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Economic and Social Commission for Western Asia (ESCWA)

REPORT

**OF THE EXPERT GROUP MEETING ON STRENGTHENING GOOD
GOVERNANCE PRACTICES IN CONFLICT-AFFECTED COUNTRIES:
CURRENT PRIORITIES AND FUTURE INTERVENTIONS
BEIRUT, 27-28 FEBRUARY 2009**

Summary

The Expert Group Meeting on Strengthening Good Governance Practices in Conflict Affected Countries was planned and organized by the Section for Emerging and Conflict-Related Issues (ECRI). The meeting brought together a wide range of local, regional and international experts and representatives from ESCWA member countries to discuss issues relating to the importance and mutually reinforcing roles of good governance, human rights, social and economic development and peacebuilding. Participants explored challenges to good governance in conflict-affected countries and resultant challenges to development goals. The meeting also discussed the lessons learned in supporting the enhancement of local good governance practices in conflict-affected countries, and the role of capacity-building in strengthening the public sector of conflict-affected countries.

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Introduction

1. Good governance remains a critical ingredient for socio-economic development and peacebuilding. Good governance practices have become all the more pressing in the light of development challenges facing Western Asia, and particularly in conflict-affected countries. However, attempts to introduce such practices continue to face a wide range of obstacles; the most serious challenges within the public sector remain the depletion of human resources and physical infrastructure and the critical need to upgrade and develop outdated administrative practices. These practices have rendered public institutions unable to cope with the increasing demand for essential services. If not addressed, this state of affairs will continue to curtail the development of political and economic systems at the national and regional levels, and could seriously hinder the attainment of national development goals, including the Millennium Development Goals (MDGs).

2. In developed and developing nations, reform and improvement initiatives of public sector performance may have, in some cases, been influenced by interest groups aiming to capitalize on State resources for narrow local interests, which are not necessarily concurrent with national interests. The influence of such interest groups varies from country to country in Western Asia and beyond. Reform initiatives have also suffered from the inadequate expertise of civil servants or public officials. It is hence crucial to introduce good governance practices as a developmental objective, targeting civil servants through tailored capacity-building modules, in order to raise the awareness of the general public and decision makers that good governance practices are a conduit for the economic well-being of all members of society, particularly those countries suffering from conflict and political instability. Institution-building of the public sector can only be achieved by developing human capital under the overarching principles of human rights, anti-corruption and performance management. Such human capital development is also essential to sustain and drive reform, including the facilitation and the realization of the MDGs.

3. In order to better understand the dynamics of good governance and its relationship to conflict, conflict mitigation and development in Western Asia, ESCWA convened an Expert Group Meeting on Strengthening Good Governance Practices in Conflict-Affected Countries (Beirut, 27-28 February 2009).

4. The objectives of the expert group meeting were to:

(a) Present concepts and experiences of good governance practices as a vehicle for development, conflict mitigation and peacebuilding;

(b) Assess and build on past experience in capacity-building as a means to instigate reform and institutionalize good governance practices, including the lessons learned in the collaboration between ESCWA and the United Nations Development Programme (UNDP) in Iraq;

(c) Ascertain the best means to introduce concepts and principles related to human rights, performance or results-based management, human capital development, accountability and transparency into State institutions in crisis-afflicted countries;

(d) Highlight challenges at the national and regional levels that hinder the achievements of good governance practices, including ethno-sectarian tensions, outdated administrative practices, clientelism and inadequate infrastructure and human resources;

(e) Articulate future pragmatic interventions to enhance good governance practices in conflict-affected countries, such as the examination of e-governance, public-private partnerships (PPPs) and other modules that would serve to enhance the delivery of essential services by the public sector;

(f) Examine possible good governance interventions or programmes that mitigate the impact of conflict on development and support peacebuilding efforts.

5. The expert group meeting was planned and organized by the Section for Emerging and Conflict-Related Issues (ECRI). It brought together a wide range of local, regional and international experts and representatives from ESCWA member countries, including the League of Arab States, UNDP, United

Nations High Commissioner for Human Rights (UNHCHR), Organisation for Economic Co-operation and Development (OECD), Kuwait Fund for Arab Economic Development, Netherlands Institute of International Relations, European School of Governance, the Arab Centre for the Development of the Rule of Law and Integrity, the American and Lebanese Universities and the Lebanese Centre for Policy Studies (LCPS).

6. The meeting was organized around five panels. The first discussed the importance and mutually reinforcing roles good governance, human rights and social and economic development and peacebuilding. The second panel explored challenges to good governance in conflict-affected countries and resultant challenges to their development goals. The third panel presented regional expertise and lessons learned in supporting the enhancement of local good governance practices in conflict-affected countries. The fourth panel explored the role of capacity-building in strengthening the public sector of conflict-affected countries. The fifth panel covered the norms and mechanisms to be considered when establishing more effective governance systems.

I. RECOMMENDATIONS

7. At the conclusion of the expert group meeting, the participants agreed on the following recommendations:

Governance, human rights and development

(a) The link between good governance and the respect for human rights is critical and is particularly relevant in post-conflict countries. Likewise, the participation of various stakeholders is crucial to ensure the accountability of the implementation of human rights standards;

(b) A second important issue within the context of human rights is rule of law and the need to re-establish rule of law once a conflict has ended. This involves security sector reform, which includes the judiciary and therefore has implications for what is known as transitional justice in post-conflict settings. Important gaps exist in the need for developing effective frameworks, with verifiable indicators. The information which would result from these analytical frameworks would then support policy recommendations and the reform needed to apply rule of law.

Capacity-building

(a) Service delivery and building the capacity of middle managers in public institutions to ensure the transparent and efficient delivery of basic services to populations is not only important to development, but also to the mitigation of conflicts in the region;

(b) A database should be created to ensure unity, support coordination and facilitate strategic planning of good governance capacity-building activities in conflict-affected countries in the region, including regional rosters of capacity-building trainers;

(c) More specific trainings, specially designed for specific job descriptions should be developed and implemented.

Good governance and reform

(a) Good governance is an essential development component in conflict-affected countries. The specific conflict and its context must be thoroughly analysed before the implementation of a State-building intervention plan. Security-related problems are one of the most important obstacles to development in post-conflict countries;

(b) Building a resilient State also includes the need for civilian oversight and effective reforms. Reform is also important in the context of institution strengthening, especially reforms of activities related to the recruitment and capacity-building of civil servants. Judicial reform also needs to be linked to good governance;

(c) Public sector reform in post-conflict countries in this region is often faced with strong sectarian divides within the structure of public institutions which creates significant obstacles to reform efforts. It is essential to include “do no harm” principles at all levels of donor assistance and reform. Public-private partnerships (PPPs) and freedom of the press are important additional tools for governance reform.

Corporate governance

The principles of corporate governance should be implemented within the broader context of administrative and legal oversight and should contain clearly stipulated sanctions for breaches. In addition to these laws, records should be made public in order to ensure that companies become more transparent and accountable.

II. TOPICS FOR DISCUSSION

A. GOVERNANCE, HUMAN RIGHTS AND DEVELOPMENT

8. Good governance is essential to socio-economic development, and is particularly crucial in conflict-affected societies. It is crucial to understand the regional nature of the relationship between socio-economic development, good governance and conflict in the ESCWA region, particularly as the roots of conflict include socio-economic realities, strategic considerations and governance-related issues. Failure to promote good governance leads to negative long-lasting trends, such as the rise of non-state actors, displacement and extremism, which contribute to both de-development and conflict at the regional level.

9. The regional representative of UNHCHR discussed the issues of interdependence and indivisibility of human rights, sustainable development and good governance. The achievement of a life of human dignity is the goal of sustainable development; human rights is a system of legal standards and social values that define in their totality human dignity; and good governance is the system required to effectively respect and fulfil the dignity of a society. Sustainable development and good governance can only succeed when such approaches contain integrated and sufficient human rights elements. Among the essential elements needed to realize this are: reliance on and implementation of a specific set of human rights and performance standards whose protection and fulfilment is a matter of legal responsibility; ensuring participation of rights bearers in the design and implementation of policies; enabling open and transparent policy-setting and implementation; developing effective monitoring mechanisms, including national and international human rights monitoring mechanisms and an open and free media; accountability mechanisms to ensure that actors involved are fulfilling their responsibilities; prevention of corruption and subversion of original intent; and public oversight of the entire process.

10. The ESCWA region suffers from a vicious cycle of political tension, conflict and de-development in which political tensions, conflict, collapse of State institutions, extreme ideological discourse, and negative detrimental social and economic repercussions reinforce one another. The spillover effects are displacement and resulting strain on public services, illegal migration, brain drain, capital flight and negative economic growth and a reinforcement of religious extremism, terrorism and mushrooming of ethno-sectarian tensions. On the local level, this vicious cycle is manifested by weak national political and socio-economic systems, deficient local socio-economic and reform processes and competing international local and regional interests. The Governments of many conflict-affected countries are characterized by rigid centralized decision-making in which political and security considerations override good governance concerns; patronage, corruption and clientelism; inefficient State institutions and services; a widening gap between rich and poor and between political elites and the general population; and polarized leadership. The result is a political-economic system that is unable to address political discord and grievances, which in turn leads to increased poverty, unemployment and instability.

11. Sustainable peace and development requires moving to a virtuous cycle of viable reconciliation mechanisms and national political systems, as well as effective State institutions and popular trust. To do this requires good governance initiatives in early post-conflict phases, promoting the above and assuring participatory public policy formation and commitment of key political actors.

12. Good governance reform from the entry point of improved service provision presents an important opportunity for breaking the deadlock in the ESCWA region. Utilizing political commitment and adequate skills of civil servants to reform service provision entities provides an opportunity for increased efficiency of state institutions and local governance structures, promoting improvements of national political and socio-economic systems and sustained stability, development and reconciliation efforts. Improved service delivery also provides a political dividend for ruling elites. Capacity-building of institutions targeting middle managers, through specially adapted and responsibly implemented capacity-building modules is essential to improving performance of the public service sector.

B. CHALLENGES TO GOOD GOVERNANCE IN CONFLICT AFFECTED COUNTRIES:
MEETING DEVELOPMENT NEEDS

13. Good governance in service delivery is essential to development and State-building in conflict-affected countries. Good governance practices strengthen essential service delivery, which mitigates the impact of conflict on the socio-economic development of affected countries and contributes to State-building. Good governance practices can only be achieved by means of a concerted effort by all concerned parties and stakeholders, including local Government, the donor community and international organizations.

14. While conflict is a crisis to affected countries, it also presents opportunities for development and good governance interventions. It is important to take into account and use the opportunity to address the underlying causes of the conflict and need and potential for transformation in affected countries.

15. In order for good Government interventions to take place, however, a minimum level of security must first be achieved, including reaching an initial peace settlement. The signing of a peace agreement may not signify the end of a conflict period in a given country as peace agreements often include long transition phases. The goal of a transition phase should be building a resilient State, by increasing the legitimacy and effectiveness of Government and promoting development. While a peace agreement may be a pact between leaders, the transition phase which follows that agreement is defined by a broadening of interaction between the State and citizens. This is especially important given the importance of lack of legitimacy and other governance-related causes of conflict in many countries.

16. Good governance is achieved in the transition phase by increasing the legitimacy of the Government. Early elections are often a risk to stability; however, increasing the representative nature of Government can be supported by building on various existing state and non-State institutions, creating a type of hybrid home-grown democracy. Local institutions, such as village councils, political parties and religious organizations, can be supported to help increase participation, accountability, equality and merit-based recruitment.

17. The first priority of Governments needs to be on the rule of law and human security; once minimum standards have been achieved, the focus should turn to other sectors, such as health and education. Both State and non-State institutions need to be included in such efforts, with the State playing an essential coordination role. The international community needs to provide support through capacity-building and institutional development interventions.

18. Economic growth and wealth distribution are essential for good governance and accountability and play an important role in conflict mitigation. While State-building models do not provide all the answers to existing problems, it is clear that tax collection is an essential component in enhancing accountability and promoting macroeconomic stability during the transition phase. Promotion of good governance and development during this transition phase is subject to external factors, such as geopolitical interference, existing regional conflicts, resource scarcities, and ineffective or irresponsible development aid; it is important for external actors to address these external factors.

19. The Palestinian National Authority (PNA) has faced major challenges in the course of efforts to introduce institutional reforms. The challenges it has faced include the manner in which the PNA and the peace process were perceived in the eyes of Palestinians; prospects for medium- and long-term reform and development in the absence of a peace accord; the lack of full jurisdiction over a contiguous territory; and lack of control over major economic and fiscal policy instruments as a result of Israeli occupation. The

internal workings of the PNA also called for institution-building and reform. The PNA created an elite group as it had its roots in the Palestine Liberation Organization (PLO) leadership and civil administration machinery; recruitment was likewise underpinned by a neo-patrimonial logic and the bureaucracy was dominated by political appointees, rather than merit-based recruitment. This situation made it difficult to roll out reforms and created a culture of dependency and profiteering, loyalty to powerful individuals rather than the public good, and counter-interest of the ruling elite to aspects of good governance reform, such as transparency and accountability. Palestinian institutions are a product of a particular political economy, which is that of a transitional authority with limited jurisdiction and with diminished local legitimacy when the Oslo interim period ended in 1999. Institution-building has been hampered by an almost continuous state of fiscal, socio-economic and political crisis, and by the failure by Palestinians and the international community to place primary importance on democratic institution-building, and the lack of a holistic, national institution-building plan.

20. Institutional-building in Palestine calls for management reform of the large, expensive and largely unresponsive bureaucracy. As fragmentation poses a challenge to good governance reforms, efforts also need to be made to promote unity and power sharing between the various ruling parties. Good governance in Palestine was further damaged by the failure of the international community to observe “do no harm” principles, such as fragmentation of aid, lack of incentives for reform as a result of the high availability of bilateral aid, and an over-reliance on the executive branch in PNA institution-building assistance. Reform efforts were also hampered by the perception that the reform agenda was not Palestinian and by the lack of credibility of the advocacy and government reform activities being proposed by the international community.

21. A credible peace process will make a significant contribution to reform initiatives in Palestine. Balanced, coherent aid allocation is also necessary and should focus on establishing a coherent coordination arrangement and common funding mechanisms. Reform initiatives in the near term include the preparation of a national agenda and approval of a development and reform plan and budget by the Palestinian Legislative Council (PLC), and the strengthening of policy formulation, planning and budgeting processes. Policy formulation and resource allocation processes should reflect real sectoral and social needs, and should be accompanied by enhanced policy capacity at the ministry and local level, and increased fiscal autonomy and responsibility at the local Government level.

C. REGIONAL EXPERTISE TO SUPPORT THE ENHANCEMENT OF LOCAL GOOD GOVERNANCE PRACTICES IN CONFLICT AFFECTED COUNTRIES

22. As stated below, successful regional models represent a highly useful resource as they can be applied and transferred to the local level.

23. The Parmenides Foundation has developed a valuable tool to systematize and conceptualize good governance through the collection of local information through participatory means, such as focus group discussions. The tool is particularly useful in efforts to develop policies and strategies for good governance interventions, and determining the progress made towards good governance and State-building. The methodology focuses on three key areas, namely the systemic context, self-consistent and coherent measures, and the importance of monitoring and evaluation.

24. Gaining an understanding of the systemic context is a prerequisite to developing State-building strategies, and includes identification of conflict drivers, vicious circles, underlying mechanisms of conflict and possible backlashes, and the use of mediation as a technique to analyse and resolve conflicts between parties. The ultimate result of State-building is not a finished, consolidated state, but a “work in progress”. It is therefore essential to implement consistent and coherent strategies throughout State-building process and ensure that a participatory approach is adopted in order to guarantee acceptance by the target communities and countries. Detailed discussions with stakeholders are essential to assure the transparency of the process.

25. Monitoring and evaluation are essential and need to be carried out at each stage. However, it is important to first agree upon goals and relevant indicators. Goals need to be realistic, adaptable and shared among stakeholders; indicators need to be relevant and related to the goals and accepted by all stakeholders. It is essential to assess the performance of the strategies through evaluation and assessment and/or measures

against goals at all stages and in a transparent manner. Monitoring the execution of the project needs to be carried out at each stage and should include capacity-building components to improve stakeholder project management capabilities. Measures need to be adapted to realities on the ground and re-evaluated and realigned as appropriate. Evaluating the success of the project should be the result of continuous and transparent monitoring of indicator changes, documenting the lessons learned and knowledge management. After the project has been completed, implementation of the goals will be monitored and evaluated.

26. E-governance is the use of information and communication technologies (ICTs) in support of good governance, strengthening existing relationships between citizens and Government, and building new partnerships within and among various official and non-official institutions. Egypt has made great strides in developing e-governance services in recent years, and has harnessed ICTs to achieve administrative and social goals as part of the greater governance reform process to promote accountability, transparency and improvements in public services. The push for e-governance was also a result of international agency demands for progress in certain areas, such as civil rights, effective financial management and devolution from central Government to regional offices. E-governance extends beyond the provision of e-services as it covers the enhancement of the internal organizational processes of Governments, increasing Government transparency to reduce corruption, reinforcing political credibility and accountability and promoting democratic principles through public participation and consultation. E-governance is a strategic choice for developing countries, but needs to be sensitive to the realities of these countries and can only take place if these countries are ready to implement e-governance and if they are committed to developing high-level awareness and the infrastructure needed to carry e-governance forward.

27. Egypt is a large country with a critical mass of young, well-educated men and women, a vibrant civil society, and a strategic commitment to change and economic reform to support social development. Egypt also has a large civil service and currently has 4.6 million public servants on the Government payroll. In 2004, Egypt instituted a Development Agenda, which included a commitment to developing the civil service, developing basic public services, building an information society and developing the political and legislative environment. The Ministry of State for Administrative Development has been working to upgrade the quality of Government services provided to different segments of the population, using service delivery as an indicator for achieving good governance goals. Key to this is improved identification of clients needs, including through the Family Database Project, which links existing databases and provides a profile of 17 million Egyptian families in order to enhance Government decision-making. E-governance is also being used to build the capacity of service delivery, often through PPPs, including components of citizen-relations management and service delivery, such as the issuance of ID cards and the provision of tax forms.

28. E-governance in Egypt has resulted in direct economic gains, for example procurements costs have been cut by between 1 to 3 per cent and 900 working hours have been saved annually. It has also had indirect gains, such as increasing demand for information, reducing traffic and reducing opportunities for corruption.

29. From the 1990s through to the present day, Lebanon has faced both a crisis of governance and conflict as a result of internal and external factors. Recurrent Israeli attacks resulted in major damage to infrastructure, particularly water and electricity; in addition to this, armed conflicts have occurred, such as the 2007 conflict in the Nahr el-Bared refugee camp. This period was also defined by political crisis, which included assassinations, bombings and an escalation of political fighting. This had a strong negative impact on governance and service delivery, including US\$ 7 billion in direct infrastructure damage; delay of Government reforms; paralysis of the Government and parliament; the absence of a budget for 2007 and 2008; and undermined financial stability. The capacity of the Ministry of Finance was further depreciated by brain drain, damage to facilities and of the absence of capacity-building initiatives.

30. There was a clear need for reform in Lebanon, and this necessitated a complex, interconnected policy package with capacity-building at its core. A comprehensive and integrated reform policy was instituted by the Government of Lebanon through the Ministry of Finance and supported by policy support, technical assistance coordination, training and recruitment. To this end, the Basil Fuleihan Institute of Finance (IoF) was created in 1996 as an autonomous agency under the tutelage of the Ministry of Finance, to provide a sustainable source of high quality and specialized training in Lebanon and the region. This French-Lebanese

initiative seeks to develop the financial management skills of public employees in order to improve service quality and transparency, network with regional, local and international institutions, and serve as a regional platform for training. Since its inception, almost 30,000 trainees have participated in IoF training programmes. In addition to improving human resources and management competencies and providing training for better financial governance, the IoF carries out public information activities in support of the reform agenda, promoting access to information, participation and consensus-building. Good governance principles serve as both training objectives and training indicators.

31. The IoF has expanded its activities across the region, benefiting from a common language, history and similar regional development policies. IoF activities in the region have included study tours, technical assistance and trainings. Over 1,500 trainees from 17 countries and 47 institutions have participated in trainings. Among the lessons learned is the importance of confidence-building resulting from improvements in service delivery, enhanced administrative activities and macroeconomic stability. The IoF attribute their success to the fact that they have achieved tangible and desired results, have clearly communicated intentions, Government ownership, good performance and adaptation to local needs.

32. In Iraq, the National Centre for Consultancy and Management Development (NCCMD) is another good example of good governance practices. The NCCMD seeks to create an effective administration through capacity-building, training of officials and promoting e-government. Iraq has also set up a review board to monitor the activities of international and non-governmental organizations in order to determine whether they are in accordance with national development strategies.

33. ESCWA has designed and carried out capacity-building projects in several conflict-affected member countries; these projects have adopted a 360-degree approach which targets policy development and advocacy for reform, institutional development, infrastructure and systems improvements, human empowerment and skill-building. The approach seeks to ensure the sustainability of projects by, among others, ensuring the participation of national stakeholders at all levels; establishing partnerships with United Nations organizations and national, regional and international entities, to ensure complementarities, prevent overlap and ensure the replicability and adaptability of the intervention to the local setting; the multiplier effect of target partners, for example, training institutions and other activities, such as training of trainers; and seeking comparative advantages and addressing local needs.

34. ESCWA has carried out several large-scale capacity-building programmes in Iraq, including: capacity-building of the NCCMD; capacity-building and institutional strengthening of the Ministry of Municipalities and Public Works (MMPW), and strengthening the capacity of the housing sector. These involved a wide range of activities, including proposing strategies and policies for reform of the public sector in these fields, renewing participation in the GIFT-MENA regional training network, train the trainer and training of civil servants activities, and supporting the adoption of modern governance systems. ESCWA also carried out training in strategic planning for officials in Yemen, Palestine and Iraq, and carried out numerous capacity-building activities at the community level in Iraq and Lebanon, focusing on ICT and employment creation.

35. Capacity-building endeavours faced major environmental challenges as a result of operating in a country characterized by protracted conflict and instability. As a result of insecurity in the target country, it may be necessary to hold trainings abroad or in safe locations within the country, thus raising the cost of training. Crisis conditions may also limit the ability to perform needs assessments and correctly adapt training criteria to the needs and aspirations of participants. Limited field access also creates challenges when conducting post-training monitoring and evaluation. There have also been programmatic challenges which limit the multiplier effect of trainings, for example inadequate follow-up mechanisms; inadequate selection of candidates to train as trainers; limited support from senior decision makers; and mismatch between training materials and local needs.

36. The lessons that have been learned from ESCWA capacity-building activities in conflict-affected countries in the ESCWA region are as follows:

(a) Project beneficiaries/partners need to participate in the planning and implementation phases of the intervention;

(b) Senior officials need to be involved and informed about the potential benefits of the project to the institution in order to ensure support and ownership of the intervention by senior management and decision makers;

(c) Coordination is needed with other implementing entities in order to avoid overlap and duplication;

(d) Clear participant selection criteria needs to be established, especially for training of trainer workshops;

(e) Follow-up sessions need to be organized to build on the knowledge that has been transmitted;

(f) Follow-up sessions need to be based on assignments that participants would perform in their respective environments;

(g) Impact evaluations – if no access to end beneficiary is possible – need to be performed through desk reviews and confirmed during an evaluation meeting involving all stakeholders;

(h) Needs assessment should be conducted prior to developing training curricula and fine-tuning needs to be coordinated with relevant national partners;

(i) Study tours should be organized as they are an effective and efficient means to transmit institutional development methods and experiences.

37. The success of ECRI capacity-building projects is in large part due to the fact that it has been able to build on available regional models and expertise, and has successfully partnered with United Nations, national and regional organizations in implementing training activities and treated project beneficiaries as partners, thus ensuring ownership and commitment. This has assured coordinated interventions and pooling of resources and high levels of ownership and sustainability. ECRI is currently moving forward with several prospective capacity-building activities, including supporting member countries in identifying priority institutional capacity, building interventions that would promote good governance practices and human and institutional capacity-building interventions to be set by a comprehensive national strategy that would incorporate national priorities and vision. ECRI is also working to enhance partnerships at the regional level to build on regional expertise and best practices and promoting local governance as a means to enhance service provision under crisis conditions and promoting decentralization.

38. UN-Habitat has successfully carried out post-war reconstruction projects in South Lebanon following the 2006 Israeli war. The 33-day war of July 2006 resulted in 1,287 deaths, 4,061 injured and 900,000 displaced civilians and the contamination of about 35 million square metres of land, and over one million unexploded ordnance and cluster munitions strewn over a wide swath of land. About 20,000 houses were destroyed and more than 12,000 houses were damaged in southern Lebanon. Reconstruction efforts faced additional challenges due to pre-existing conditions, such as weak municipal capacities, the absence of reconstruction regulations, lack of proper urban planning and zoning rules and regulations, and inaccurate documentation of housing.

39. In their response, UN-Habitat sought to bridge recovery and durable solutions, including both immediate technical assistance to affected communities and concerned municipalities, and strengthening the socio-economic recovery of municipalities and Unions of Municipalities (UoM), by providing local urban governance and management instruments to improve access to services.

40. Regional technical offices (RTOs) and local reconstruction offices (LROs) were established as part of the municipal system in the UoMs and in each municipality, and were mainly charged with dealing with various reconstruction needs. They play an instrumental role in actively engaging and responding to the recovery and reconstruction needs of local stakeholders and affected communities. Three urban observatories were established and housed within three UoMs, and include data and indicators presented in an analytical but easily accessible format, supported by geographic information system (GIS) tools. Municipalities now

have a full range of digitized maps as well as base maps and locally verified data to guide future planning. A final component was the development of municipal strategic development plans. Data was collected and analysed through observatories, producing village profiles and regional strategic plans through a participatory process involving stakeholders at both the village and municipal level.

41. Municipal capacity-building formed an important cross-cutting component. A locally-adapted training programme was developed with emphasis on developing the management capacity of municipal authorities. The four key training areas included: the competencies needed for successful municipal management; financial administration; strategic planning; and community participation.

42. In post-crisis countries, governance should be addressed in an integrated manner to link relief and reconstruction to development. The post-conflict recovery/reconstruction phases offer a unique opportunity to revisit past practices and reformulate plans and policies affecting future development. Combining municipal capacity-building activities with the local reconstruction process is necessary to improve response to recovery and improved governance needs. It is crucial to utilize participatory planning and inclusive decision-making models in order to ensure the involvement of all actors in planning and implementation activities.

43. The Ministry of Planning and International Cooperation in Palestine adopted a new approach to reforms after several unsuccessful attempts. The reform agenda, through the peace, recovery and development plan for Palestine (PRDP) for 2008-2010 was developed with full Palestinian ownership, and encompasses performance analysis and coordination in accordance with national strategies. In previous years, attempts to introduce good governance were severely limited by a lack of coordination, fragmentation and competition among stakeholders. Donors exacerbated this through dispersed funding policies. Projects were often included without proper assessment and outside the context of the larger development framework. As a result, reform and good governance processes came to a halt. In response to this situation, the PRDP was prepared to create a cohesive framework for the next four years, in line with responsible donor coordination principles.

44. The four main national objectives of the PRDP are security and rule of law, justice, fiscal reform and the “Open and Accountable Government” reform project. The fiscal reform initiative includes reducing the wage bill burden of public sector employees, addressing the impact of net lending for utilities phenomena on the poorest of the poor, and tax administrative reforms directed at further increasing the efficacy and transparency of collection of tax and customs. The “Open and Accountable Government” programme is a final component which consists of three sub-programmes: system and process re-engineering, with capacity-building implementation of policymaking, planning and budgeting processes; building effective oversight institutions, with capacity-building for independent auditing; and monitoring and evaluation of Government performance with extensive capacity-building of a central Government entity for monitoring and evaluation.

D. NATION-BUILDING IN CONFLICT-AFFECTED COUNTRIES: STRENGTHENING THE PUBLIC SECTOR THROUGH CAPACITY DEVELOPMENT

45. Enhancing good governance practices among civil servants is essential to improving the performance of the public sector. Capacity-building initiatives are a critical component, and must be relevant, accepted and owned by the civil servants concerned. Strategic planning and setting realistic goals are important elements in ensuring the introduction of good governance practices.

46. The Task Force on Iraq of the OECD has shown the importance of aligning national priorities and recognizing the link between political, security and development objectives. Enhanced governance initiatives play an important role in conflict contexts, both in fostering economic growth and job creation. In early post-conflict phases, private sector development-related governance reforms are as important as rule of law and capacity-building initiatives and must be included in first-generation reforms. Importantly, while weaknesses in rule of law may still persist, there may be an over-regulation of small businesses. The impact is increased incentives to stay in the informal economy and the creation of barriers to economic growth.

47. Despite this, private sector development (PSD) is often not integrated due to competing reform priorities and political difficulties associated with such reforms. The OECD, the World Bank and the German Institute for Technical Cooperation (GTZ) have all developed PSD frameworks, which ensure ownership of the reforms process and the support of the Government. PSD instruments and concepts include the OECD risk awareness tool for multinational enterprises in weak governance zones; principles for good international engagement in fragile States and institutions; concepts and dilemmas of State-building in fragile situations; Development Assistance Committee (DAC) guidelines on security system reform and governance (2004) and the 2005 Paris Declaration on Aid Effectiveness.

48. The MENA-OECD project was carried out in Iraq. The project benefited from the broad mandate of the International Compact with Iraq, the MENA-OECD initiative, as well from the support of the Middle East and North Africa (MENA) countries and the engagement of key Iraqi ministries. The project involved capacity-building meetings on investment reform, public procurement, anti-corruption, improved governance, supporting the participation of Iraqi officials into networks of regional experts. The initiative provided targeted capacity-building support that leveraged the expertise and capacities of OECD and MENA countries. The project supported Government leadership in efforts to ensure coordination and consensus on reform priorities; this was done through a broad range of policy areas affecting good governance and the business climate, the private sector and civil society also participated in order to guarantee the sustainability of the project. Any future interventions for administrative reform towards good governance within fragile or conflict-affected countries should be framed within the principles of the aid effectiveness, as spelled out in the 2005 Paris Declaration on Aid Effectiveness and the OECD/DAC principles on intervention in fragile States.

49. Capacity-building in conflict-affected countries faces several additional challenges which require the development of a new framework. Sectarian tension in countries, such as Lebanon and Iraq, means that additional care needs to be taken when choosing trainees. It also creates further difficulties in the monitoring and evaluation process. Rent-seeking behaviour has in many cases affected the impact of trainings, particularly as training political elites may not lead to an enhancement of the capacity of targeted Government entities. Another problem in conflict-affected areas is the donor frenzy that often occurs and which can take place outside of any coherent strategic framework or proper coordination, and which may repeatedly target the same beneficiaries.

50. Analysis of failures and successes demonstrates that it is important to take into account the motivation for reform, which has often been absent; the result is that while reform laws are passed, they are left unimplemented. Furthermore, expectations for reform have been greater than possible gains given the levels of stakeholder commitment. In order to improve the efficiency and efficacy of capacity-building for good governance in conflict-affected societies, lessons learnt in Lebanon and Iraq show that a new framework needs to be established around the following five pillars:

- (a) Laws and legislative frameworks, which take into account how institutions operate and how civil servants are managed;

- (b) Political consensus and level of commitment to reform;

- (c) Coordination among public institutions in the public sector;

- (d) The commitment to change and capacity for change management among leadership and public sector institutions;

- (e) The willingness of Government to commit and invest in human resources as a source of development.

E. TOWARDS MORE EFFECTIVE GOVERNANCE: NORMS AND MECHANISMS

51. The effectiveness of the public sector is enhanced by the adoption of ethical norms. Public-private partnerships and corporate social responsibility increase good governance practices by making the public sector more competitive, cost effective, transparent and responsible.

52. As a result of failures in global corporate governance, such as those that led to the financial crisis of the 1970s, OECD has prepared a set of principles for companies to abide by, including a set of guidelines for state-owned enterprises. At the core of these principles is the role of stakeholders in decision-making bodies and a separation of capital ownership.

53. The OECD guidelines on corporate governance of State-owned enterprises contained the following components:

- (a) Ensuring an effective legal and regulatory framework for State-owned enterprises;
- (b) The State acting as an owner;
- (c) Equitable treatment of shareholders;
- (d) Relations with stakeholders;
- (e) Transparency and disclosure;
- (f) The responsibilities of the boards of State-owned enterprises.

54. Some of these principles have been included in national laws, for example these principles have been included in legislation in Lebanon. Despite this, it has not been possible to implement responsible corporate governance principles in the region and, where they have been applied, adherence has been weak. This has discouraged foreign investment – the private sector in Arab countries currently receives only 2 per cent of global foreign direct investment (FDI). Failure to abide by these principles also fuels the brain drain. Growth and investment in the banking sector in Lebanon is due to sound accountability, however this is one of the few sectors where this is the case.

55. One of the key areas where the principles are not observed is the separation of management from share ownership. There is a paucity of internal audit units, and where they do exist, they often represent management and are not transparent. Published company information generally reflects the interests of management, and is rarely objective. State-owned enterprises in Lebanon were established progressively, generally beginning with Government privileges, such as the electricity provider and the national tobacco company. These companies were administered by the private sector and then acquired by the State, and most of them are considered to be uncompetitive and overstaffed. The cellular telephone service in Lebanon is a more recent example of the negative impact of State-ownership of enterprises in Lebanon. This market is dominated by only two companies, neither of which abides by market principles.

56. Sectarian divides within the public sector in post-conflict countries in the ESCWA region create significant obstacles in efforts to introduce reforms. A useful five-pillar monitoring approach is used by LCPS, which includes, among others, political consensus for reform, coordination between ministries and human resource development. Judicial reform as part of public sector governance in Lebanon provides an excellent case study on the need to separate the executive arm from the judicial arm in order to ensure transparent and effective governance.

57. Media and information campaigns and civilian oversight improves governance and transparency and reduces corruption. Public-Private Partnerships also maximize Government resources and improve the quality and transparency of interventions and the delivery of services.

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