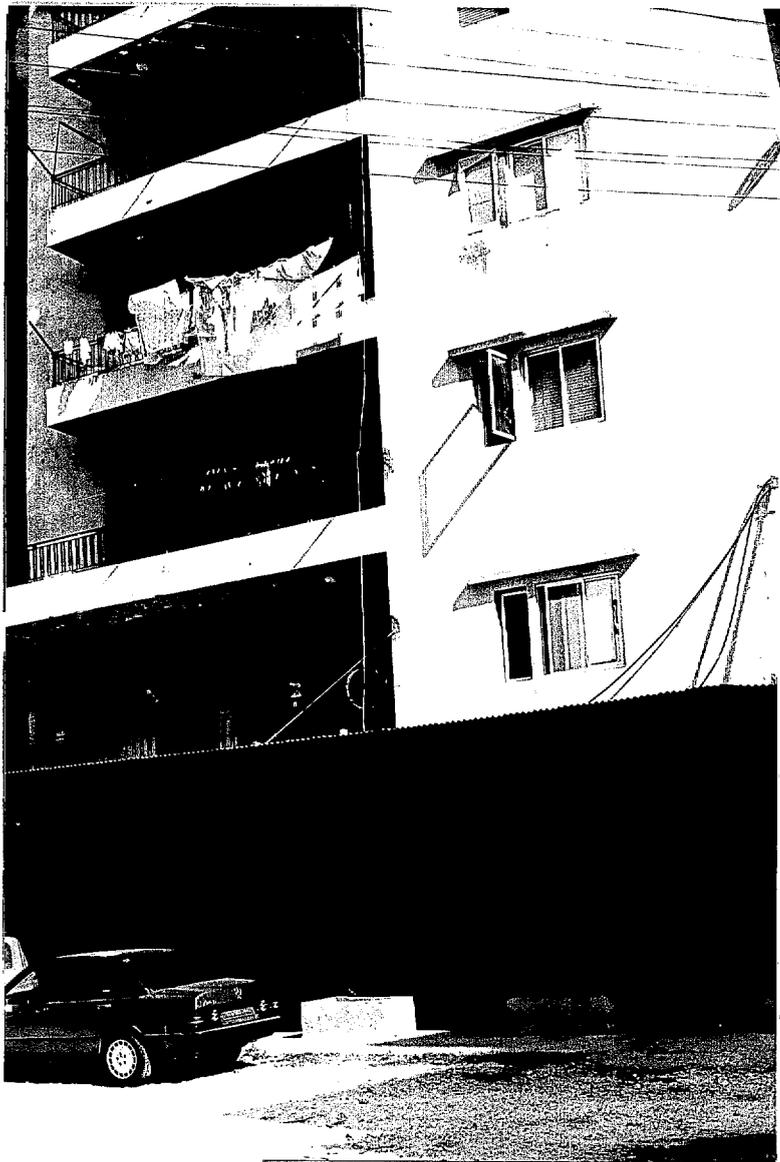
Photograph 4. Dwelling unit repaired in the village of Keifoun, Aley district, Mount Lebanon,  
September 23, 1993



Photograph 5. Dwelling unit repaired in the village of Keifoun, Aley district, Mount Lebanon, September 23, 1993



Photograph 6. Dwelling unit repaired in the village of Keifoun, Aley district, Mount Lebanon, September 23, 1993



Photograph 7. Dwelling unit repaired in Tripoli, North Lebanon, Se 1993



Photograph 8. Dwelling unit repaired in Zeitoun Traboulos ( Tripoli suburbs), North Lebanon, September 18, 1993



Photograph 9. Dwelling unit repaired in  
Zeitoun Traboulos ( Tripoli suburbs),  
North Lebanon, September 18, 1993



Photograph 10. Dwelling unit repaired in Tripoli,  
North Lebanon, September 18, 1993