

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

AND TO THE EUROPEAN PARLIAMENT

concerning Community aid for the reconstruction of Lebanon

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Since the invasion of Lebanon by Israeli troops in June 1982 the European Community has expressed its intention of aiding in the reconstruction of that country on several occasions, and notably in the conclusions of the European Councils of 28/29 June and of 3/4 December 1982, as well as in the statement published after the meeting of Foreign Ministers of the Ten on 20 September 1982. In making this commitment the Ten reaffirmed their solidarity with a friendly country whose stability was seriously threatened.

Mr. Edgard Pisani, Member of the Commission in charge of Development, went to Lebanon in December 1982 to examine the needs of the country and identify actions which the Community might take. Amongst a number of projects, the Lebanese authorities put forward an urgent project, ready for external financing of approximately 20 million ECU, and consisting of the pumping and piping of drinking water for the town of Beirut.

Because of the urgency of the problem of water for Beirut, aggravated by the delays resulting from the war, the Lebanese authorities cannot long delay the realisation of this project, for which there exists to our knowledge no other possibility of external financing; they have therefore placed their hope in a contribution from the Community.

If the Community wishes to make a political gesture in favour of Lebanon as it is committed to do, and particularly if through this gesture the Community wishes to contribute to the stabilisation of Lebanon, it is clear that an action must be chosen which can be realised quickly. An immediate intervention by the Community would be all the more significant

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politically when other countries and institutions hesitate to invest in the country. The urgency of the action proposed therefore stems above all from the political objective which is sought.

As for the project itself, it seems particularly appropriate for reconstruction aid. Not only will its realisation help to satisfy the water requirements of the population of Beirut, but it will also help to reduce the risk of pollution of the distribution system resulting from the interruption of supply, as is currently the case in Beirut. A further advantage of this project is that it is situated in an area where Community participation should not encounter political problems and should bring benefits to all without confessional distinction.

If therefore an intervention is required which has the maximum political impact, it is necessary for urgent decisions to be taken as much for the financing of the project as for the means of execution.

With regard to financing, endowment of the new line 952 "Special Aid to Lebanon" should be considered through a transfer to be reimbursed in the course of the 1983 budget year. A transfer proposal is attached at annex I.

In fact , there is scarcely an alternative.

Use of the exceptional European Investment Bank loan of 50 million ECU for this project seems entirely inappropriate. The loan consists of funds supplied at market rates, without interest subsidies, and therefore too burdensome for this type of action which will not be directly income-producing.

Nor is use of the funds of the new financial protocol of the EEC/Lebanon Agreement desirable. These credits, apart from being insufficient in that they are limited to 11 million ECU in grants for the next five years, are already programmed for other projects.

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Furthermore, the funds of the new financial protocol were not allocated as special aid to Lebanon but were accorded on the same basis as the funds envisaged in the financial protocols concluded in parallel with the other countries of the Southern Mediterranean.

In consequence, use of these credits, as with use of those of the EIB, would result in the Community proposal losing all political impact since it would merely be a question of utilising differently already existing credits and not of providing supplementary credits.

With regard to the execution of the project, urgent decisions are also needed. The financial contribution of the European Community to the project would cover the equipment and work listed below :

- pumping equipment	1 557 000 ECU
- pumping station buildings	1 968 000 ECU
- ductile iron pipes	386 000 ECU
- construction of reservoirs	1 636 000 ECU
- laying of pipes	13 064 000 ECU
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	18 611 000 ECU
- contingencies (7.5 %)	1 389 000 ECU
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Total	20 000 000 ECU

The Lebanese contribution (+ 15 million ECU) would consist of the supply of asbestos-cement pipes (+ 35 km), expropriations, and the rehabilitation of the roadways affected.

In connexion with the part of the project for the Community, urgent decisions are needed on the means of execution. For the two lots for electro-mechanical pumping equipment and for ductile iron pipes, the procedure would be an international call for tenders open to all Community

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and Lebanese firms with a time-limit for proposals in the order of two months.

For the two lots for pumping station buildings and reservoirs, the procedure would be a call for tenders by accelerated procedure open to all civil works firms of the EEC and Lebanon.

For the lot for laying the pipes, the procedure would be a restricted call for tenders open to firms in the country, with preselection if the Lebanese authorities so wish, and simultaneous opening of the bids of the preselected firms in the presence of the Delegate of the Commission of the European Communities or of his representative so that the most economically advantageous offer might be chosen.

In sum, with regard to procedures, it would be a project more resembling an emergency aid action than a project to be put into effect in the framework of the financial Protocol funds.

In conclusion, the Commission recommends the Council :

- to give its agreement as quickly as possible to the financing of the water supply project to the sum of 20 million ECU;

- to approve the means of execution indicated in this communication.

The Commission asks the budgetary authority to make its position known as quickly as possible on the request for the transfer of credits which will be submitted very shortly and which is annexed to the present communication for information.

Transfer of appropriations n°
(Non compulsory expenditure)

From chapter 93 : Cooperation with non associated developing countries

Article 930 : Financial and technical cooperation with non associated
developing countries

CE : 20 000.000 ECU

CP : 20.000.000 ECU

To chapter 95 : Exceptional measures to assist developing and other
non-member countries

Article 952 : Special aid to Lebanon

20.000.000 ECU

(non differentiated
appropriations)

The financial controller approved this proposal on February 1983
in accordance with article 21 (4) of the Financial Regulation and
certified that the appropriations are available.

Grounds

1. By amendment n° 580, the European Parliament introduced a new article 952 : Special aid to Lebanon, with a token entry, in the 1983 draft budget, thus creating the necessary framework for the financing of reconstruction aid in Lebanon. This amendment was not modified by the Council at its second reading of the draft budget ; this new article therefore appears in the 1983 budget.
2. The political and economic reasons for transferring appropriations to this line are given in the Commission communication to the Council concerning community aid for the reconstruction of Lebanon. It is also mentioned therein that the amount to be transferred (i.e 20 Mio ECU) represents the cost of a water-supply project to be carried out in Beyrouth.
3. As far as the origin of the credits is concerned, the Commission's proposal is to take the amounts required from article 930 : Financial and technical cooperation with non associated developing countries, which is the only budget line within title IX, with the exception of the food aid chapter, to have enough credits to be able to bear such an important deduction at the beginning of the budget year.
4. It should be possible to implement the credits thus transferred to article 952 over a two-year period. The Commission suggests therefore that these 20 Mio ECU should be non differentiated appropriations. To this end, it is necessary to deduct 20 Mio ECU both from the commitment appropriations and from the payment appropriations of article 930.
5. It is the Commission's view that the principle of granting a special aid to Lebanon was agreed by the budgetary authority and that it should not involve a net reduction of the overall amount of credits which have already been allocated to development cooperation for the 1983 budget year. As a consequence the deduction to be made from article 930 can only be provisional and the sum of 20 million ECU should be reinstated on Article 930 before the end of the budget year.

TECHNICAL NOTE

Beneficiary country	Republic of Lebanon.
Project title	Beirut Water Supply.
Estimated cost of the project	20 M ECU.
Project definition	The provision of water supply facilities for the conveyance of water from wells at Damour, Mershref and Naameh to the town of Beirut.
Nature, description and objectives of the project	<p>Beirut, the capital of Lebanon, is estimated to have a current population of about one million; a more precise calculation has not been possible, due to recent events. That figure does not include the population of the outer suburbs (about 400 000).</p> <p>The town is supplied with water principally by a gallery-canal which carries water from the "Amel" spring (this project was set up in 1870).</p> <p>When water quantities reaching the town are low, due to draw off for irrigation purposes (which can take up to 50 %), the supplies have to be made up from wells.</p> <p>Several private wells among those situated within the town limits supply water which, even today, is non potable.</p> <p>The needs of the town at the present time are estimated at between 300 000 and 400 000 m³/day, depending on the seasons. Current production is 250 000 m³/day in winter and 167 000 m³/day in summer.</p> <p>The war caused major damage to the water distribution system; at the end of the conflict, losses were estimated at about 70 %.</p>

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	<p>As a result of German aid and continuous action by Lebanese technical teams, these losses have been reduced to about 50 %. However, even though additional involvement is foreseen from Italian aid, and even if improvements should be made day by day, it is unlikely that losses will be reduced to reasonable quantities, since the network, which in certain sectors was constructed at the beginning of the century, is in a state of decay.</p> <p>Hence, the World Bank has financed, for about 3 M ECU, a study for the renewal of the distribution network, extensions to the suburbs (year 2000 horizon) and for the reorganization of the Beirut Water Office (B.W.O.). This study has been awarded to a French firm of consultants.</p> <p><u>B.W.O.</u></p> <p>The Water Office is responsible for the management of all matters concerning water distribution. It has 500 employees, of which 200 are qualified technical staff, 200 are the labour force and 100 the administrative staff. The organization is reasonably well managed and carries out its own collection of water charges.</p> <p>Gross receipts for the past five years (in £ L) :</p> <table data-bbox="423 1125 1315 1216"> <thead> <tr> <th><u>1978</u></th> <th><u>1979</u></th> <th><u>1980</u></th> <th><u>1981</u></th> <th><u>1982</u></th> </tr> </thead> <tbody> <tr> <td>12 444 660</td> <td>18 556 693</td> <td>23 167 377</td> <td>22 502 246</td> <td>32 396 650</td> </tr> </tbody> </table> <p>Consumer contracts, the first year's cost of which is about 2 000 £ L, are of two types : either a pre-judged quantity (fixed lump sum price), or the actual consumption (by meter). The current price of water is 1 £ L/m³. This unit price is standard for both types of contract; there is no varying scale of charges. Standpipes do not exist.</p> <p>Currently the B.W.O. maintains daily distribution of water for about 12 hours in winter and 5 to 6 hours in summer.</p>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	12 444 660	18 556 693	23 167 377	22 502 246	32 396 650
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<p>Framework of the project</p>	<p>The Lebanese Administration, in order to improve distribution, has carried out studies to find new sources of water supply.</p> <p>While waiting to be able to implement a supply system that will include a dam to be situated some 50 km south-east of Beirut - which will meet needs to the year 2000 - 11 wells have, since the start of 1980's, been constructed about 20 km south of the capital in the zones of Damour, Mershref and Naameh. These wells have an average depth of 100 m and a combined delivery of 435 l/sec., i.e. about 35 000 m³/day.</p>										

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	<p>The wells will be equipped with electric pumps and the water will be stored in reservoirs placed a sufficiently high level to provide the head necessary to convey the water by pipeline to the reservoirs at Beirut, the total capacity of which is about 96 000 m³. The water will be distributed from these reservoirs either by gravity or pumping.</p> <p>The connecting of Beirut to the wells by means of the pipelines will increase the availability of water by about 20 % during the seasons when at present there is too little water and will, at the same time, permit 10 hours of distribution each day.</p>																				
<p>Details of the project and cost estimation</p>	<p>The financial contribution of the European Community, comprising the present project, covers the following equipment and works : supply of ductile iron pipes and associated equipment, construction of pumping stations and reservoirs and the laying of asbestos-cement pipes.</p> <p>The Lebanese contribution will concern the supply of asbestos-cement pipes (about 35 km, of which a part will make provision for future extensions), land acquisition and the re-making of roads and tracks.</p> <p>The European Community's contribution amounts to 20 M ECU, which is based on the following estimation of costs :</p> <table data-bbox="489 1226 1310 1547"> <tbody> <tr> <td>- pumping equipment</td> <td>1 557 000 ECU</td> </tr> <tr> <td>- pumping station buildings</td> <td>1 968 000 ECU</td> </tr> <tr> <td>- ductile iron pipes</td> <td>386 000 ECU</td> </tr> <tr> <td>- construction of reservoirs</td> <td>1 636 000 ECU</td> </tr> <tr> <td>- laying of pipes</td> <td>13 064 000 ECU</td> </tr> <tr> <td></td> <td><hr/></td> </tr> <tr> <td></td> <td>18 611 000 ECU</td> </tr> <tr> <td>- contingencies (7.5 %)</td> <td>1 389 000 ECU</td> </tr> <tr> <td></td> <td><hr/></td> </tr> <tr> <td style="text-align: right;">total :</td> <td>20 000 000 ECU</td> </tr> </tbody> </table> <p>The Lebanon Government contribution - for the two components with which it will be concerned - will be about 15 M ECU.</p>	- pumping equipment	1 557 000 ECU	- pumping station buildings	1 968 000 ECU	- ductile iron pipes	386 000 ECU	- construction of reservoirs	1 636 000 ECU	- laying of pipes	13 064 000 ECU		<hr/>		18 611 000 ECU	- contingencies (7.5 %)	1 389 000 ECU		<hr/>	total :	20 000 000 ECU
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<p>Means of implementation</p>	<p>For the two lots, electro-mechanical equipment for pumping and ductile-iron pipes, there will be an international call for tenders open to all companies of the E.E.C. and Lebanon, with a tendering period of about two months.</p>																				

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	<p>For the two lots, pumping station buildings and construction of reservoirs, there will be a restricted call for tenders by accelerated procedure open to contractors of the E.E.C. and Lebanon.</p> <p>For the lot comprising the laying of pipes, there will be a restricted call for tenders open to companies that are in the Country, with preselection - if the Lebanese Authorities so wish - where the opening of the offers of the pre-selected companies will take place in the presence of the Delegate of the Commission of the European Communities or his representative in order to ensure that the most economical offer is retained.</p>
Special conditions	<p>The Lebanese Government undertakes to :</p> <ol style="list-style-type: none">1) provide the financing for the two lots for which it is responsible (supply of asbestos-cement pipes, land acquisition and the re-making of roads and tracks);2) to bear any excess expenditure which may be incurred during the course of the project implementation.