

**ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)**

**THE REBUILDING AND REVIVAL OF LEBANON:  
A POLICY PAPER WITH INITIATIVES**

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## CONTENTS

*Page*

Introduction .....	1
<i>Chapter</i>	
<b>I. THE WAR ON LEBANON: CHALLENGES, PRIORITIES AND OPTIONS FOR THE FUTURE .....</b>	<b>2</b>
A. Background .....	2
B. Challenges and priorities.....	2
C. Comprehensive rebuilding process: options for future action .....	3
<b>II. TAKING CHARGE OF LEBANON’S FUTURE: INTERVENTION AND CONTINUITY .....</b>	<b>5</b>
A. Infrastructure.....	5
B. Built-up areas .....	5
C. Private sector.....	6
D. Social dimension.....	7
<b>III. INITIATIVES TO SUPPORT LEBANON’S REBUILDING EFFORTS .....</b>	<b>8</b>
A. Developing regional networks for revival .....	8
B. National initiatives .....	10
<b>IV. CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>17</b>

## **Introduction**

The war of July-August 2006 by Israel inflicted severe devastation on the human and physical resources of Lebanon and greatly undermined socio-economic development. Moreover, the trail of devastation has left that country with a series of serious rehabilitation, reconstruction and recovery challenges.

Serious efforts and resources were allocated to repair quickly and rehabilitate damaged or destroyed basic physical infrastructure. However, there is still a need for a comprehensive reconstruction, rehabilitation and recovery vision embedded within a wide participatory process. This policy paper puts forward a model for the realization of such a coordination platform, given current Lebanese political and financial constraints. It was formulated early during the military confrontation and shortly after the conflict as a serious intellectual and practical contribution by ESCWA to the rebuilding and revival process.

A leading challenge to recovery efforts is the chronic poverty and unemployment. Significantly, the geography of destruction and the geography of poverty are largely overlapping. Consequently, special revival programmes to alleviate poverty and generate employment must be put in place. Employment generation programmes need to be tailored in a manner that reconciles relief, development and reconstruction with people's aspirations and participation. This paper makes a number of suggestions on ways of putting these linkages into practice.

Moreover, this paper strongly advocates that any viable nation is in need of a capable State. As such, it promulgates that the reconstruction, recovery and revival of Lebanon must be conducted through a transparent and participatory governance regime under the leadership of the Lebanese Government. Within that context, there is a strong need for modalities aimed at enhancing transparency, good governance and coordination between donors and beneficiaries. To that end, a number of initiatives are put forth to support these rebuilding efforts, which are related to the mobilization of regional support to the reconstruction and revival efforts and the launching of national initiatives based on three pillars, namely: an effective monitoring system, an adequate institutional framework and an in-situ programme for the rebuilding process.

# **I. THE WAR ON LEBANON: CHALLENGES, PRIORITIES AND OPTIONS FOR THE FUTURE**

## **A. BACKGROUND**

The war against Lebanon, which was launched on 12 July 2006, has left a trail of destruction and immense destitution. Israeli air strikes have reduced to rubble various regions of Lebanon, including, most prominently, many villages in South Lebanon, an entire district in the southern suburbs of Beirut and parts of the Bekaa Valley. By perpetrating wanton and targeted crimes against civilians and their properties, Israel violated all the conventions related to the prohibition of collective punishment, especially Article 33 of the Fourth Geneva Convention prohibiting collective punishment; and Article 48 outlawing military actions against civilian populations and infrastructure.

During the conflict, the army of Israel undertook some 56 separate attacks, which resulted in the death of more than 1,000 Lebanese civilians and more than 4,000 injuries, many of whom have now become severely handicapped or disfigured. Moreover, one-third of all casualties were children, and 19 per cent were women. Unexploded munitions, particularly cluster bombs, continue to take their toll on Lebanese civilians, mostly children and adolescents;<sup>1</sup> and the mass exodus from and within Lebanon led to significant hardships that have raised fears of communal tensions.<sup>2</sup>

Parts of the infrastructure have been severely albeit selectively destroyed, with the destruction of more than 30,000 homes, and the demolition of more than 100 bridges and roads. Relay stations for Lebanon's two mobile phone companies were hit in addition to TV and radio stations across the country, thereby causing losses estimated at more than \$100 million and isolating villages, towns and cities. Factories, hospitals, schools, seaports and airports were hit, and some fuel storage facilities were damaged severely.

All economic sectors have been crippled. Specifically, manufacturing facilities were heavily targeted both by the bombing raids and by the land, air and sea blockade that lasted more than a month beyond the cessation of hostilities. Certain sectors and areas of the country were subjected to more severe damage than others. As a result, while unemployment was estimated at 10-12 per cent prior to the war, it has multiplied substantially in most sectors and areas. Agriculture was affected severely given that most harvested crops were either burned or wasted, and that new crops were unattended. Additionally, the tourism industry, which is a crucial sector of the economy that generates significant foreign reserves and capital inflow into the country, has come to a complete standstill.

Furthermore, the economic and social consequences of Israel's attacks were compounded by an environmental disaster and damage to marine ecosystems that was caused by the bombing of the fuel storage facilities at Jieh Power Station, thereby resulting in a 15,000-ton oil spill into the Mediterranean Sea and polluting 75 per cent of the Lebanese coastline. A prospective cleanup operation is estimated at several million United States dollars and many years of serious efforts. Estimates of the total reconstruction bill run into several billion dollars.

## **B. CHALLENGES AND PRIORITIES**

The rebuilding process faces a number of challenges that require careful consideration. These can be summarized as follows:

(a) Efforts aimed at repairing and rehabilitating the basic physical infrastructure that was so selectively and comprehensively destroyed during the conflict must be continued and completed;

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<sup>1</sup> Some 1.2 million cluster bombs were dropped on Lebanese territory, most of which were dropped in the last two days of the military conflict.

<sup>2</sup> During the conflict, approximately one-quarter of the Lebanese population was displaced.

(b) Given that the areas hit during the war have traditionally been the most impoverished in the country, there is a vital need for special reconstruction and revival programmes aimed at building local capacity for poverty alleviation and employment creation;

(c) Social and economic imbalances experienced during past reconstruction efforts pose an additional challenge and must be redressed;

(d) The coffers of the Lebanese Government are almost empty and debt is already at record levels and rising. In that light, fiscal discipline must be restored, and debt growth reversed as part of the reconstruction effort;

(e) Employment generation programmes must be established and implemented to provide strong links between relief and development, and between reconstruction and people's aspirations and participation;

(f) The outflow of highly skilled Lebanese workers and talent needs to end. This brain drain must be reversed into an influx before these flows become more permanent and irreversible;

(g) A transparent and participatory governance regime to oversee the reconstruction and revival programmes must be established under the leadership of the Government in order to avoid other stakeholders from diverting it further according to private agendas and views;

(h) Donors must be encouraged to deal with a central facility that favours the role of State institutions as core to recovery, rebuilding and revival efforts.

If Lebanon is to achieve long-lasting benefits in facing the above challenges, reconstruction efforts need to proceed hand in hand with sustainable development and revival activities, particularly in the areas most severely affected by the war. Programmes must be devised and implemented, and tailored to provide a close link between reconstruction and sustainable development and revival by responding to the priorities and preferences of targeted communities; encouraging the direct participation of civil society institutions; and basing such programmes on available natural and human resources.

Past experience clearly demonstrates that relying too much on external donations produces only limited benefits that are often greatly delayed. It is only by focusing on community development that the vicious cycle of dependence on external resources can be reduced. Consequently, while coordination at the national level is an absolute necessity, sharp focus must be maintained on building and enhancing existing capacity at the community level that leads to enterprise creation and employment generation.

### C. COMPREHENSIVE REBUILDING PROCESS: OPTIONS FOR FUTURE ACTION

As with many crises, the recent massive destruction by Israel across Lebanon must be viewed as a political source of opportunities as well as challenges. In essence, conditions are ripe for going beyond palliative options in post-war situations where reconstruction is given such priority as to exclude the needs for ameliorating social and economic conditions. Specifically, implementing initiatives aimed at reconstruction in unison with those that target socio-economic development is the best guarantee that a future can be envisaged wherein wars and internal conflicts do not pose valid options any longer. With that in mind, a durable organic link between, often alienated, reconstruction and socio-economic development processes must be forged at the outset.

Future action needs to integrate reconstruction and development, with a focus on community involvement. Action along these lines in a limited number of sectors, with due prominence given to areas that enjoy deep roots in targeted areas, including, for example, agro-food and tourism, can provide success stories that could be emulated by other communities and even other countries in the ESCWA region. Moreover, integrating reconstruction and development could stem the outward flow of Lebanon's skilled workforce and talented young and professional communities.

However, simply integrating reconstruction and development cannot on its own meet the above challenges. Transparent and participatory governance regimes are essential to oversee relevant initiatives and programmes; and donor aid programmes, whether aimed at reconstruction or future development, must support the central role of the State as a facilitating, enhancing and orchestrating entity.

More than ever before there is need for a new and comprehensive vision, fashioned and shared within a wide participatory process to manage reconstruction and development efforts. Given the situation in areas subjected to most damaging attacks during the war, there is a very strong argument for proceeding with both processes in close partnership with local communities and full coordination with central authorities.

The latest round of destruction by Israel opens new vistas that must not be wasted. The post-hostilities phase offers a belated opportunity to review critically past reconstruction efforts. There is a dire need for broader participation from a wide array of expertise in order to develop a novel and truly comprehensive shared vision governing the prospective reconstruction and recovery effort. While the temptation to rebuild the past is great, it can and should be avoided.

A comprehensive vision and plan must be formulated as soon as feasible; a vision that emerges from a wide participatory process, and is weighted by the proportion of loss suffered by the representative groups and economic sectors.

There is an urgent need to adopt a nationwide rebuilding process that, rather than being confined to haphazard reconstruction, integrates several components collectively and reaffirms Lebanon's resilience as a nation sustained by a capable State. In particular, there is a need to take into account dimensions that supersede mere reconstruction, and to address a variety of other issues, mainly social, economic and environmental, including as follows:

- (a) The economy must address the growing number of unemployed that multiplied as a result of the war, and the growing number of those who have slipped recently into poverty. This involves, among others, adopting tax regimes that tackle inequality and the widening social gap to alleviate social suffering;
- (b) Serious efforts need to be made to achieve a political consensus regarding unavoidable reforms, thereby reducing drastically tensions among various political groups;
- (c) A shared value system must be adopted to fight corruption, nepotism, tribalism and other neo-patrimonial practices;
- (d) The judiciary needs to be reformed and placed at the centre of the reconstruction effort to monitor transparency standards;<sup>3</sup>
- (e) Social equity, which is never a linear consequence of economic growth, deserves special attention. Specifically, the needs of vulnerable groups and marginalized communities must be addressed proactively in the rebuilding process;
- (f) The rebuilding effort must not neglect environmental needs, especially the protection of natural reserves;
- (g) Security and stability within the confines of the law are paramount in averting another round of devastating destruction.

For it to succeed, this comprehensive package entails a national paradigm shift that negotiates creatively reconstruction practices with the projected rebuilding and revival process. Policies driving this process should stress the following: (a) planning based on priorities rather than resources; (b) monitoring based on focused feedback rather than on routine reporting; (c) control based on good governance rather than on rash execution; and (d) development based on local viability rather than centred merely on capital.

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<sup>3</sup> A reformed judiciary needs to be isolated from political pressures to the extent possible.

## II. TAKING CHARGE OF LEBANON'S FUTURE: INTERVENTION AND CONTINUITY

Countries that undergo political and socio-economic war traumas tend to mobilize immediately all local resources and attract international aid to ensure speedy recoveries. Time and capital usually take priority over establishing bodies responsible for comprehensive assessment and planning, efficient supervision and standardization.

While more than four months have passed since the cessation of hostilities, assessment and planning are still lacking. The impact of the devastation and the scale of damages incurred during the conflict necessitate a return to normality and a restoration of basic services. However, the legitimate requests for quick reconstruction must be allowed as well in order to appreciate the full extent of the destruction or the complexity of the reconstruction effort, and to take into consideration the impact of these dynamics on the entire economy and on social ties. Damage assessment must therefore be dynamic and multidimensional.

Within that context, the pressing challenges can be divided along four intervention levels, namely: (a) infrastructure; (b) built-up areas; (c) private sector; and (d) social dimension.

Financing a new reconstruction programme by raising the level of public debt or by taxation should not be considered as a viable option. Another load of relief and social cost will simply pressure the budget and widen the fiscal gap. There is currently a unique opportunity to converge donor preferences towards national domestic needs and priorities. This approach is likely to promote institutional reforms, social stability and economic transformation.

### A. INFRASTRUCTURE

Reconstruction efforts targeting destroyed infrastructure must take into account previous national plans that have been realized.<sup>4</sup> Moreover, reconstruction efforts need to be used to improve the status of the infrastructure that existed before the conflict of July-August 2006. These two principles need to guide the rebuilding effort in a simplified formula as follows:

$$\begin{array}{ccccc} \textbf{Enhancing} & & + & & \textbf{Reconstructing} & = & & \textbf{Rebuilding} \\ \text{Before 12 July 2006} & & & & \text{July-August 2006} & & & \text{September 2006 onwards} \end{array}$$

Government agencies, donors, the civil society and the private sector need to act collectively to reduce duplication and maximize economic efficiency. Moreover, the Council for Development and Reconstruction (CDR) has the experience in planning and subcontracting the rehabilitation and reconstruction programme quickly. In addition, it is important to establish advisory and monitoring bodies involving representatives from local and municipal authorities, and experts in order to optimize outcomes, including auditors, engineers and quality supervisors.

Furthermore, sectoral issues need to be addressed, failing which relief activities could overshadow the holistic vision.

### B. BUILT-UP AREAS

Built-up areas cover residential housing, common function buildings for the Government, and buildings hosting institutions and commercial entities. The negative aftermath of destruction, coupled with the high expectations accompanying any reconstruction effort, could produce a synergy that enhances the rebuilding process.

In such a challenging situation special attention needs to be given to the following:

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<sup>4</sup> See the Council for Development and Reconstruction, "National physical master plan of Lebanon"; and the European Union, "Préparation de projets d'action municipale dans un cadre planifié de développement local".



- (a) Vulnerable groups and marginalized communities that are often excluded from the reconstruction process;
- (b) Linking future reconstruction plans to existing Government plans at the national level;<sup>5</sup>
- (c) Integrating the damaged areas into local contexts both functionally and economically;
- (d) Avoiding dissonance between reconstructed areas and the national reconstruction plan.

The breadth of destruction entails a “zone of full cycle” (ZFC) design aimed at optimizing the time/costing ratio. In turn, each area is further divided into several ZFCs; and each donor could then match preferences to a specific ZFC without fragmenting the general trend.

Owing to the central nature of the design, the variety of inputs required and the multiplicity of donors, it is recommended to establish a national council for housing that could supervise the reconstruction process and secure public safety regulations. This council could serve as an advisory strategic urban planning authority at this stage, thereby expediting the process while remaining comprehensive and futuristic. Proposed members of the council could include the Government and related authorities, including CDR; members of engineers’ syndicates, including the Order of Engineers and Architects; academics and concerned civic organizations; and donors.

The terms of reference for such a council, in addition to budgeting and contracting would remain the responsibility of CDR; and follow-up executive committees could be established to optimize output. Additionally, these committees could participate in the execution of the ZFC.

Moreover, an independent monitoring body needs to be established aimed at supervising the reconstruction phase and incorporating auditors and quality and specification experts. However, it is important to define firm criteria to guide implementation practices within the national framework of the Master Plan.<sup>6</sup>

### C. PRIVATE SECTOR

The Lebanese economy has been facing serious difficulties since the late 1990s, despite some support initiatives, particularly Paris II; and such congenial regional circumstance as high oil prices that produced a higher growth rate in 2004. Economic reforms were being debated intensely by Government officials and members of the private sector. No consensus on a reform package had emerged before the outbreak of the conflict in July 2006; and budget for 2007 has yet to be tabled.

A number of indicators reveal the bleak picture emerging after the end of hostilities, including as follows:

- (a) Major agricultural sectors were bombed, and most of the crops of the season were wasted owing to the lack of transportation and export;
- (b) Fisherman activities, which represent a source of direct income for thousands of families living in coastal regions, were totally suspended for more than three months;
- (c) The tourism sector has come to a complete standstill, with major losses registered by, among others, restaurants, hotels, car rental firms and travel agencies. Indeed, many restaurants have been compelled to shut down and numerous hotels have reported zero occupancy rates. This has compounded unemployment in the tourism sector, which has been further exacerbated by continuing political instability and stagnation;

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<sup>5</sup> See the Council for Development and Reconstruction, “National physical master plan of Lebanon”.

<sup>6</sup> Ibid.

(d) Many companies have relocated to other regions and countries, thereby adding to unemployment;

(e) While cheques in circulation have dropped substantially, the occurrence of bounced cheques have increased.

Besides paying indemnities, the pressing challenge involves helping institutions and medium-, small- and micro-companies survive the next twelve months. These companies face three overlapping challenges, namely: loss of human capital; loss in their market share; and loss of their entire assets resulting from default payments.

Rebuilding confidence in the economy and in private investment will prove to be a challenging task. Moreover, a financial structure that is robust enough to support certain insurance companies is required to cover rebuilding investments for the next two years. This is crucial in order to boost investors' confidence.

A number of economic incentives can help reorganize the production cycle, including as follows: (a) special procedures to facilitate export, particularly to Arab markets; (b) re-scheduling tax obligations and dues; and (c) reactivation of the production and services sector.

#### D. SOCIAL DIMENSION

Within the context of the social dimension, pressing priorities include the compensation for the loss of tangible physical resources and funds, and funds for rebuilding amenities and providing for the recovery of damaged or lost infrastructure.

Additionally, the Government must focus on a strategy aimed at the following: (a) ensuring minimum survival conditions to sustain household livelihood (making ends meet) and institution cycles through direct grants and special subsidies; and (b) enhancing those conditions and their respective investment climate.

The size of the Israeli attack was overwhelming given its devastating impact on almost all the areas of South Lebanon, the southern suburbs of Beirut and parts of the Bekaa Valley, which caused massive physical damage and triggered heavy social pressures.

Before the conflict, an estimated 7 per cent of the Lebanese population was considered under the lower poverty line. In the aftermath of the war, by contrast, it is estimated that as much as one-third of Lebanese experience difficulty in reconciling basic needs with monthly income, thereby widening social gaps. This condition is exacerbated further by the continuous political instability and economic stagnation.

The areas most heavily bombed during the conflict have historically been underprivileged economically in Lebanon's lopsided economic structure. This applies to urban areas, namely, Beirut's southern suburbs; and rural areas, particularly South Lebanon and the Bekaa Valley.

Socio-economic consequences of the hostilities can be summarized as follows: (a) increase in the unemployment rate; (b) widening of the social gaps, with an increase in the rate of the "new poor"; (c) destruction of assets for small and medium enterprises (SMEs) in rural and urban areas, including farmers, fishermen, truck drivers, craftsmen and most SMEs in practically all sectors; (d) displacement away from the war zones for at least one month of a swathe of refugees; and (e) increase in emigration, both temporary and permanent.

Alleviating these social dislocations requires flexible solutions that must be integral to the prospective reconstruction process. These solutions include the following:

(a) Selected and specific short-term vocational training in relief activities and reconstruction fields, where needed;

(b) Long-term capacity-building in social work and health;

(c) Establishing an employment trust fund that provides loan guarantees, insurance and benefits, which could be based on both micro-credit and partial support.

The rehabilitation, reconstruction and revival process can only come about through strong public institutions that are efficient, transparent, cost-effective, comprehensive, national and sustainable. These institutions need to work in synergy among themselves as well as with concerned civic institutions and local authorities.

Within that context, the matrix presented in the table below has been developed to demonstrate the intervention and entities that are best suited to carry out the rehabilitation, reconstruction and revival process. For example, interventions in infrastructure need to be coordinated by relevant governmental bodies and CDR; major intervention, that is the planning and implementation, must be led by CDR in collaboration with donors and the contractors; and ensuring the maintenance of the post reconstruction phase and the future development or enhancement needs to be conducted by the Ministry of Public Works and Transportation and relevant local authorities.

TABLE. MATRIX ON THE REHABILITATION, RECONSTRUCTION AND REVIVAL PROCESS OF LEBANON

<b>Intervention</b>	<b>Coordination mechanism</b>	<b>Major intervention</b>	<b>Sustainable development</b>
<b>Infrastructure</b>	Government Council for Development and Reconstruction	Council for Development and Reconstruction/Contractors Donors	Ministry of Public Works and Transportation Local authorities
<b>Built-up area</b>	Housing National Council	Housing cooperative Council for Development and Reconstruction Municipalities	Municipalities union Private investments
<b>Private sector</b>	Economic and Social Council Unions, syndicates, associations	Central Bank and banks Ministry of Finance Special funds	Financial Recovery and Enterprise Transformation Fund
<b>Social dimension</b>	Government United Nations	Government Donors, NGOs Local authorities	Government Local authority Civil society

Source: Compiled by ESCWA.

The matrix presented in the table above incorporates proposals to establish new entities, including a housing national council and a housing cooperative and enterprise transformation fund; and alludes to the reactivation of such entities as the Economic and Social Councils and Associations.

### III. INITIATIVES TO SUPPORT LEBANON'S REBUILDING EFFORTS

ESCWA proposes a number of initiatives aimed at supporting the rebuilding efforts of Lebanon. These initiatives are related to mobilizing regional support for the reconstruction efforts and launching national initiatives based on three pillars, namely: an effective monitoring system, an adequate institutional framework, and in-situ programmes for the rebuilding and revival process.

#### A. DEVELOPING REGIONAL NETWORKS FOR REVIVAL

Many Arab public and private entities have shown wide interest and concern to participate in the reconstruction effort in Lebanon after the conflict of July-August 2006. In fact, many countries have been actively involved in terms of providing relief emergency and supporting reconstruction. ESCWA is concerned to sustain this interest and enthusiasm by setting quasi-permanent arrangements of cooperation and exchange of information, expertise and experience. Such arrangements go beyond the socio-economic dimension of enhancing regional cooperation. ESCWA believes that increasing security in Lebanon contributes to building peace and security in the region.

A very dynamic and diverse Lebanese political environment coupled with a multitude of different Arab development actors has made cooperation and coordination a necessity rather than a choice. A credible, legitimate, organized and interactive mechanism is still needed whereby various development actors could take part on an equal footing, particularly actors from Arab civil society and their Lebanese counterparts in the Government, civic institutions and the private sector.

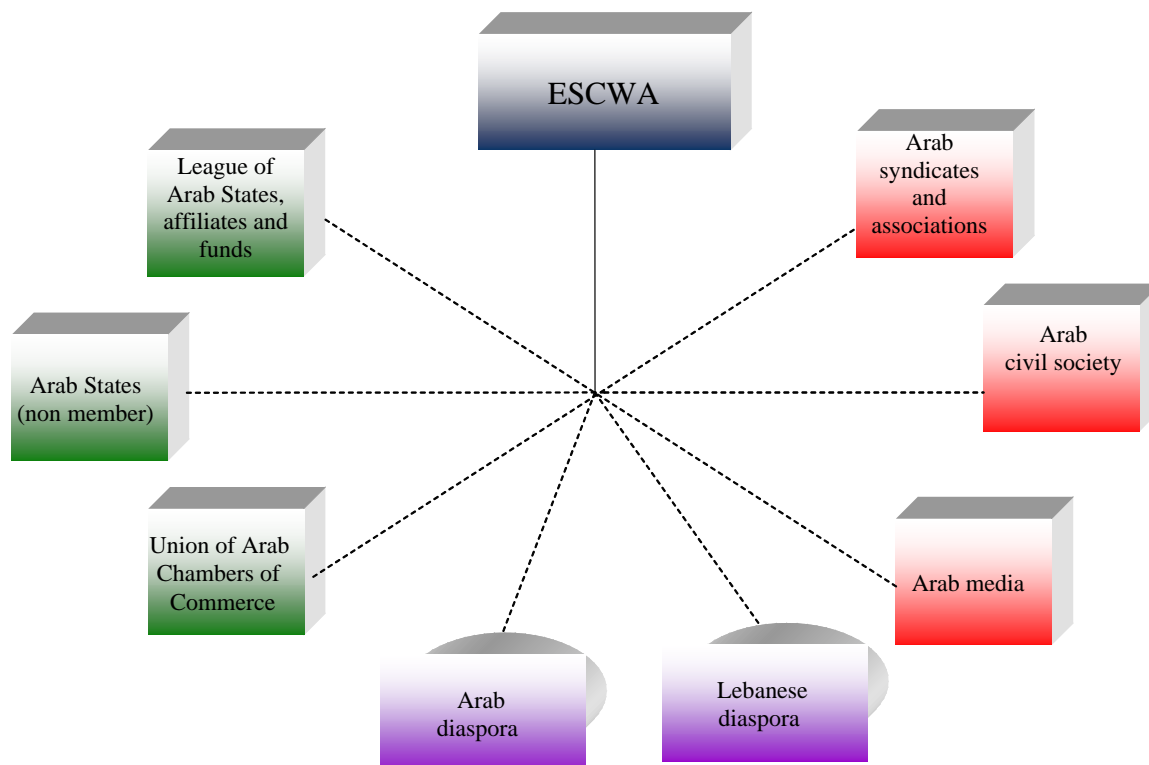
For this purpose, ESCWA recommends the establishment of Arab-Lebanese networks for revival aimed at offering a platform to Arab donors and other concerned actors to interact and exchange information on their respective programmes with their Lebanese counterparts (see figure I). Such an interaction could close the gap between Arab development actors and donors and their Lebanese partners/beneficiaries, thereby removing barriers that could otherwise lead to miscommunication and misallocation of funds; and building stronger operational relations among the Lebanese beneficiaries and Arab development actors. Moreover, such a discourse could increase transparency in project formulation and promote the alignment of actual needs with reconstruction and development efforts.

The objectives of these networks can be summarized as follows: (a) to develop a shared operational framework among active Arab developmental actors and their Lebanese counterparts that would include promoting a shared system of values and ethics, developing normative standards for needs assessment and building the corporate/institutional memory; and (b) to establish a mechanism for a sustainable dialogue and cooperation among Arab developmental actors and their Lebanese counterparts that would serve as a basis for a longer-term participatory joint action on the Lebanese developmental scene.

Through such networks, ESCWA will endeavour towards the elaboration of a regional platform to support national rebuilding efforts; matching mechanism to link regional resources with local needs; and common space to share similar rebuilding experiences and success stories.

Within that context, ESCWA would actively support mobilizing initiatives for needed funds and expertise; and coordination activities aimed at channelling regional enthusiasm and commitment.

**Figure I. Arab-Lebanese networks for revival**



Source: Compiled by ESCWA.

## B. NATIONAL INITIATIVES

The proposed national initiatives relate to the establishment of a reference monitoring system to secure the efficient and effective implementation of the reconstruction process; and the establishment of in-situ programmes aimed at assisting in the rebuilding and recovery of the country.

### 1. *Monitoring system*

Monitoring systems are vital tools in socio-economic development planning, implementation and evaluation, particularly in a very dynamic environment consisting of a multitude of development and political actors. Under such circumstances, coordination and cooperation among various stakeholders is difficult. In that light, three initiatives are suggested, namely: (a) a laboratory for existing studies; (b) a reference hub for NGOs and donors; and (c) a national forum for revival.

#### (a) *Laboratory for analysing and validating existing and future studies*

The sheer size of destruction and damage necessitates a comprehensive, informed and well-studied rebuilding process, similar to the one undertaken during the early 1990s. Actors concerned with the rebuilding process need to take stock of existing relevant studies, activities or projects that were prepared before the recent conflict in order to prevent repetition and past mistakes, learn of shortcomings and improve on deliverables. Moreover, the current destruction and rehabilitation are widely expected to require additional studies and projects that will subsequently need to be taken into consideration.

Lebanon does not have a comprehensive entity or portal that actively retains, collects and shares all such studies or documentation. Accessibility to such material is left mostly to chance or personal initiative, given that they are scattered between different local governmental agencies, international organizations and concerned donor entities. Moreover, data, figures, assessments and recommendations on the same subject often differ from one study to another.

An impartial and credible body, which can be referred to as a laboratory, is required to make available all the relevant studies, reports and project documents. This laboratory needs to be established in coordination and cooperation with all entities carrying out similar tasks, including, for example, CDR and the Office of the Prime Minister. Moreover, it will cater to decision-makers, planners, project designers and managers, researchers and donors from public, private and civic institutions as well as multilateral organizations that are concerned with the rebuilding process and development efforts.

Specifically, researchers and policymakers could use the services provided by the laboratory to define priorities and propose strategies. Past mistakes can therefore be prevented; and overlapping, duplication and inefficiency can be reduced given that development interventions are enhanced through an efficient, easily-accessible and credible stocktaking tool that analyses and validates current/past studies and projects. Such a tool could prove to be indispensable during both the planning phase and evaluation of any intervention.

#### (b) *Reference hub for NGOs and donors*

Accurate data and response/evaluation/receptivity of beneficiaries on the priorities of needs are key requirements to any sound decision-making process in the areas of humanitarian, relief and development intervention by NGOs or other agencies. Unfortunately, donors and development actors rely mostly on internal monitoring systems that are commonly detached from the field, or from the feedback of beneficiaries. Consequently, it is not easy to evaluate progress towards set relief or development goals; and intervention as a whole runs the risk of missing set goals either partially or completely.

Furthermore, owing to the complexity of the current reconstruction process and the multiplicity of donors and actors on the ground, the absence of a strong and authoritative coordination mechanism that all parties recognize or adhere to can cause serious overlapping and duplication, as well as neglect certain developmental and revival priorities and marginalized groups.

In order to minimize the impact of such risks, a reporting system based on incentive is recommended. The system could feed into and lead to a reliable and up-to-date reference hub, which Lebanon urgently needs.

Specifically, the aims of the hub could be as follows: (a) promote direct consultation and contact with the Lebanese Government; (b) cater to decision-makers, planners, project designers and managers, researchers and donors from public, private and civic institutions as well as multilateral organizations that are concerned with the rebuilding and revival process and development efforts; and (c) contribute to the coordination, planning and implementation of socio-economic development and reconstruction efforts in Lebanon.

Consequently, the Government as well as donors could enjoy a more reliable reference source; and researchers and policymakers could use the services provided by the hub to learn the activities and locations of particular entities, thereby reducing overlapping, duplication and inefficiency.

(c) *National forum for revival*

ESCWA, among other concerned entities, could assist and play a catalyst role between all stakeholders in terms of encouraging and supporting a dialogue on the reconstruction and revival process that could eventually lead towards a new national compact for the rebuilding process. A credible and interactive mechanism is needed under which various development actors could take part on an equal footing, including the Government, civic institutions, the private sector, the United Nations system, and international and regional organizations and funds.

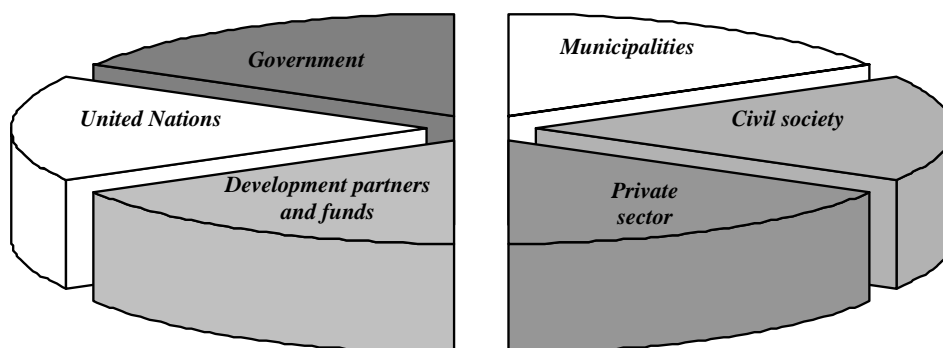
With that goal in mind and making full use of its convening power, impartiality and strong networks across the country, ESCWA could call for the establishment of a national forum for revival. Convened in consultation with the Government of Lebanon, the objectives of such a forum can be summarized as follows:

(a) To develop a shared theoretical framework among active development actors that could include the following: (i) promoting a shared system of values and ethics; (ii) developing normative standards for needs assessments; and (iii) building the corporate/institutional memory;

(b) To establish a mechanism for a sustainable dialogue and cooperation among development actors in Lebanon that could serve as a basis for a longer-term participatory decision-making approach on the developmental scene.

Additionally, a main component of the forum is the space offered to the local authorities, donors and other development actors to interact and exchange information on their respective programmes (see figure II).

**Figure II. Forum for national revival**



Source: Compiled by ESCWA.

The forum could retain permanent members representing each of the following groups: the Government, municipalities, the United Nations system, local civil society institutions, the private sector, and regional and international development partners. Moreover, the forum could convene regularly under a rotating chairmanship. It is proposed that the permanent members could amount to a total of 30 representatives; and the media, academia and major local research or policy centres could equally be represented and join the permanent members in the full plenary session.

With its all-inclusive participatory approach, the forum could bring together different development actors and place them, through the representatives of the municipalities, in direct contact with the needs and views of the local population. Such an interaction could close the gap between the development actor, donor and the beneficiary, thereby removing barriers that can lead to miscommunication and misallocation of funds; reducing redundancy; and bridging conflicting interests among the beneficiaries and development actors. Such a discourse could also increase transparency in project formulation, needs assessments and fund disbursements.

**Box. The added value of the national forum for revival**

- All inclusive participatory approach
- Reliable reference hub
- Enhanced coordination
- Promotion and sharing of a common system of values and ethics
- Creation of an institutional memory

*2. Local councils for revival*

Israel's most recent war against Lebanon destroyed the physical infrastructure of the country and, moreover, undermined the socio-economic fabric tying together the civilian populations in the targeted villages and towns. Consequently, the rebuilding process entails imaginative and participatory strategies to reconstruct both the damaged landscape and the communities that were divided by the conflict. To that end, the establishment of local councils for revival could represent a solution.

Local authorities, namely, municipalities and/or unions of municipalities, are best placed to determine local priorities. Specifically, their proximity to communities and constituencies enables them to determine priorities and needs; and to engage the local community in the rebuilding process through a genuine participatory approach, thereby improving social cohesion and consolidating trust between the various stakeholders in the local community.

There are other reasons for the establishment of local councils for revival. Given the sectarian tapestry of Lebanon, there is an urgent need to establish transparent and inclusive forums that complement and enhance the work of elected representatives, particularly given that Lebanon's electoral system is seen by many local actors as being unrepresentative. Specifically, the simple plurality voting mechanism, which has been adopted in successive electoral laws since national independence, can deny certain votes. There is therefore an urgent need to set up complementary consultative bodies that encourage more local participation in the rebuilding and revival effort.

In that light, the proposed councils for revival could be based on a genuine partnership by gathering members from the municipal councils of large cities and towns or members of the union of municipalities, in addition to other local actors who could include the following: (a) members of Parliament of a given locality; and (b) prominent individuals of the local community, including philanthropists; and (c) non-elected personalities of the local community, namely, candidates representing those electoral lists who gained high numbers of votes but were eliminated by the simple plurality vote.

Such enlarged councils for revival could allow an array of actors to contribute constructively to the local revival process, and could promote and enhance good local governance by emphasizing strong civic association networks.

ESCWA and other agencies/authorities could provide expertise to assist these councils on relevant subjects of interest, including infrastructure, project management, income generation projects, community development, social, health, environment, women empowerment and education.

Moreover, local councils for revival could help to assess the needs and priorities of communities, and plan and act accordingly, thereby ensuring the integration of the local community zone of full cycle in the national plan implemented by the central Government. ESCWA could assist in facilitating the consolidation of the establishment of these councils for revival through advocacy, including campaigns, workshops and the provision of expertise.

### *3. In-situ programmes related to the rebuilding and revival process*

The rebuilding process requires the availability of skilled human resources to carry out the large programmes of reconstruction, particularly at the community level; and the availability of start-up financing to those who are still unemployed after the loss of their agricultural production and other businesses capacities. If skilled labour and financial resources are not made available, the rebuilding of the country could be seriously obstructed by bottlenecks.

Consequently, there is a strong need for implementing capacity-building programmes, establishing funds catering to income generation and debt relief, enhancing the managerial skills of those establishing businesses, and launching community development initiatives. These programmes and initiatives could be geared, wherever necessary, towards enhancing technical skills in the reconstruction sector, particularly in the area of housing; the production of profitable crops that could substitute or complement the existing dominant cultures, namely, tobacco and olives; and the establishment of non-agricultural rural industries.

#### *(a) Financial recovery and institutional transformation fund*

The war of July-August 2006 had severe repercussions on micro and small enterprises (MSEs) at the national level, particularly in areas that were attacked by the Israeli armed forces. Even before the war, MSEs were facing great challenges to survive, develop and grow, coupled with their ability to create value, income and employment opportunities. Many of these challenges are related to bureaucratic and tedious governmental procedures. Others are related to low productivity, lack of knowledge of technology and market, and lack of skilled labour. The war exacerbated the difficulties of MSEs; and their financial reserves and working capital have been severely depleted.

These enterprises need to be supported in order to survive. Their assets need to be replenished mainly through limited cash injections, which typically amount to less than \$10,000. However, in addition to financial support, there is a strong and urgent need to provide capacity-building, particularly to those affected by the war, in order to enable them to survive and assist in developing their entrepreneurial and business-related capacities to grow and spread.

ESCWA, in partnership with all concerned parties, proposes to set up a fund in the range of \$1-5 million to provide MSEs that were affected by the war with limited financial support, as compensation for losses incurred and as seed funding for start-ups at less than \$500 per enterprise. Along with other existing resources, this fund could serve to provide technical assistance, thereby leading to the development of entrepreneurship and better business practices. Additionally, the fund could target activities aimed at delivering vocational training needed by the market, focusing on unemployed youth, and developing the local capacity of training vocational training providers.

Summarizing, the fund aims at the following: (a) supporting those MSEs that have been directly affected by the war by assisting them to resume their activities through limited financial grants/loans; (b) enhancing the capacity of MSEs in improving production processes, productivity and marketing, and



upgrading their technical and managerial skills, thereby enhancing their competitiveness and long-term sustainability; and (c) enhancing the institutional capacity of training and development institutions at the local level in the areas affected by the war with the view to improving business development services rendered to MSEs.

The fund could be headed by a steering committee to guide the selection and prioritization of those activities to be funded. ESCWA and concerned partners could set up an independent financial entity to manage the fund, partnering with local NGOs and service providers from both the private and public sector, with transparent accounting to all partners and a detailed annual report issued to the donors, who would have representation on the board.

(b) *Empowering small enterprises by managing debts and building capabilities*

The war of July-August 2006 damaged major economic sectors, and the majority of small enterprises have been suffering from a financial load with little prospects for generating the necessary income to settle their debts. Small enterprises are still facing the risk of bankruptcy, which negatively impacts the profitability and rating of local Lebanese banks. This problem is compounded by the fact that most of the business sector faces great difficulty to access finances from outside the banking sector.

In order to assist in mitigating the crisis facing small enterprises in the country, the establishment of a fund valued at \$200 million is suggested, with \$20 million as seed money. This fund could be dedicated to buying the debts of small enterprises and assisting them in order to enhance their capabilities.

The fund, which is to be supported by five major Arab and GCC banks, requires the establishment of a founding committee, which could eventually evolve into the supervisory board. The founding committee could be entrusted with following up on the creation of the fund, namely, raising the necessary capital.

Subsequent to the creation of a task force, this committee could dissolve into the supervisory board, with the following aims: (a) to monitor the fund's activities and results; (b) to conduct the necessary high-level communication, thereby ensuring sustainability and access to capital; and (c) to review and approve the financial statements (see figure III).

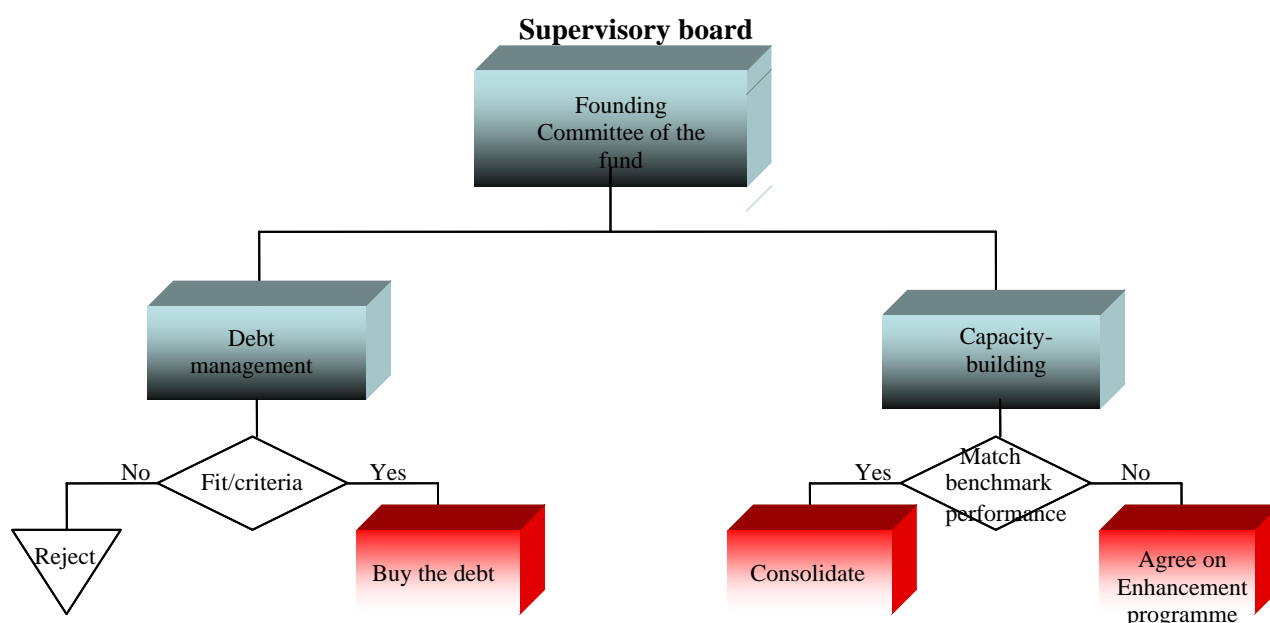
During the early stages of the fund's inception, the supervisory board, acting through the task force, could develop banking networks that feed into and support the fund. Additionally, it could oversee the conduction/analysis of an elaborate field survey and complete the transaction mechanism between the funds and local banks.

In order to enhance the economic feasibility of the fund, the committee or board could also develop and oversee a debt management entity and a capacity-building team. The debt management entity could develop an acceptance or rejection criterion on which to base a given enterprise's debt purchase. Specifically, the debt management entity could retain two options, namely, to accept the purchase of the debt, and restructure then re-sell the debt; or to reschedule payments, which would be closely managed until full collection of the loan. Consequently, on its initiation, the debt management entity could set out to develop a credit risk management process; and could also have to develop structuring and marketing debt instruments capabilities.

Working in parallel with the debt management entity, the capacity-building team could develop a benchmark criterion for enterprise performance review; develop management and audit capabilities; and develop/implement enhancement programmes whereby the team could decide either to consolidate or work on an enhancement programme for the debt-ridden enterprise in question.

Consolidation involves supporting and rendering minor technical assistance to the business. The enhancement programme could be dedicated to enhancing the capacity and performance of a given business, rather than its profitability. This entails the improvement of skills and business practices with the aim of achieving market competitiveness, thereby ensuring the sustainability of the business and the repayment of the loan.

**Figure III. Empowering MSEs by managing debts and building capabilities**



Source: Compiled by ESCWA.

(c) *Instating community development centres*

There is a need to assist impoverished, marginalized and traumatized local communities to acquire suitable modern technology inputs that enable the creation of competitive enterprises and the generation of appropriate vocational skills and employment opportunities. Through suitable modern technology inputs, torn and severely devastated communities can gain socio-economic viability and access to the national market as well as surrounding and even overseas markets with community-branded products of agro-food and light industrial activity.

ESCWA proposes to establish a community development programme for Lebanon (CDPL) that seeks to design and implement model community development centres (CDCs) in areas affected by conflicts or their repercussions. CDPL is designed to provide training and capacity-building for enterprises, in addition to credit and financial support, and gainful employment creation in these localities. Consequently, CDPL could comprise three modules, namely: (a) a CDC module; (b) training and capacity-building (TCB) module; and (c) a module dedicated to financial and credit support for community development through a grants and credit scheme (GCS).

Essentially, each host locality includes core and auxiliary components. Core facilities in the CDC module include an agro-food processing unit (AFPU) and a multipurpose technology community centre (MTCC). In essence, the AFPU is a versatile facility designed to process and market a range of agro-food products using modern hygienic and quality standards for the benefit of the local community.<sup>7</sup>

On the other hand, MTCCs provide the local community with information and communication technology (ICT) capabilities, including Internet access. Through MTCCs, the community can possess a platform for the delivery of computer- and Internet-based vocational training programmes and other educational input. Additionally, MTCCs pave the way for the introduction of selected e-services, including public health awareness and educational programmes. Core components of the CDC module contribute to the development of entrepreneurial skills, which can translate into more enterprises and employment creation. In

<sup>7</sup> Agro-food processing units (AFPU) are designed to allow the local community to impart longer shelf life to agro-food resources with emphasis on mass consumers within and outside Lebanon, by using locally available resources.

parallel, auxiliary facilities can be implemented to assist socio-economic and environmentally sound operations, including, for example, water treatment, solid waste treatment and solar water heating.

The training and capacity building (TCB) module benefits from dedicated multipurpose workshops and, wherever possible, from technical support laboratories and offices that are dedicated to enterprise support. Through this module, CDPL can operate specific vocational trainings courses within well-equipped workshops. The TCB module is aimed at creating enterprises and employment and at enhancing skills and, moreover, it can provide extension services and enterprise support schemes through dedicated facilities.

Within the framework of the grants and credit scheme (GCS) module, grants and easy loans are made available to prospective entrepreneurs. The scheme is operated in coordination with banking and enterprise support institutions and NGOs with top credentials in the field; and strict monitoring and auditing are maintained on all GCS operations.

Given that CDPL is designed with an eye on using locally available resources, it can help to achieve optimal and tangible results within a limited time period. Additionally, this programme can help to launch related follow-up activities that disseminate best practices and maximize benefits by promoting partnership arrangements with local community actors and other stakeholders. CDPL can open up many possibilities for coordinating efforts with a variety of actors both national and international, particularly in rural parts of Lebanon, with an emphasis on enterprise and employment creation, which translates into poverty reduction.

(d) *Introducing alternative crops and enhancing agro-food businesses*

Agriculture and agro-industrial production in South Lebanon is dominated by olive oil and tobacco production. Government subsidies and limited water quantity drive tobacco production; while quality, tradition and the potential for strong market demand are among the drivers of production in the olive oil sector.

However, there are many other types of products that have been cultivated in South Lebanon and there is, to varying degrees, a high diversification of agro-food products, including dairy, poultry, apiculture, and wheat and forages. The agro-industrial sector in South Lebanon is characterized mainly by the small scale of the agricultural enterprises and the lack of specialization.

Some of the salient characteristics of the sector can be summarized as follows: (a) much of the land area in the interior region is mountainous and degraded; (b) agricultural production is distributed among a significant number of small farmers, with few large owners; (c) areas surrounding urban centres have become specialized in certain crops, often owing to skewed market signals; (d) the main agro-food productions in the areas of South Lebanon are tobacco, olive oil, honey, milk and eggs; and (e) scarce water supplies has largely limited the culture of irrigated crops in the area; and existing crops (in commercial quantities) are those that depend on rain, including, principally, olives.

A strong correlation is likely between the dependence on tobacco production and associated tobacco subsidies, and the lack of incentives for farmers to diversify into other forms of cultivation and production. Indeed, many farmers view the tobacco subsidies provided by the Government as an opportunity; and a limited access to water resources and insufficient infrastructure and agri-industrial services are discouraging product diversification in areas concentrated on tobacco production.

Small farmers therefore need assistance to diversify their production into more profitable alternative crops, including medicinal herbs and flowers. A recent needs assessment study conducted by ESCWA revealed great potential for the cultivation of thyme (*zaatar*) and other herbs, in addition to the production of honey.<sup>8</sup> The follow-up strategy of the project aims to generate employment and income opportunities for

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<sup>8</sup> In January 2004, ESCWA and the International Labour Organization (ILO) launched a project, entitled "Employment creation and income generation through the development of micro and small agro-industries in South Lebanon", which resulted in the creation of employment and income opportunities for small farmers through the production of *zaatar* and a cluster of small producers of honey in the southern district of Bint Jbeil.

men and women through the production and marketing of *zaatar*, and to identify additional partners for extending and replicating these successful pilot projects in other parts of Lebanon.

This project could aim to realize the following: (a) provide immediate technical and financial assistance to repair the damage caused by the war of July-August 2006; (b) identify and pursue opportunities for expanding the current pilot projects and assessing the feasibility of engaging in secondary value-added industries; (c) identify and pursue opportunities for sharing lessons learned and replicating the projects based on previous experience; and (d) improve the competitiveness and productivity of the *zaatar* and honey producers in South Lebanon.

(e) *Enhancing e-literacy education in remote areas*

Disadvantaged rural communities continue to face many challenges, some of which are within the context of development and the introduction of ICTs. While efforts are being made to improve the ICT infrastructure, there are still significant shortcomings, especially in remote areas. Moreover, there is a lack of sufficient technical institutions that can cover the region and provide accredited certificates. Training centres, within CDCs, as well as mobile computer schools could contribute to cover ICT needs in rural areas.

Within that context, the e-caravan project is a fully equipped mobile computer school that roams clusters of villages introducing the world of information technology to rural communities.<sup>9</sup> Such mobility makes it particularly attractive, given that this school defies and circumvents the inherited obstacles of remote and isolated locations; the limited and/or inexistent infrastructure; the unavailability of electronic equipment and absence of Internet connectivity; and the exclusion both geographical and social of some populations, including people with disabilities. Additionally, e-caravan offers a unique opportunity to reach the highest possible number of people and to serve them in their own environment and at a low cost.

In addition to providing basic e-literacy sessions to local populations and MSEs, e-caravan can offer advanced courses to selected groups of skilled trainees, thereby providing opportunities for income generation and employment in disadvantaged rural communities in Lebanon.

The recent war revealed the extent of the need to initiate cultural and educational activities in rural areas in order to fill the widening gaps in several fields. Diversity and tolerance can be promoted once trainees become increasingly aware of cultural proximity and diversity. Such an initiative, in parallel with the CDC module described above, can greatly assist rural communities to re-connect with the “world”, particularly with e-government services, as well as other non-public providers of services. It can help MSEs to understand better the needs of the market, become familiar with new technologies and promote their products through the Internet.

#### **IV. CONCLUSIONS AND RECOMMENDATIONS**

This paper underscored the two major limiting constraints with regard to the rebuilding and revival process, namely, political consensus and reforms, and security stability. Moreover this process urgently requires the following:

- (a) Economic reforms enhanced by fiscal and institutional reforms;
- (b) Social equity enhanced by further social cohesion and empowerment of marginalized groups;
- (c) A national development vision and plans shared by all public and private sector institutions;

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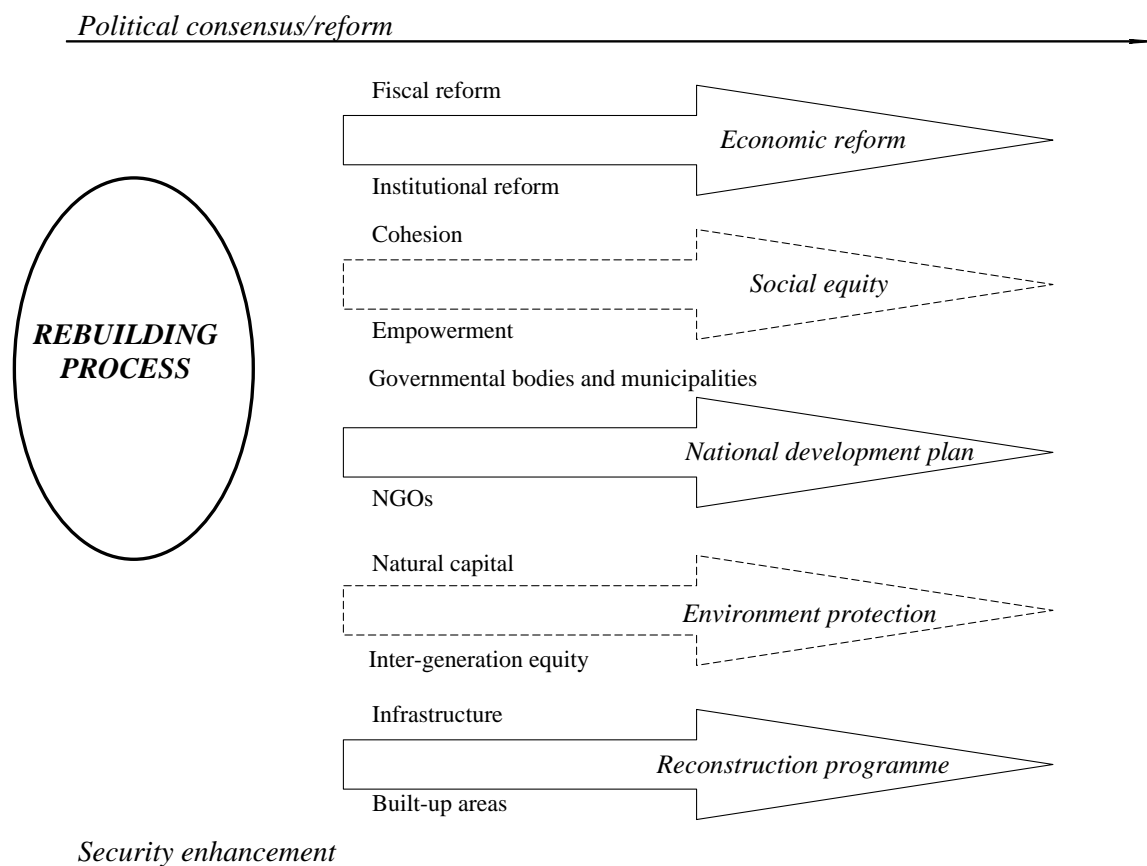
<sup>9</sup> ESCWA launched the e-caravan project in January 2006 in partnership with a leading a Lebanese NGO, namely, Fondation Saradar. During the first six months of operation, the e-caravan visited five clusters of villages in South Lebanon and trained more than 550 people. However, the e-caravan sustained heavy damages on 29 July 2006 while parked at the Intermediary School of Ayta Al-Shaab in South Lebanon. ESCWA and Fondation Saradar are working together to rebuild the e-caravan to serve the disadvantaged rural communities.

(d) Concern of the environment that could include the protection of the national capital and respect of the rights of future generations;

(e) A comprehensive reconstruction programme that could include elaborate plans for national infrastructure and build-up areas.

This elaborate scheme, based on a national vision and an implementation approach shared by all social actors, could ensure the success of the reconstruction and revival process, and could optimize the resources that would be made available by Arab and international donors.

**Figure IV. The rebuilding and revival of Lebanon**



Source: Compiled by ESCWA.

While some actors focus on reconstruction and others on development, the investment climate was at risk even prior to the conflict of July-August 2006, and remains at risk with the political instability that continues to prevail in Lebanon.

A major improvement of the key parameters of the investment climate is needed, including as follows: (a) establishing more efficient institutions; (b) optimizing the social cost of infrastructure; (c) promoting a predictable and equitable tax regime; (d) combating corruption; (e) optimizing the use of and retaining human capital; (f) enhancing access to finance at a viable cost; and (g) ensuring political and social stability.

In the short and medium term, Lebanon could face uncertainty, lower credit rating, low inflows of foreign direct investments, a brain drain and, possibly, a prolonged disinvesting climate.

The prevailing political and security instability situation in the country and in the region could also have a drastic influence on reconstruction and revival efforts. Nevertheless, the dynamics of socio-economic development and reconstruction and revival will continue to progress, albeit with a rate that will depend largely on the security and political environment.

The multicultural aspect of Lebanese society is a fertile soil on which to build on past successes and learn from failures. In that context, an inclusive participatory approach is crucial. Such an approach retains political, social and economic significance, particularly where legitimacy, transparency and efficiency are involved.

With that in mind, ESCWA focused this policy paper on the necessity of establishing laboratories for studies and strategies; and to make them easily accessible to researchers, policymakers and project leaders. Equally, ESCWA hopes that the reference hub for NGO reporting can stand the test of time in terms of servicing the donor community and civic institutions, thereby keeping them abreast of all NGO activities and progress on the development front in Lebanon. ESCWA counts on its regional networks and the sustained Arab enthusiasm to support the rebuilding of confidence and country, despite the recurrent political and security instability.

While future stability of political and security prospects are not ideal in the immediate term, Lebanon's current rebuilding and revival momentum must be seized and channelled to improve on the past. This vital process can only be strengthened and sustained through the approach proposed in this paper whereby donors reassert and strengthen Lebanese public institutions and do not, by means of their funding and priorities, undo the unity of the country.

This paper has been conceived as a shared development vision. It is expected that it will be elaborated further by all concerned parties, and developed into tangible programmes and plans of action. A shared development vision is required that can drive a comprehensive rebuilding process, thereby leading to a viable nation sustained by a capable State.