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**REPORT OF THE EXECUTIVE SECRETARY
ON THE ACTIVITIES OF THE COMMISSION**

**FOLLOW-UP ACTION ON THE RESOLUTIONS OF THE COMMISSION
ADOPTED AT ITS SIXTEENTH SESSION: RESOLUTION 182 (XVI) ON THE
RECONSTRUCTION AND REHABILITATION DECADE FOR WESTERN ASIA (1994-2003)**

Report on

the possibility of establishing a fund for reconstruction
and development in the ESCWA region

1. At its sixteenth session, held at Amman from 30 August to 3 September 1993, the Economic and Social Commission for Western Asia (ESCWA) adopted resolution 182 (XVI) by which the Commission declared the period 1994-2003 a Reconstruction and Rehabilitation Decade for Western Asia. In paragraph 3 of that resolution, the Commission requested "the secretariat, in close coordination with concerned regional and international organizations, to intensify efforts aimed at promoting regional cooperation in the areas of reconstruction, rehabilitation and manpower, including organizing a meeting to assess and review progress made and formulate appropriate policies." In paragraph 7 of the resolution, the Commission requested the Executive Secretary "to prepare and submit to the Commission at its seventeenth session a report on the possibility of establishing a fund for reconstruction and development in the region."

2. Accordingly, the ESCWA secretariat consulted the Governments of member States about the best way to implement paragraph 3 of resolution 182 (XVI). A number of member States were of the opinion that it might not be the appropriate time to convene a meeting on reconstruction and development in the region. Moreover, there were several national, regional and international institutions concerned with reconstruction which were in a better position, in terms of resources and capabilities, to help the States affected by wars, political conflicts, and natural disasters with the process of reconstruction and development. Therefore, the secretariat decided not to convene a meeting. As regards paragraph 7 of the resolution, the secretariat contacted and consulted a number of agencies concerned with financing development projects in the region with regard to setting up a new fund for reconstruction and development in the region.

3. In the light of those consultations and the current economic circumstances in the region, the ESCWA secretariat believes that the financing of reconstruction and development projects, especially in the countries that were most affected by wars and crises, requires huge financial resources, the raising of which will be influenced by the following factors:

(a) The gradual decline in the oil revenues and surplus funds of the major oil exporting countries of the ESCWA region which are expected to be the main contributors to the capital of the fund for reconstruction and development;

(b) The deficit in the balance of payments and government budget of most countries in the region;

(c) The unusual increase in the foreign debt of the oil exporting countries of the region, and the resort of those countries to borrowing from international financial markets;

(d) The increase in expenditure related to reconstruction and rehabilitation in each of the countries in the region, especially after the Gulf crisis and war;

(e) The decrease in the volume of financial flows between the countries in the region as compared with their pre-Gulf crisis level;

(g) To play a role in a number of fields as a "general contractor" (with several subcontractors), as well the role of coordinator between experts and consultants, and take part in the discussions which will be held with the top management about the implementation of recommendations related to the selection or implementation of projects, without playing a direct role in the final implementation;

(h) To develop human resources through the education, training, and upgrading programmes which it will prepare or participate in preparing and implementing in cooperation with the competent authorities concerned with strengthening the organizational, administrative and technical structure.

5. In the light of the preceding, it may be noted that the potential fields of activity of the fund for reconstruction and development are more numerous and wider than those of established development funds, as its role includes providing assistance in formulating long-term macroeconomic strategies, paying attention to projects which benefit the national economy, and stimulating rationalizing, and promoting cooperation and coordination.

6. In this respect, the Arab Fund for Economic and Social Development could undertake the task of reconstruction in addition to its present operations, provided its charter is amended. This may be easier to achieve than the setting up of a new fund. The required amendment includes a re-examination of the capital structure of the Arab Fund for Economic and Social Development so as to make it consistent with the kind of financing envisaged. For instance, the capital of the International Bank for Reconstruction and Development is based on borrowing for lending. Entrusting the Arab Fund for Economic and Social Development with such a task does not necessarily require a substantial increase in capital, but rather entails the member countries guaranteeing the borrowing operations of the Fund, which will enable it to penetrate Arab and foreign financial markets to provide the financial resources needed for reconstruction and development.