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Report No. P-1155

REPORT AND RECOMMENDATION

OF THE

PRESIDENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

TO THE

REPUBLIC OF LEBANON

FOR AN

EDUCATION PROJECT

December 7, 1972

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CURRENCY EQUIVALENTS ^{1/}

Currency Unit - Lebanese Pound (L.L.)

Monthly
Average

1970	US\$1 = L.L. 3.27
	L.L. 1 = US\$ 0.306
1971	US\$1 = L.L. 3.23
	L.L. 1 = US\$ 0.310
1972	US\$1 = L.L. 3.06
(January- September)	L.L. 1 = US\$ 0.327
(September)	US\$1 = L.L. 3.01
	L.L. 1 = US\$ 0.332

1/ The Lebanese Pound is a freely fluctuating currency.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS ON A
PROPOSED LOAN TO THE REPUBLIC OF LEBANON
FOR A SECOND EDUCATION PROJECT

1. I submit the following report and recommendation on a proposed loan to the Republic of Lebanon for the equivalent of \$6.6 million to help finance a project, which is part of its education development program, for constructing and equipping primary and lower secondary schools, and technical assistance for upper secondary schools. The loan would have a term of 25 years, including five years of grace, with interest at 7.25% per annum.

PART I - THE ECONOMY

2. A "Memorandum on Current Economic Position and Prospects of Lebanon" (EME-26a) has been distributed to the Executive Directors in September 1970. An economic mission visited Lebanon in October 1972 and is currently preparing its report. Country data are presented in Annex I.

3. Lebanon's economic system is essentially an open, free-trade, laissez faire system, in which the private sector plays the major role and government policy aims primarily at ensuring fiscal and monetary stability. In the Middle East setting, this and the absolute freedom of exchange and capital transfer have particularly helped in making the country the most important financial and entrepot centre in the region, attracting substantial deposits of foreign capital and foreign investments, and creating opportunities for various financial and trade services. This role has been supported by the country's attraction as a tourist centre, the relatively high level of education and the general atmosphere of religious and political tolerance. The Government has sought to encourage private enterprise in agriculture and industry by policies that aim at stabilizing prices of agricultural products and that provide incentives to promote private investment in industry under a law passed in 1967.

4. The services sector includes banking, real estate, tourism, educational and health services, transport, commerce and transit trade, and accounts at present for almost two-thirds of gross domestic product. Commerce alone contributes 31% of GDP. The banking system developed rapidly in the 1950's and up to 1966 under a system of virtually complete freedom. However, severe competition for deposits among banks, over-extension of investments, and low liquidity led to a banking crisis toward the end of 1966 and was followed by the introduction of banking controls.

A rapid growth in commercial bank deposits since then, together with a lag in the expansion of domestic credits has created excess liquidity.

5. The other major sectors are agriculture, industry and construction. The contribution of agriculture to GDP has declined from 12% in 1964 to 9% in 1970 in spite of improved production technologies, due to constraints on growth imposed by the limited area of arable land and by the shortage of irrigation water. Fruits and vegetables are major crops and are exported, mainly to neighboring countries. Industry accounts for about 14% of GDP, and is primarily concentrated in such light industries as food processing, textiles, and construction materials. In recent years, industrial production increased about 8% annually, and exports rose by about 30% annually. Construction accounts for about 5% of GDP. It grew rapidly with investment in office buildings, housing, and hotels, and accounts for about 64% of investment expenditure, including some foreign capital.

6. In the decade ending in 1966, the Lebanese economy grew at over 6% annually in real terms. However, between 1967-70 a slow-down was brought about by the banking crisis and the 1967 war in the Middle East. As a result, real growth in GDP averaged about 3% per year. The formation of a coalition Government in November 1969 ended an eight months' period without a cabinet, and together with the return of some semblance of peace to the region and higher oil income in the Middle East restored confidence and encouraged capital flows, mainly from Arab oil-producing countries and from Lebanese emigrants. An economic recovery took place in 1971, particularly in tourism, industry and construction. GDP, in real terms, grew over 7% in 1971 and has gained momentum in 1972. Following a decline in investment between 1965 and 1968 (from 22% to 17% of GNP), the investment rate increased to 18% of GNP in both 1970 and 1971. The private sector accounted for about 80% of the total. National savings which accounted for 13% of GNP in 1965 rose to 14.5% of GNP in 1971.

7. The public sector in Lebanon has a somewhat limited role, and its relative importance has not increased in recent years. In the three years 1969-1971 total expenditures of government (including annexed and autonomous budgets) were equal to 20% of the GDP, while capital expenditures were about 3% of GDP. The Central Government's revenues have risen by about 6% per year from 1966 to 1970. However, while Central Government's current expenditures increased substantially, its capital outlays decreased slightly. Defense expenditures represent about 3% of GDP and expenditures on Education, Health and Social Affairs amount to about 4%. The Government's current budget has consistently shown a surplus which averaged about L.L. 100 million a year, covering about two-thirds of government capital expenditure.

8. Lebanon's balance of payments is characterized by high imports and a large trade deficit. This deficit, however, is more than offset by a surplus on services, particularly receipts from tourism and transportation, net investment income and royalties from oil transit rights, a large but volatile inflow of short-term capital, and relatively small inflows of long-term capital and remittances from Lebanese working abroad. As a result Lebanon's balance of payments has been almost always in surplus and this is reflected in the growth of foreign exchange reserves and net foreign assets of the commercial banks. Net foreign assets grew by 26% in 1970, 33% in 1971 and almost 20% in the first eight months of 1972 when they reached L.L. 3,690 million (US\$1.2 billion), equivalent to eighteen months of imports.

9. Development planning in Lebanon has concerned itself with an indicative investment program for the public sector. It was initiated with the 1958 plan, which was only partially implemented and was followed by the 1964 plan, which was interrupted by the 1967 war. In 1972 the Government adopted a six-year plan (1972-77) which includes a public sector investment program of L.L. 1,740 million, accompanied by indications of the direction and size of private investment, estimated at L.L. 5,460 million (US\$1,820 million). The main aims of the Plan are: to maintain the country's 7% real annual growth rate, to improve further the distribution of income and education, to maintain a high rate of employment, to encourage balanced development of the different regions of the country, and to diversify the economy so as to reduce its heavy dependence on trade and services by modernizing agriculture and pushing industrialization. Of the total public investment 21% has been allocated to transport and communications, 20% to health and other social services, 15% to agriculture and irrigation, 14% to education, and 10% to electricity and power.

10. The public development expenditures envisaged by the plan average L.L. 290 million (US\$97 million) a year, while past annual investments have been under L.L. 200 million, showing a slight decline from L.L. 185 million (US\$62 million) in 1969 to L.L. 175 million (US\$58 million) in 1971. Administrative efficiency and coordination have been some of the constraints to an accelerated rate of development expenditures in the past and would have to be considerably improved in the future to prepare projects and implement the higher level of public investment. Nevertheless, given the dynamism and size of the private sector, and assuming no serious outbreak of hostilities in the region, the achievement of the Plan's growth target could be feasible. Public investments are to be financed mainly from surpluses in the budget of the Central Government and the autonomous agencies. The Plan also envisages a moderate level of medium and long-term public borrowing, both local and foreign.

11. Meeting the plan's objective of a balanced sectoral and regional development, that does not rely heavily on services which are affected by the situation outside Lebanon itself, requires an acceleration in the development of infrastructure and social services, particularly in transportation, education and utilities. A high rate of population growth -- about 2.5% per year -- and of internal migration have created urban congestion, particularly in Beirut. As a result, the urban infrastructure such as the water supply and sewerage systems and roads, particularly in Beirut, have been overstrained, and attention is needed if such strain is not to affect tourism and business services, as well as living conditions.

12. Total external debt outstanding at the end of 1971 was US\$73 million of which about US\$10 million was undisbursed. Debt service payments were estimated at US\$10.1 million in 1971, equal to 1.6% of exports of goods and net non-factor services. This is a reflection of conservative policies of the Government regarding foreign borrowing and also difficulties of obtaining needed long-term funds for use in its infrastructure program. The debt service is low, and the country's debt-servicing record is good. Lebanon is creditworthy for borrowing substantial amounts on conventional terms.

PART II - BANK GROUP OPERATIONS IN LEBANON

13. The Bank has so far made one loan to Lebanon of US\$27 million equivalent for power development made to the Litani River Authority in 1955, of which \$15.3 million was outstanding on November 30, 1972. Performance under this loan has been satisfactory and there are no outstanding problems. Annex II contains a summary statement of this loan and of IFC investments as of November 30, 1972.

14. For some years, the Government pursued a conservative financial policy; it was reluctant to incur foreign long-term debt and consequently aimed at keeping public investment within the limits set by budget considerations. With the drop in the annual current budget surplus, there was therefore a decline in investment in the public sector. The delay in the highways project which the Bank was considering in 1968/69 was one of the consequences of these factors. However, with the restoration recently of a healthy economic climate and internal political stability, particularly after the elections, the Government is giving more attention to public sector investment, to be financed partly from domestic sources which are now more readily available from internal borrowing and budget surpluses, and partly from long-term foreign borrowing, including from the Bank. The proposed education project is the first operation to result from this new trend.

15. With this change in circumstances, the focus of the Bank's activity in Lebanon would be to participate in much needed infrastructure and social services investments, most of which are included in the Six-Year Plan and which are essential for the growth of private investments in the productive sectors. The Bank would also support efforts of the Government to improve institutional arrangements for mobilizing long term local funds needed to achieve the Plan public investment targets. Through its involvement in projects in infrastructure and social services sectors--such as education--the Bank would also contribute to improving the present techniques used for project preparation, evaluation and implementation thereby enhancing the capacity of the administrative machinery to handle more efficiently the large volume of public investments contained in the 1972-77 Plan.

16. In addition to the proposed education project, the Bank is considering a highway project linking Tabarja and Tripoli. This project had been considered by the Bank in 1968/69, but was deferred on the request of the Lebanese Government. It has recently been revived and the government funds required have been budgeted. The project is expected to be ready for presentation to the Executive Directors later this fiscal year.

17. Given the predominant role of the private sector in the Lebanese economy, and in the absence of sufficient local sources of long-term capital, considerable interest has been shown in IFC financing. During 1971 IFC received proposals for a number of projects and approved its first two investments in the country. IFC's \$0.93 million loan to Filitex SAL was approved in April 1971 to finance a \$2.4 million cotton spinning mill; in June 1971, IFC approved a loan of \$1.2 million to the Lebanese Ceramic Industries Co. SAL for a \$2.2 million project to modernize and expand the company's wall tiles manufacturing facilities. Projects under consideration or for which an IFC investment is likely to be requested include textile projects, a dry dock project, an agricultural cooperative, poultry, and greenhouse project, and a flatware glass project. All these projects are still in a preliminary stage of consideration.

PART III - EDUCATION IN LEBANON

18. The education system in Lebanon is still largely patterned after the traditional French model. Primary education consists of a five-year cycle normally beginning at the age of six. General secondary education comprises a four-year lower and three-year upper cycle. Secondary technical education and training is offered primarily at the upper cycle in courses of up to four years. Primary school graduates who do not go on to lower secondary schools can get further training in private vocational schools, offering mostly commercial subjects, or in public vocational schools. Higher education is offered in courses of normally four to five years in universities, teacher training colleges and technical institutes.

19. Although all citizens of Lebanon are entitled by law to an education, the Government provides only the smaller part of the education system. Consistent with the private sector's importance in all fields, the country has traditionally relied heavily on private schools, which account for 62 percent of total enrollment, are sponsored by different religious and commercial groups and vary widely in quality. However, in spite of increasing subsidies from the government, private schools are expensive, ranging from \$81 to \$203 per annum for the primary grades and \$116 to \$322 for the secondary level, and tuition costs are rising rapidly. Many schools, including most of the public schools, are located in privately-owned, rented buildings which are expensive and often unsuitable since they were not built for the purpose. In 1971, about 85 percent of public primary students and all public lower secondary students were taught in such buildings.

20. In primary education, 79 percent of the relevant age-group are enrolled, but only about 65 percent of those enrolled complete it. At lower secondary level, 35 percent of the relevant age-group are enrolled and repeater rates are high. Most of the students in private lower secondary schools are taught by qualified teachers, but about 80 percent of those in public lower secondary education are taught by primary school teachers. At the upper secondary level, 32 percent of the age-group are enrolled. Education at this level is academically oriented, and traditional in content. The secondary technical education curriculum in industrial trades emphasizes general education and theoretical subjects. The system thus does not produce adequately trained practical technicians, which are in great demand, and encourages graduates to seek office jobs at sub-professional level. Lebanese universities enjoy a good reputation by the standards of the Middle East and cater to many pupils from neighboring Arab countries.

21. In 1971, only 40 percent of primary teachers and about 25 percent of lower secondary teachers were qualified. However, primary teacher training capacity has now been increased and is sufficient to produce a fully-qualified primary school teaching staff by 1980. Lower secondary teacher training began only in 1971 and is expected to meet the demand for science teachers by 1981, but it is not sufficient to train the general subjects teachers required.

22. Lebanon's national outlay on education and training is high for a developing country and amounted to 7.4 percent of GDP in 1971. Private resources account for slightly more than half of this expenditure. Future government expenditures on education are expected to grow at about 10 percent per annum over the period 1971-1980. While recurrent expenditures will grow slightly, capital expenditures, which in the past seldom amounted to more than 4 percent of the government's annual expenditure on education, will increase to about 10 percent. The Government's capital expenditures for education will represent about 20% of its overall investment program from 1972 to 1980.

23. Planning of government primary and secondary education and training is the responsibility of the Ministry of Education in cooperation with the Ministry of Planning. The five regions of the country have Regional Planning Offices, attached to the Ministry of Planning, which include an Office of Education, linking the local school authorities to the Ministry of Education, where all substantive decisions are made. The government intends to create a modern educational system adapted to the country's current needs by re-orienting the highly academic system to a more practical one and extending educational opportunity to all segments of the population on an equal basis by improved public schooling.

24. In line with the priorities in the 1972-77 Plan, the government is focusing first on reforming, rationalizing and providing universal primary and lower secondary education and increasing the share of public education at these levels. This reform will start by (i) providing gradually comprehensive lower secondary schooling for all primary school graduates, (ii) starting primary schooling at 5 years of age, extending primary education to six years followed by four years of lower secondary, and (iii) improving the quality and efficiency of education at primary and lower secondary school levels, economizing recurrent costs and improving teaching conditions and teacher/pupil ratios by replacing rented buildings. Total public and private enrollments are planned to expand to 95 percent and 65 percent of the primary and lower secondary age-groups respectively between 1971-1980. To achieve this, the government will invest in the expansion of public primary schools and the replacement of inadequate private primary schools. In addition, it will provide facilities for about 80% of expansion of lower secondary school capacity. It intends, simultaneously, to improve the quality of education by better and consolidated teacher training and by the introduction of revised and modern curricula. Once this is underway, it would then focus on reform of the upper secondary level.

PART IV - THE PROJECT

25. The proposed project would assist the government in implementing its comprehensive education reform and development program for primary and lower secondary education. It includes (a) the design, construction, furnishing and equipping of 39 primary schools, 24 lower secondary schools and 3 primary teacher training institutes, (b) the extension, renovation,

and equipping of one lower secondary teacher training institute, and (c) the provision of technical assistance to prepare for the reform of upper secondary education. The total estimated cost is US \$15.9 million (net of duties and taxes), with an estimated foreign exchange component of US \$6.6 million to be provided by the proposed Bank loan. The Government would cover the local cost. A Loan and Project Summary is attached as Annex III together with a map showing the location of the project institutions. A report entitled "Appraisal of an Education Project - Lebanon" (PE-52a), dated November 29, 1972, is being distributed to the Executive Directors separately.

26. The proposed project was identified in May 1971 by a UNESCO mission. A second UNESCO mission assisted the Government in preparing it and it was appraised by a Bank mission in February 1972. Negotiations were held in Washington in November 1972. The Lebanese delegation was headed by Mr. Fouad Naffah, Minister of Finance.

27. The 39 primary schools included in the project would contribute a capacity of student places equivalent to about 9% of total enrollment by 1980. They would make possible the replacement of about 24,000 primary school places now in rented buildings and the absorption of about 7,000 students who would otherwise be in low quality government aided private schools, which would be closed. The primary schools would adopt the new curricula including modern foreign languages, mathematics and science. They would serve as model institutions for demonstrating the application of the new curricula and the use of new teaching methods and media to teachers in neighboring primary schools. Five of them would serve as demonstration schools for the three primary teacher training institutes included in the project.

28. The 24 lower secondary schools included in the project would contribute a capacity of student places equivalent to about 5 percent of total enrollment by 1980. They would accommodate about 14,400 lower secondary schools places which would replace public schools in rented buildings. The curricula would include a common core of academic subjects and optional practical subjects for all students. As options, ten of the schools would offer agriculture and all schools would have home economics, woodwork and metalwork. The schools would serve as demonstration schools for new teaching methods and the use of new media and curricula. New examinations consistent with the revised curricula would be introduced not later than the end of 1976.

29. The three new primary teacher training institutes form part of the government's program to upgrade and modernize the primary teacher training system. The institutes would offer 3-year pre-service courses at upper secondary level and 1-year upgrading courses for unqualified primary school teachers who have graduated from normal upper secondary level education. Each institute would enroll 650 pre-service and 110 in-service students. The institutes would also be used for in-service training of teachers and school administrators during vacation time.

30. The proposed project would furthermore provide new equipment, furniture and the renovation of the building of an existing lower secondary teacher training institute to be used for training teachers, especially in social sciences and modern languages, and also for periodic in-service training of directors of education and school inspectors. It would also provide technical expertise to assess the government staff responsible for planning the reform of upper secondary education. This will include up to two man-years of services of experts specialized in fields such as education planning and administration, education economics and manpower analysis, technical education, and education statistics.

31. The Conseil Exécutif des Grands Projets (CEGP), which is an autonomous office under the supervision of the Ministry of Public Works, will be responsible for the construction of the project institutions and all other construction activity under the Government's investment program for education. As CEGP has had virtually no experience in school-building, the project is expected to develop local school construction know-how which will benefit the rest of the program. The proposed project schools are expected to make an important contribution to refining planning norms, setting space standards, establishing technical and fiscal controls for construction and in relating planning of buildings to curricula changes and new teaching techniques.

32. A Project Unit will be established within the CEGP to be responsible for the implementation of the project, coordination of activities with other government and private bodies, and liaison with the Bank. The Project Unit would later help carry out the government's overall school construction program. The Unit would consist of a director, an architect, an educator, and a specialist from the Ministry of Planning. Appointment of the above officers and the establishment and operation of the Project Unit, with adequate accounting and procurement services, supporting staff and facilities is a condition of effectiveness of the proposed loan.

33. The schedule for implementing the project foresees acquisition and survey of sites and appointment of consultant architects early in calendar year 1973. Preliminary plans would be completed towards the end of 1973, and bid documents for construction and equipment purchase would follow 3 to 6 months later. By late 1974, awards of construction contracts would be made, and awards for purchase of equipment and furniture would follow within the following six months. Construction of the first schools would begin in early 1975 and continue through the following year-and-a-half. By late 1976, construction and equipping of the project's schools would be virtually concluded. This would coincide with the schedule for the preparation of new curricula, textbooks, examinations, and other pedagogic preparations.

34. Civil works and equipment supply contracts would be awarded under international competitive bidding in accordance with the Guidelines for Procurement under World Bank loans. Local manufacturers of equipment would be allowed a preferential margin of 15% of the c.i.f. costs of competing imports, or the generally applicable import duty, whichever is lower. Lebanon has no preferential tariff arrangements with other countries.

Since Lebanon has an adequate and competitive furniture manufacturing industry which could supply the requirements of the project, it has been agreed at the Government's request that the furniture for the project would be procured locally and not financed under the proposed loan.

35. The proceeds of the proposed loan would be disbursed against the c.i.f. cost of imported equipment or 100% ex-factory cost of locally produced equipment, awarded under the above procurement procedures. The foreign exchange component of technical assistance and of site development and construction (estimated at 35%) would also be financed under the loan.

36. This project, and other new schools in the national reorganization and reform program will allow for centralized schools within their catchment areas, for improvement of teacher/pupil ratios, for more efficient teacher use, and for considerable public savings through substantially lower recurrent costs per pupil. These savings amount to US\$1.1 million annually which represents a rate of financial return on the investment in the primary schools of 21.5% over a 15-year period and in the lower secondary schools of 24%.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

37. The draft Loan Agreement between the Bank and the Republic of Lebanon, the Report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement and the text of a resolution approving the proposed loan are being distributed to the Executive Directors separately. The draft agreement conforms to the normal pattern for loans for education projects.

38. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

39. I recommend that the Executive Directors approved the proposed loan.

Robert S. McNamara
President

Attachments

December 7, 1972

COUNTRY DATA - LEBANON

<u>AREA</u>	<u>POPULATION</u> ^{1/}	<u>DENSITY</u>
10,400 km ²	2.8 million (mid-1971) Rate of Growth: 2.5 (from 1960 to 1971)	269 per km ² 716 per km ² of arable land

POPULATION CHARACTERISTICS

Crude Birth Rate (per 1,000)	35-40
Crude Death Rate (per 1,000)	10-14
Infant Mortality (per 1,000 live births)	

HEALTH (1969)

Population per physician	1,320
Population per hospital bed	240

INCOME DISTRIBUTION (year)

% of national income, lowest quintile	..
highest quintile	..

DISTRIBUTION OF LAND OWNERSHIP (1966)

% owned by top 10% of owners	57
% owned by smallest 10% of owners	1

ACCESS TO PIPED WATER (1968)

% of population - urban	85
- rural	..

ACCESS TO ELECTRICITY (year)

% of population - urban	..
- rural	..

NUTRITION (year)

Calorie intake as % of requirements	..
Per capita protein intake	..

EDUCATION (1970)

Adult literacy rate	% 69.0
Primary school enrollment	% 87.5

^{2/}
GNP PER CAPITA in 1971 : US \$ 618

GROSS NATIONAL PRODUCT IN 1971 ^{3/}

ANNUAL RATE OF GROWTH (% , constant prices) ^{5/}

	US \$ Mln.	%	1960-65	1965-70	1971
GNP at Market Prices	1,748	100.0	6.0	4.1	7.4
Gross Domestic Investment	317	18.1	..	1.3	3.6
Gross National Saving	254	14.5	..	5.9	10.6
Current Account Balance ^{4/}	63	3.6	.	.	.
Exports of Goods, NFS net ^{4/}	576	33.0	20.0	7.1	16.5
Imports of Goods ^{4/}	700	40.0	9.0	3.7	14.0

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1970

	Value Added		Labor Force		V. A. Per Worker	
	US \$ Mln.	%	Thous.	%	US \$	%
Agriculture	136	9.1	101.8	18.9	1,336	48
Industry	304	20.4	136.2	25.3	2,232	81
Services	1,048	70.5	298.0	55.3	3,517	127
Unallocated	.	.	2.4	0.5	.	.
Total/Average	1,488	100.0	538.4	100.0	2,764	100

GOVERNMENT FINANCE

	General Government ^{6/}			Central Government		
	(L.L. Mln.)	% of GDP		(L.L. Mln.)	% of GDP	
	1971	1971	1969-71	1971	1971	1969-71
Current Receipts	1,030.0	18.9	18.8	776.0	14.2	13.7
Current Expenditure	914.2	16.8	16.9	674.8	12.4	12.6
Current Surplus	115.8	2.1	1.8	101.2	1.8	1.1
Capital Expenditures	132.1	2.4	3.1	59.3	1.1	1.2
External Assistance (net)	17.0	0.3	0.3	—	—	—

1/ Estimate of the World Bank Atlas

2/ World Bank Atlas conversion

3/ Provisional estimate

4/ Not comparable with Balance of Payments statistics

5/ Since national accounts at constant prices are not available, following rates of growth are estimates.

6/ Includes Central Government, annexed and autonomous budgets.

.. not available

. not applicable

COUNTRY DATA - LEBANON

<u>MONEY, CREDIT and PRICES</u>	1965	1969	1970	1971	August	
					1971	1972
					(million of L.L. outstanding end period)	
Money and Quasi Money	3,216	3,717	4,265	5,344	5,005	5,974
Bank Credit to Public Sector	-186	- 91	- 60	- 154	- 99	- 219
Bank Credit to Private Sector	2,393	2,201	2,211	2,715	2,490	3,060

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	91.3	81.4	87.7	98.1	.	.
General Price Index (1966 = 100)	..	107.7	107.7	109.4	107.4	111.5
Annual percentage changes in:						
General Price Index	..	4.6	-	1.6 ^{5/}	.	3.8
Bank credit to Public Sector	.	.	.	.	.	.
Bank credit to Private Sector	.	4.7	-	22.8	.	22.9

BALANCE OF PAYMENTS

	1969	1970	1971
	(Millions US \$)		
Exports of Goods, NFS net	472	524	647
Imports of Goods,	578	627	757
Resource Gap (deficit = -)	-106	-103	-110
Interest Payments (net)	43	43	50
Workers' Remittances	29	31	) 10
Other Factor Payments (net)	-22	-24)
Net Transfers	.	.	.
Balance on Current Account	-56	-53	-50
Direct Foreign Investment	11	12	14
Net MLT Borrowing	4	5	5
Disbursements	..	..	..
Amortization	..	..	..
Subtotal	15	17	19
Capital Grants	-	-	-
Other Capital (net) ^{2/}	65	149	236
Other items n.e.i. ^{3/}	34	35	34
Increase in Reserves (+)	+58	+148	+239
Gross Reserves (end year)	838	1011	1337
Net Reserves (end year)	579	727	966

MERCHANDISE EXPORTS (AVERAGE 1969-71)

	US \$ Mln	%
Fruits and Vegetables	25	14
Machinery	27	11
Foodstuffs, Beverages, Tobacco	19	9
Textile products	19	9
Chemical products	19	9
Metal products	18	9
Transport equipment	15	7
Dairy and animal products	13	6
All other commodities	53	26
Total	207	100

EXTERNAL DEBT, DECEMBER 31, 1971

	US \$ Mln
Public Debt, incl. guaranteed	63.2
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..
<u>DEBT SERVICE RATIO for 1971^{1/}</u>	%
Public Debt, incl. guaranteed	1.6
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..

RATE OF EXCHANGE ^{4/}

Average - 1970	
US \$ 1.00 = L.L. 3.27	
L.L. 1.00 = US \$ 0.306	
Average - 1971	Average 1972 through September
US \$ 1.00 = L.L. 3.23	US \$ 1.00 = L.L. 3.06
L.L. 1.00 = US \$ 0.310	L.L. 1.00 = US \$ 0.327

IBRD/IDA LENDING, November 30, 1972 (Million US \$):

	IBRD	IDA
Outstanding & Disbursed	15.3	-
Undisbursed	-	-
Outstanding incl. Undisbursed	15.3	-

^{1/} Ratio of Debt Service to Exports of Goods and Net Non-Factor Services

^{2/} Short-term private capital

^{3/} Unrequited transfers

^{4/} Average of free market rates

^{5/} This figure is subject to wide margins of error.

.. not available

. not applicable

December 7, 1972

ANNEX II

THE STATUS OF BANK GROUP OPERATIONS IN LEBANON

A. STATEMENT OF BANK LOAN
(as at November 30, 1972)

<u>Loan Number</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount US\$ million</u>
129 LE	1955	Litani River Authority	Power	27.0
		of which has been repaid		<u>11.7</u>
		Total now outstanding and held by Bank		<u>15.3</u>

B. STATEMENT OF IFC INVESTMENTS
(as at November 30, 1972)

<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount of Loan US\$ million</u>
1971	Filitex, S.A.L.	Textiles	0.93
1971	Lebanese Ceramic Industries Co., S.A.L.	Ceramic Tiles	<u>1.20</u>
	Total Gross Commitments		2.13
	Less cancellations, terminations, repayments and sales		<u>1.00</u>
	Total Commitments now held by IFC		<u>1.13</u>
	Total undisbursed		<u>0.615</u>

C. PROJECTS IN EXECUTION

None

LEBANON - EDUCATION PROJECT

LOAN AND PROJECT SUMMARY

Borrower: Republic of Lebanon

Amount: US\$6.6 million equivalent in various currencies. The amount corresponds to the project's estimated foreign exchange component.

Terms:

Interest : $7\frac{1}{4}$ percent per annum

Commitment Charge : $\frac{3}{4}$ of 1 percent per annum

Term : 25 years, including 5 years of grace

Project

Description:

The proposed project would assist the Government in implementing its development program for primary and secondary education, the objectives being to (i) reorient the school system along more practical lines by introducing modern curricula and new teaching methods, (ii) improve the distribution of educational opportunities, and (iii) economize on educational recurrent costs through rationalization of the public school system and replacement of rented buildings.

The project would comprise:

1. Design, construction, furnishing and equipping of 39 primary schools (30,960 student places), 24 lower secondary schools (14,400 student places), and 3 primary teacher training institutes (2,280 student places).
2. Extension, renovation, furnishing and equipping of one lower secondary teacher training institute (380 student places); and
3. Technical assistance (2 man/years) in education planning and administration, economics of education, technical education, and education statistics.

Project

Administration: Project Unit in the Conseil Executif des Grands Projets (CEGP)

<u>Estimated Cost:</u>	<u>US\$ million</u>		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
1. Physical Facilities			
39 Primary Schools	3.9	2.5	6.4
24 Lower Secondary Schools	2.2	2.3	4.5
3 Primary Teacher Training Institutes	0.5	0.3	0.8
1 Lower Secondary Teacher Training Institute	0.1	0.1	0.2
2. Professional Services	0.6	0.0	0.6
3. Technical Assistance	0.0	0.1	0.1
4. Contingencies			
(a) Physical	0.6	0.4	1.0
(b) Price Escalation	<u>1.4</u>	<u>0.9</u>	<u>2.3</u>
Total Project Cost	9.3	6.6	15.9

<u>Categories of Expenditures:</u>	<u>US\$ million</u>		
<u>Component</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
1. Construction (including professional services)	6.2	3.4	9.6
2. Furniture	1.1	-	1.1
3. Equipment	-	1.8	1.8
4. Technical Assistance	-	0.1	0.1
5. Contingencies	<u>2.0</u>	<u>1.3</u>	<u>3.3</u>
Total Project Cost	9.3	6.6	15.9

<u>Financing Plan:</u>	<u>US\$ million</u>
Bank Loan	6.6
Government of Lebanon	<u>9.3</u>
Total	15.9

<u>Estimated Disbursements:</u>	C.Y.	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>Cumulative Total</u>
		0.1	0.7	3.4	2.0	.4	6.6

Procurement

Arrangements:

International competitive bidding for civil works and equipment, in accordance with Bank's Guidelines for Procurement. 15% preference for local suppliers. Lebanon has no preferential tariff agreement with any country.

Consultants:

Services of Consultant Architects for design and supervision of construction. Experts in education planning and administration, education economics and manpower, technical education, and education statistics for the technical assistance portion of the Project.

Rate of Return:

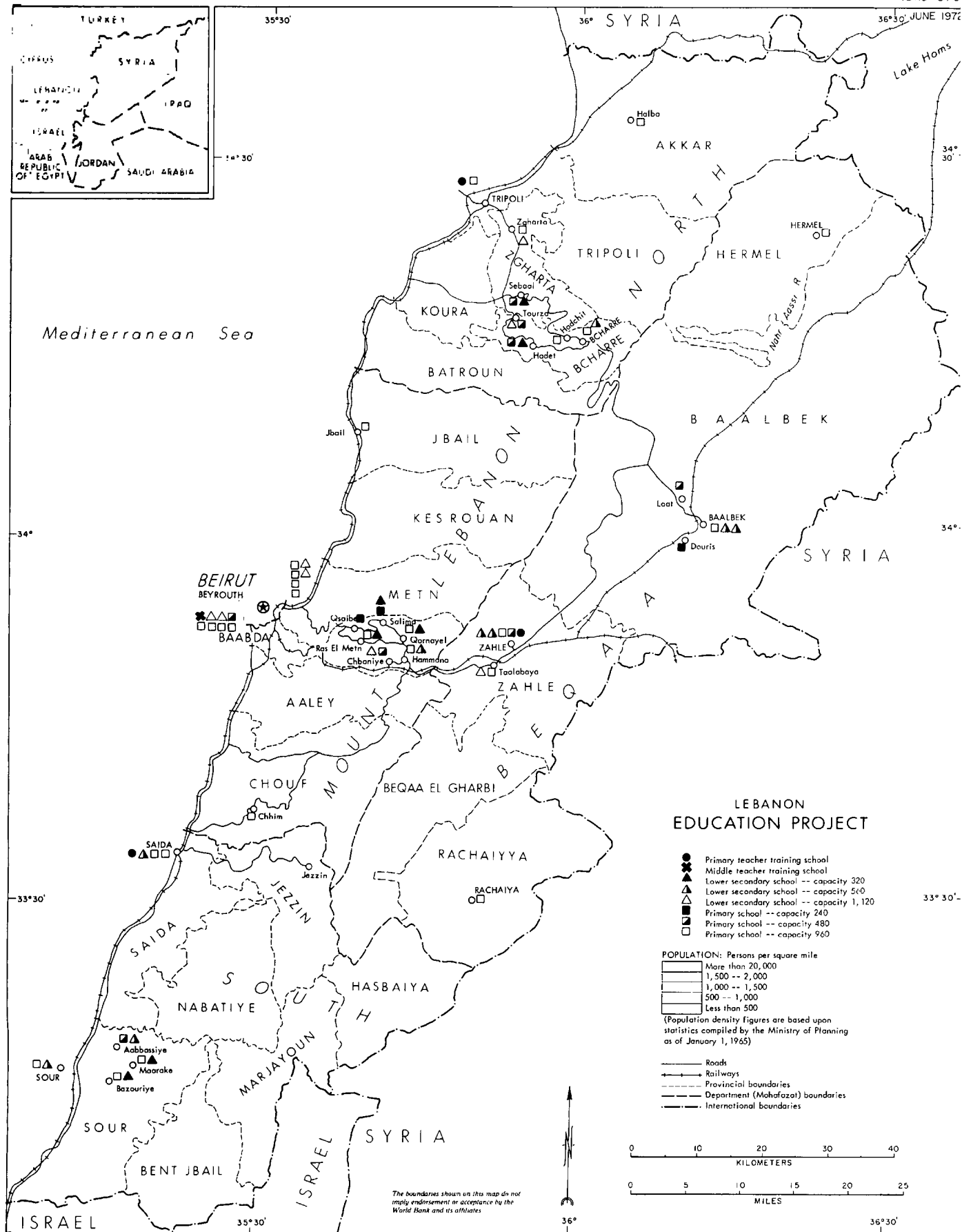
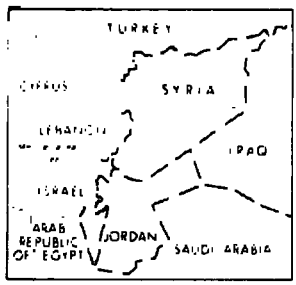
Financial rate of return:

Primary schools - 21.5%

Lower secondary schools - 24%

Appraisal Report:

PE-52a
November 29, 1972



LEBANON EDUCATION PROJECT

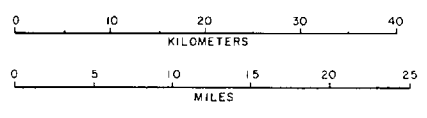
- Primary teacher training school
- ▲ Middle teacher training school
- △ Lower secondary school -- capacity 320
- ▴ Lower secondary school -- capacity 500
- ▾ Lower secondary school -- capacity 1,120
- Primary school -- capacity 240
- ◼ Primary school -- capacity 480
- Primary school -- capacity 960

POPULATION: Persons per square mile

More than 20,000
1,500 -- 20,000
1,000 -- 1,500
500 -- 1,000
Less than 500

(Population density figures are based on statistics compiled by the Ministry of Planning as of January 1, 1965)

- Roads
- Railways
- - - Provincial boundaries
- - - Department (Mohaafazat) boundaries
- International boundaries



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates

