

Lebanon's Rebuilding and Revival:

A Policy Paper with Initiatives

Prepared by



UN-ESCWA

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**Prepared by
The United Nations Economic and Social Commission
For Western Asia (UN ESCWA)**

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*This paper is based on the outcome of a series of brainstorming meetings and consultations that began on 16 August 2006, and which included 15 Lebanese experts. This paper is reproduced without formal editing.

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Introduction

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

Serious efforts and resources were allocated to quickly repair 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 as a serious intellectual and practical contribution of UN ESCWA to the rebuilding and revival process.

A leading challenge to recovery efforts is the chronic problem of poverty and unemployment. Significantly, the geography of destruction and the geography of poverty are largely overlapping. Hence, special revival programmes to alleviate poverty and generate employment must be put in place. Employment generation programmes should be tailored in a manner as to closely link relief, development, reconstruction on one hand, as well as people's aspirations and participation, on the other. The paper makes a number of suggestions on how to put these linkages into practice.

This paper strongly advocates that any viable nation is in need of a capable state. As such it promulgates that Lebanon's reconstruction, recovery and revival should be conducted through a transparent and participatory governance regime under the leadership of the Lebanese government. As such, modalities to enhance transparency, good governance and coordination between donor and beneficiary are recommended. To this end, a number of initiatives are put forth to support Lebanon's rebuilding efforts. These initiatives are related to the mobilization of regional support to the reconstruction and revival efforts and the launching of national initiatives based on three pillars: 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

Israel war against Lebanon, which was launched on 12 July 2006, has left a trail of destruction and immense destitution. Israeli air strikes have reduced numerous villages in Southern Lebanon, an entire district in Beirut's southern suburbs and parts of the Bekaa to rubble. By perpetrating wanton and targeted crimes against civilians and their properties, Israel violated all conventions related to the prohibition of collective punishment, but especially Article 33 of the Fourth Geneva

Convention prohibiting collective punishment, and Article 48 outlawing military actions against civilian populations and infrastructure.

During the outbreak of the conflict the Israeli army committed fifty-six attacks, which resulted in the death of a great number of Lebanese civilians. The resulting death toll exceeded 1,000, and more than 4,000 civilians were wounded, many of who have now become severely handicapped or disfigured. One third of all casualties have been children, while nineteen percent were women. Unexploded munitions, particularly cluster bombs (as there are 1,200,000 unexploded cluster bombs most of which were dropped the last 2 days of the military conflict), continue to take their toll of Lebanese civilians, mostly children and adolescents. The mass exodus (about one quarter of the Lebanese population) from and within Lebanon has led to untold hardship, raising fears of communal tensions.

Parts of the infrastructure have been severely although selectively destroyed, with over 30,000 homes destroyed and more than 100 bridges and roads demolished. Relay station stations for Lebanon's two mobile phone companies were hit as well as TV and radio stations across the country, causing losses estimated at more than 100 million USD 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: manufacturing facilities were targeted heavily by both bombings as well as air, land, 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 ranged between 10 and 12% prior to the war, it has multiplied in most sectors and areas. Agriculture was affected severely since most harvested crops were either burned or wasted, and new crops were unattended to. The tourism industry, a crucial sector of the economy generating huge foreign reserves and capital inflow into the country, has come to a complete standstill.

The economic and social consequences of Israel's attacks were compounded by an environmental disaster and damage to marine ecosystems caused by the bombing of the Jiyeh power station fuel storage facilities. This caused a 15,000-ton oil spill into the Mediterranean Sea, polluting 75% of the Lebanese coastline. Estimates of a prospective cleanup operation are at several million USD and many years of serious efforts. Estimates of the reconstruction bill run into several billion USD.

B. Challenges and priorities

The rebuilding process faces a number of challenges that require careful consideration:

- Effort to repair and rehabilitate the basic physical infrastructure that was so selectively but comprehensively destroyed during the war must be continued and completed.
- The large overlap of the geography of poverty and the geography of destruction necessitates special reconstruction and revival programmes aimed at building local capacity for poverty alleviation and employment creation, since the areas hit during the war have traditionally been the most impoverished in the country.

- Social and economic imbalances experienced during past reconstruction efforts pose an additional challenge and should be redressed.
- The coffers of the Lebanese government are almost empty. Debt is already at record highs and rising. Fiscal discipline should be restored, and debt growth reversed as part of the reconstruction effort.
- 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.
- The profuse loss of the highly skilled Lebanese workforce and talent should end. The outflow should be reversed into an influx before these flows become more permanent and irreversible.
- A transparent and participatory governance regime to oversee the reconstruction and revival programmes should be established under government leadership to avoid other stakeholders diverting it further according to their priorities and views.
- Donors must be encouraged to deal with a central facility that privileges the role of state institutions as central to recovery, rebuilding and revival efforts.

If Lebanon is to achieve long lasting benefits in facing the above challenges, reconstruction efforts will 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, tailored to provide a close link between reconstruction and sustainable development and revival, by: (a) responding to the priorities and preferences of targeted communities, (b) direct participation of civil society institutions, and (c) based on available natural and human resources.

Past experience clearly demonstrates that over-reliance upon external donations will produce only limited and often greatly delayed benefits. It is only by focusing on community development that the vicious cycle of dependence upon external resources can be reduced. Thus, while coordination at the national level would be 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 inflicted massive destruction by Israel throughout 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, often more urgent, needs for ameliorating social and economic conditions. In particular, implementing initiatives aimed at reconstruction in unison with those targeting socioeconomic development is the best guarantee that the ravages of war are not merely made easier to bear, rather that a future is sought in which situations where war, or internal strife for that matter, do not pose valid options any longer. With this in mind, a durable organic link

between, often alienated, reconstruction and socioeconomic development processes, must be forged at the outset.

Integrating reconstruction and development on the one hand, and ensuring community focus should characterize future action. Action along these lines in a limited number of sectors, with due prominence given to areas that enjoy deep roots in targeted areas, e.g. agro-food and tourism, will provide success stories that may be emulated by other communities, and hopefully, the entire region. Through integrating reconstruction and development it should be possible to stem the outward flow of Lebanon's skilled workforce and talented young and professional communities.

However, simply integrating reconstruction and development will never suffice by itself for meeting the above challenges. Transparent and participatory governance regimes will be essential to oversee relevant initiatives and programmes immediately as they are established. Donor sponsored aid programmes, whether aimed at reconstruction or future development, should 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 brought about by Israel opens thus new vistas that should not be wasted. The post-hostilities phase offers a belated opportunity to critically review past reconstruction efforts. There is a dire need for broader participation, from a wide array of expertise, to develop a novel and truly comprehensive shared vision governing the prospective reconstruction and recovery effort. While the high temptation is to rebuild the past, it can and should be avoided.

A comprehensive vision and plan should be formulated as soon as feasible. The vision should emerge from a wide participatory process, 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 will not be confined to haphazard reconstruction, but rather integrates several components collectively reaffirming Lebanon's resilience as a nation sustained by a capable state. In particular there is need to take into account dimensions that supersede mere reconstruction, to address a variety of other issues, mainly social, economic and environmental.

- The economy should 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 other things, adopting tax regimes that tackle inequality and the widening social gap to alleviate social suffering.
- Serious efforts should be made to achieve a political consensus regarding unavoidable reforms. This will reduce drastically tensions among various political groups.

- A shared value system should be adopted to fight corruption, nepotism, tribalism and other neo-patrimonial practices.
- The judiciary should also be reformed and placed at the centre of the reconstruction effort to monitor transparency standards. (it should be isolated from political pressures as much as possible)
- Social equity, never a linear consequence of economic growth, deserves special attention. The needs of vulnerable groups and marginalized communities should be addressed proactively in the rebuilding process.
- The rebuilding effort should not neglect environmental needs, especially the protection of natural reserves.
- Security and stability should be a paramount concern – though within the confines of the law – to avoid another round of devastating destruction.

To succeed, this comprehensive package entails a national paradigm shift, one that negotiates creatively reconstruction practices with the projected rebuilding and revival process.

Policies driving this process should stress the following:

- Planning based on priorities not resources
- Monitoring based on focused feedback not routine reporting
- Control based on good governance not hasty execution
- Development based on local viability not capital- centred

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 insure a speedy recovery. Time and capital usually take priority over establishing bodies responsible for comprehensive assessment and planning, efficient supervision, and standardization. Though more than four months have passed since the cessation of hostilities, yet assessment and planning are still lacking.

The impact of the devastation and the scale of damages incurred necessitate a return to normalcy and a restoration of basic services. However the legitimate requests for quick reconstruction should allow as well 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 social ties. Damage assessment should thus be dynamic and multi-dimensional.

The pressing challenges could be divided along the following four intervention levels:

1. Infrastructure
2. Built-Area (Residential and Commercial)

3. Private Sector
4. Social Dimension (Poverty and New Poor)

Financing a new reconstruction programme by raising the level of public debt or by taxation should not be considered a viable option. Another load of relief and social cost will pressure the budget and widen the fiscal gap. Donors are there and have been lending support. Today, there exists a unique opportunity to converge donor preferences toward 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 (Master Plan, The Land Use of Lebanese Territory/ Council of Development and Reconstruction, Horizon 2000, Préparation de projets d'action municipale dans un cadre planifié de développement local/Bureau de développement local/ European Union). Moreover, reconstruction efforts should be used to improve the pre-12 July 2006 status of the infrastructure. These two principles should guide the rebuilding effort. It would read:

Enhancing Pre 12 July 2006	+	Reconstructing 12 July – 14 Aug.	=	Rebuilding Sept. 2006 onwards
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It is worth noting that:

- Government agencies, donors, the civil society and the private sector should act collectively to reduce duplication and maximize economic efficiency.
- The Council for Development and Reconstruction has the experience in planning and subcontracting the rehabilitation and reconstruction program quickly. In addition, it is important to establish advisory and monitoring bodies involving representatives from local and municipal authorities, as well as experts (auditors, engineers and quality supervisors) to optimize outcomes.
- Sectorial issues should be addressed lest relief activities overshadow the holistic vision.

B. Built-Area (Residential and Commercial)

The area covers 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, may produce a synergy that enhances the rebuilding process.

In such a challenging situation special attention should be given to:

- Vulnerable groups and marginalized communities that are often excluded from the reconstruction process
- Linking future reconstruction plans to existing government plans at the national level (Master Plan of the Lebanese Territory)
- Integrating the damaged area into its local contexts both functionally and economically
- Avoiding dissonance between reconstructed areas and the national reconstruction plan

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

Due 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. This council would serve as an advisory strategic urban planning authority at this stage, thus expediting the process while remaining comprehensive and futuristic. Proposed members of the council would include the government and related authorities including CDR, members from the engineers’ syndicates (including the Order of Engineers and Architects), academics and concerned civic organizations as well as donors. Such council should supervise reconstruction process and secure public safety regulations in it.

The TOR, budgeting and contracting will remain the responsibility of CDR. Follow-up executive committees could be established to optimize output. These committees may also participate in the execution of the ZFC. A monitoring body to supervise the reconstruction phase should be established; it is to be independent, gathering auditors, quality and specification experts. However, it is important to define firm criteria that would guide implementation practices within a centralized national Master Plan framework.

C. Private Sector

The Lebanese economy has been facing serious difficulties since the late 1990s in spite of few support initiatives (i.e. Paris II) and congenial regional circumstance – such as high oil prices – producing 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 12 July 2006, and the current year’s budget has yet to be tabled. Recent hostilities have served the economy a severe blow.

The following indicators reveal the bleak picture emerging after the end of hostilities:

- Major agricultural sectors were bombed, and most of the crops were wasted due to lack of transportation and export
- Fisherman activities, source of direct income for thousands of families living in coastal regions, were suspended totally for more than three months
- The tourism sector has all but come to a complete standstill with major losses registered by restaurants, hotels, car rental firms, travel agencies, etc. Indeed, many restaurants have

actually shut down and numerous hotels have reported zero occupancy rates. As a result several tourism sector firms have gone on to lay off all, or a majority of their staff. Added to that the political instability that has extended the stagnation of this sector

- Many companies have relocated, others have released their employees
- Cheques in circulation have dropped substantially
- Bounced cheques have increased

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

Rebuilding confidence in the economy and in private investment will prove to be a challenging task. Moreover, a financial structure robust enough to support certain insurance companies is required to cover rebuilding investments for the next 2 years. This is crucial to boost investors' confidence.

A number of economic incentives can help reorganize the production cycle. These include:

- Special procedures to facilitate export, including special arrangement with Arab markets
- Re-scheduling tax obligations and dues
- Reactivation of the production and services sector

D. Social Dimension

Compensation for the loss of tangible physical resources and funds, for rebuilding amenities and providing for the recovery of damaged or lost infrastructure, constitute pressing priorities. Additionally, however, the Lebanese government should focus on a strategy comprising the following:

1. Ensure minimum survival conditions to sustain household livelihood (making ends meet) and institution cycles through direct grants and special subsidies
2. Enhance those conditions and their respective investment climate

The size of the Israeli attack was overwhelming as it targeted almost all areas of South Lebanon, Beirut's southern suburb and parts of the Bekaa, causing massive physical damage and triggering heavy social pressures. It is worth noting that almost 7% of the Lebanese population was initially considered under the lower poverty line before July 12. Following hostilities, however, it is estimated that around one third of Lebanese could not meet their basic needs with their post-war monthly income, thus widening social gaps. This condition is exacerbated further by the continuous political instability and economic stagnation.

The areas most heavily bombed have historically been underprivileged economically in Lebanon's lopsided economic structure. This applies to both urban (Beirut's southern suburbs) and rural (South and Bekaa) areas.

Socioeconomic consequences of the hostilities include:

- Increase in the unemployment rate
- Widening social gaps with an increase in the rate of the "new poor"
- Destruction of assets for small and medium businesses in rural and urban areas (including farmers, fishermen, truck drivers, craftsmen and most SMEs in practically all sectors)
- A wave of displaced peoples relocating away from the war zones at least for a month or so
- Out-migration, both temporary and permanent

Alleviating the aforementioned social dislocations requires flexible solutions which should be integral to the prospective reconstruction process. These solutions include:

1. Selected and specific short term vocational training in relief activities and reconstruction fields, where it is still needed
2. Long-term capacity building in social work and health
3. Establishing an employment trust fund that provides loan guarantees, insurance and benefits. It could be based on both micro-credit and partial support

Line of Action and Players

Currently and in the future, there will continue to be a multitude of projects and initiatives, as there will continue to be numerous actors on the Lebanese rehabilitation, reconstruction and revival scene.

In order to ensure an efficient, transparent, cost effective, comprehensive, nation based and sustainable rehabilitation, reconstruction and revival process, strong public institutions are all but a necessity. These institutions should work in synergy among themselves as well as with concerned civic institutions and local authorities. As such the matrix below has been developed, demonstrating at a glance the sector of intervention, the function and the entity or entities to carry out the latter. For instance, interventions in infrastructure should be coordinated by relevant government bodies and the Council for Development and Reconstruction (CDR). Major intervention, that is the planning and implementation should be led by CDR, in collaboration with donors and the contractors. Ensuring the maintenance of the post reconstruction phase and the future development or enhancement of it should be conducted by the Ministry of Public Works and the relevant local authorities, in particular the municipalities.

<i>Intervention</i>	Coordination Mechanism	Major Intervention	Sustainable Development
Infrastructure	Government Council for Development & Reconstruction	Council for Development & Reconstruction / Contractors Donors	Ministry of Public Works Local Authorities
Built Area	Housing National Council	Housing Cooperative Council for Development & Reconstruction Municipalities	Municipalities Union Private Investments
Private Sector	Eco. & Social Council Unions & Syndicates & Associations	Central Bank, Banks Ministry of Finance Special Funds	Financial Recovery & Enterprise Transformation Fund
Social Dimension	Government UN	Government, UN Donors, NGO's Local Authorities	Government Local Authority Civil Society

This matrix includes proposal to establish new entities such as: Housing National Council, Housing Cooperative and Enterprise Transformation Fund. It also alludes to the reactivation of such entities as Economic and Social Councils and Associations.

III. Initiatives to support Lebanon's Rebuilding efforts

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

A. Arab-Lebanese Regional Initiative: Develop 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 Israeli attack of July-August 2006. In fact many have been actively involved in providing relief emergency and reconstruction support. UN 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. UN ESCWA believes that increasing security in Lebanon would contribute 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, have made cooperation and coordination with their Lebanese counterparts a necessity rather than a choice. A credible, legitimate, organized and interactive mechanism is still needed, under which various development actors – particularly from Arab Civil

Society - and their Lebanese counterparts in the government, civic institutions and the private sector, could take part on an equal footing.

For this purpose, UN ESCWA recommends the establishment of Arab-Lebanese Networks for Revival. The Networks would offer a platform to Arab donors and other development actors concerned to interact and exchange information on their respective programmes with their Lebanese counterparts. Such an interaction would close the gap between Arab development actors and donors and their Lebanese partners/beneficiaries, removing barriers that may lead to miscommunication and misallocation of funds, as well as building stronger operational relations among the Lebanese beneficiaries and Arab development actors. Such a discourse would also increase transparency in project formulation and would align more needs and actual reconstruction and development efforts. The establishment of a Lebanese-Arab mechanism for dialogue and cooperation would be recommended with the aim of laying the foundations for long-term joint and more efficient operation relations.

The objectives of the Networks can be summarized as follows:

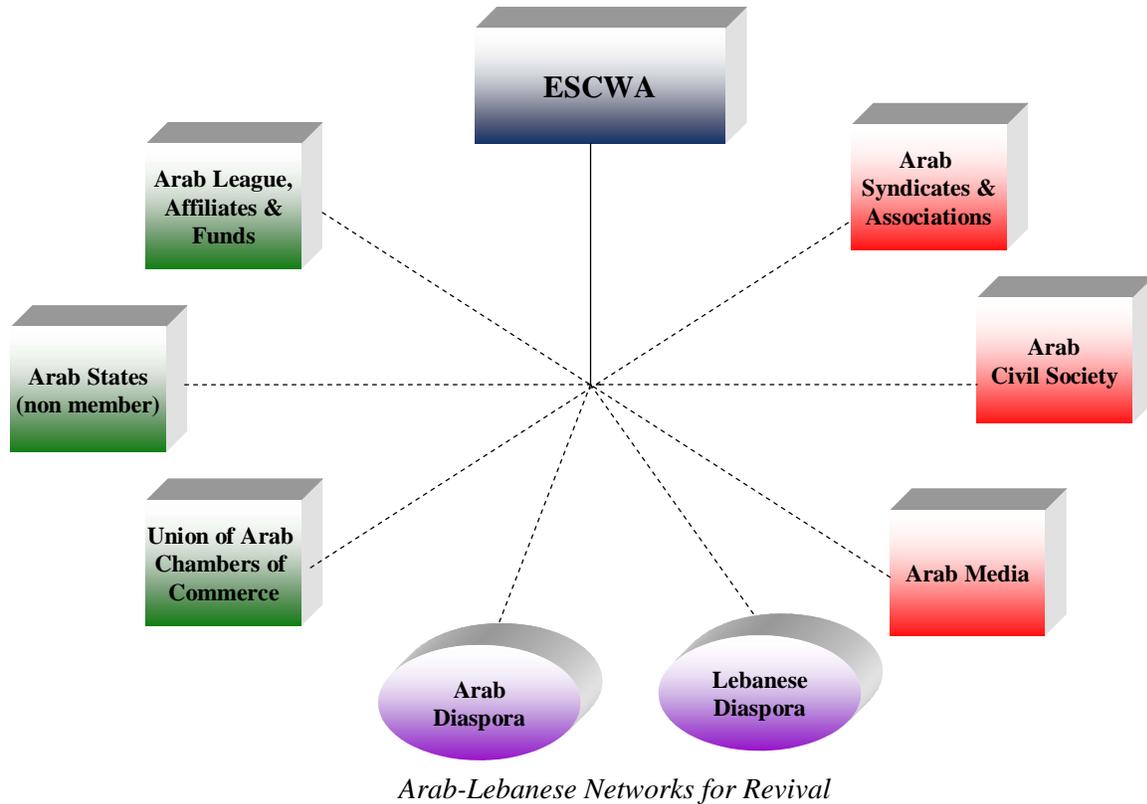
1. Developing a shared operational framework among active Arab developmental actors and their Lebanese counterparts that would include promoting a shared system of values and ethics, developing normative standards for needs assessment and building the corporate/institutional memory.
2. Establishing a 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 these networks, UN ESCWA will endeavour towards the elaboration of:

- Regional Platform to support national rebuilding efforts
- Matching mechanism to link regional resources with local needs
- Common space to share similar rebuilding experiences / success stories

UN ESCWA will actively support:

- Mobilizing initiatives for needed funds and expertise
- Coordination activities to channel regional enthusiasm and commitment



B. National Initiatives

The proposed national initiatives are related to: (1) the setting-up of a reference monitoring system to secure the efficient and effective implementation of the reconstruction process; and (2) the establishment of in-situ programmes that would assist in the rebuilding and recovery of the country.

1. *Monitoring System*

Monitoring systems are vital socio-economic development planning, implementation and evaluation tools, 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. With this in mind, three initiatives are suggested: The Laboratory for Existing Studies, a Reference Hub for NGOs and Donors, and the National Forum for Revival

(1) Laboratory for analysing and validating existing and future studies

The mere size of destruction and damage necessitates a comprehensive, informed and well-studied rebuilding process, similar to the one undertaken during the early nineties of the last century. Actors concerned with the rebuilding process need to take stock of existing relevant studies, activities or projects that were prepared before the war in order to prevent repetition and past

mistakes, learn of shortcomings and improve on deliverables. Moreover, it is widely expected that the current destruction and rehabilitation will require additional studies and projects, that ought to be taken into consideration as well.

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, since they are scattered between different local government 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 (Laboratory) is required to make available all the relevant studies, reports and project documents, to be established in coordination and cooperation with all entities carrying out similar tasks (e.g. CDR and Office of Prime Minister).

The Laboratory 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.

Decision making circles, researchers and policy makers would be able to utilize the service provided by the Laboratory to define priorities and propose strategies. Past mistakes would be prevented, while overlapping, duplication and inefficiency would be reduced, as development interventions will be enhanced through an efficient, easily accessible and credible stocktaking tool that analyses and validates current/past studies and projects. Such a tool will prove to be an indispensable tool during the planning phase of any intervention, as well as during evaluation.

(2) Reference Hub for NGOs and Donors: Reporting towards a focused feedback

Key to any sound decision making process in humanitarian, relief and development intervention by NGOs or any other agency is accurate data and response/evaluation/receptivity of the beneficiary on the priorities of required needs and services rendered. Unfortunately, donors and development actors rely mostly on internal monitoring systems that are commonly detached from the field or the feedback of the beneficiaries. Consequently, it is not easy to ascertain that progress towards set relief or development goals has taken place. Hence, intervention as a whole runs the risk of partially or completely missing set goals.

Furthermore, due 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 may cause serious overlapping and duplication as well as the neglect of certain developmental and revival priorities and marginalized groups.

In order to minimize the impact of such risks, an incentive based reporting system is recommended. The system would feed into and lead to reliable and up to date reference hub, which Lebanon urgently needs. Ultimately, an incentive based reporting system on civic activities that would feed into and lead to reliable and up to date reference on the activities of all interested actors active on the socio-economic development and revival scene is proposed.

The Hub would be in direct consultation and contact with the Lebanese government; it would 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. The hub would contribute to the coordination, planning and implementation of socio-economic development and reconstruction efforts in Lebanon.

The Lebanese government as well as donors would thus have a more reliable reference source. Furthermore, decision making circles, researchers and policy makers would be able to utilize the service provided by the Hub to learn which entities is undertaking what activities and in which location. Overlapping, duplication and inefficiency would be reduced, as development interventions will be enhanced through an efficient, easily accessible and credible stocktaking tool. Such a tool would also prove to be a very useful coordination tool as development entities undertaking similar activities would be encouraged to network and conduct some sort of division of labor.

2. Institutional framework

(1) The National Forum for Revival: Towards a New National Compact

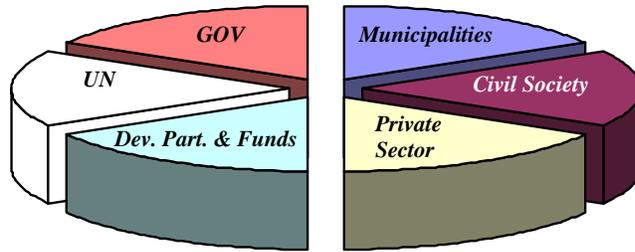
UN ESCWA (among other entities concerned) could assist and play a catalyst role between all stakeholders to encourage and support a dialogue on the reconstruction and revival process that may lead eventually towards a New National Compact for the Rebuilding Process.

A credible and interactive mechanism is needed under which various development actors in Lebanon, the government, civic institutions, private sector, the UN system and other international/regional organizations and funds could take part on an equal footing. With this goal in mind, utilizing its convening power, impartiality as well as its networks in the country, UN ESCWA could call, in consultation with the Lebanese government, for the establishment of what may be called National Forum for Revival. The objectives of the National Forum can be summarized as follows:

1. Developing a shared theoretical framework among active development actors that would include:
 - a. Promoting a shared system of values and ethics
 - b. Developing normative standards for needs assessment
 - c. Building the corporate /institutional memory
2. Establishing a mechanism for a sustainable dialogue and cooperation among development actors in Lebanon that would serve as a basis for a longer-term participatory decision making approach on the developmental scene. (i.e. tripartite council)

A main component of the Forum is also the space offered to the local authorities (municipalities), donors and other development actors to interact and exchange information on their respective programmes.

In order to ensure an efficient, sustainable and productive discourse, the Forum for National Revival would comprise the following:



Forum for National Revival

It is proposed that whenever possible, the Forum would retain permanent members representing each of the following groups: the Lebanese government, municipalities, the UN system, local civil society institutions, private sector and regional as well as international development partners. The Forum would convene regularly; say every quarter, under a rotating chairmanship. It is proposed that the permanent members would amount to a total of around 30 representatives who would meet for half a day just before the Forum. The media, academia and major local research or policy centres would be represented as well and will join the permanent members in the full plenary session.

The Forum in its totality would meet for a whole day and will be comprised, in addition to the permanent members, of additional invitees from each of the aforementioned entities. Invitations will be granted depending on the entity's activities and where they fall along the ladder of sectoral priorities.

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

The Added Value of the National Forum for Revival:

- All Inclusive Participatory Approach
- Reliable reference Hub
- Enhanced Coordination
- Promote and Share 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 not just the physical infrastructure of the country; it also undermined the socioeconomic fabric tying together peoples in the targeted villages and towns. Consequently, the rebuilding process entails imaginative and participatory strategies to reconstruct not just the damaged landscape, but also communities left divided by the recent conflict. It is estimated that one way to do so is by establishing Local Councils for Revival.

Local authorities (municipalities and/or unions of municipalities) are the best to determine local priorities. Their mere proximity to communities and constituencies enables them to determine priorities and needs. Moreover, engaging the local community in the rebuilding process through a genuine participatory approach improves social cohesion and consolidates trust between the various stakeholders in the local community.

There are other reasons to establish "Local Councils for Revival." Given the country's sectarian tapestry, there is an urgent need to establish transparent and inclusive forums that could complement and enhance the work of elected representatives. After all, Lebanon's electoral system is seen by many as not representative in a comprehensive way of all local actors. The 'simple plurality' voting mechanism adopted in successive electoral laws since independence may deny certain local actors voice. There is thus an urgent need to set up complementary consultative bodies, ones that encourage more local participation in the rebuilding and revival effort. The proposed council would be based on a real partnership, gathering members from the municipal councils of large cities and towns or members of the union of municipalities, and other local actors. The latter would include: members of Parliament of locality, prominent non-elected personalities of the local community: candidates representing those electoral lists that gained high numbers of voters but were eliminated by the simple plurality vote; prominent individuals; and a number of men and women distinguished by their philanthropic profile. This enlarged council, the "Local Council for Revival" (LCR), would allow an array of actors to contribute constructively to the local revival process. By emphasizing dense civic association networks, LCRs will also promote and enhance good local governance.

The UN ESCWA and possibly other agencies/authorities could provide expertise to assist these councils on relevant subjects of interest such as infrastructure, project management, income generation projects, community development, social, health, environment, women empowerment, and educational issues.

The "Local Council for Revival" would help assess the needs and priorities of the community, plan and act accordingly. It would ensure the integration of the local community zone of full cycle in the national plan implemented by the central government. LCRs would strengthen coordination and input into the reconstruction effort from all pertinent local actors as well as pool local resources and emphasize partnership across the electoral divide. LCRs also represent a solid local lobby group in front of the central authority and donors.

UN ESCWA could assist in facilitating the consolidation of the establishment of these "Local Councils for Revival" through advocacy (campaigns, workshops, and the provision of expertise).

The LCR will complement the work launched by the Office of Local Development as mentioned in the study sponsored by the EU to promote and enhance good local governance.

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

The rebuilding process would require the availability of skilled human resources to carry out the large programmes of reconstruction particularly at the community level. It would also require 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, serious bottlenecks would face the rebuilding of the country. Hence, the implementation of capacity-building programmes, the establishment of funds catering to income generation and debt relief, community development initiatives are highly recommended. These programmes and initiatives could be geared, where it is necessary, towards enhancing technical skills in the reconstruction sector, particularly the one related to housing, the production of profitable crops that would substitute to, or complement, the existing dominant cultures (tobacco and olives) and the establishment of non-agricultural rural industries. Enhancing managerial skills of those establishing businesses is another priority.

(1) Financial Recovery and Institutional Transformation Fund: Supporting Micro and Small Enterprises*

The July 2006 war had severe repercussions on Micro and Small Enterprises (MSEs) at the national levels, 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, along with their ability to create value, income, and employment opportunities. Many of these challenges are related to red tape and tedious government procedures. Others are related to low productivity, lack of knowledge of technology and market, and lack of skilled labour. The July 2006 war exacerbated the difficulties of MSEs, their financial reserves and working capital have been severely depleted.

These enterprises need to be supported to survive. Their assets need to be replenished, mainly through limited cash injections, usually less than 10,000 USD. But financial support will not suffice, capacity building should be provided as well.

More than any time before there is need to support MSE's, particularly those affected by the war, in order to enable them to survive, and for the long term, assist in developing their entrepreneurial and business related capacity to grow and spread, in tandem with developing the technical and productive skills of both their current and future labour.

UN ESCWA (in partnership with all parties concerned) proposes setting up a Fund – 1-5 million USD that would provide war affected MSE's with limited financial support, as compensation for losses incurred, and as seed funding for start-ups less than 500 USD/enterprise. Along with other existing resources, this Fund would also serve to provide technical assistance that lead to the development of entrepreneurship and better business practices. The Fund would also target

* Target groups should be clearly differentiated from those in (2)

activities to deliver market needed vocational training, focusing on unemployed youth, and at the same time, develop the local capacity of training vocational training providers. Obviously these will be subject to market demand. In other words, the Fund aims to:

1. Support micro enterprises directly affected by the war, assisting them to resume their activities, through limited financial grants/loans
2. Enhance the capacity of micro enterprises in improving production processes, productivity and marketing, and upgrading their technical and managerial skills, aiming to enhance their competitiveness and long-term sustainability
3. Enhance the institutional capacity of training and development institutions at the local level in the war affected areas with the view to improve business development services rendered to micro enterprises

The Fund would be headed by a steering committee that would guide the selection and prioritization of the activities to be funded. UN ESCWA (and partners concerned) would set up an independent financial entity to manage the fund, partnering with local NGO's and service providers from both the private and public sector. Accounting would be transparent to all partners. Annually, a detailed report will be presented to the donors, who would have representation on the board.

(2) Empowering Small Enterprises through Managing Debts and Building Capabilities

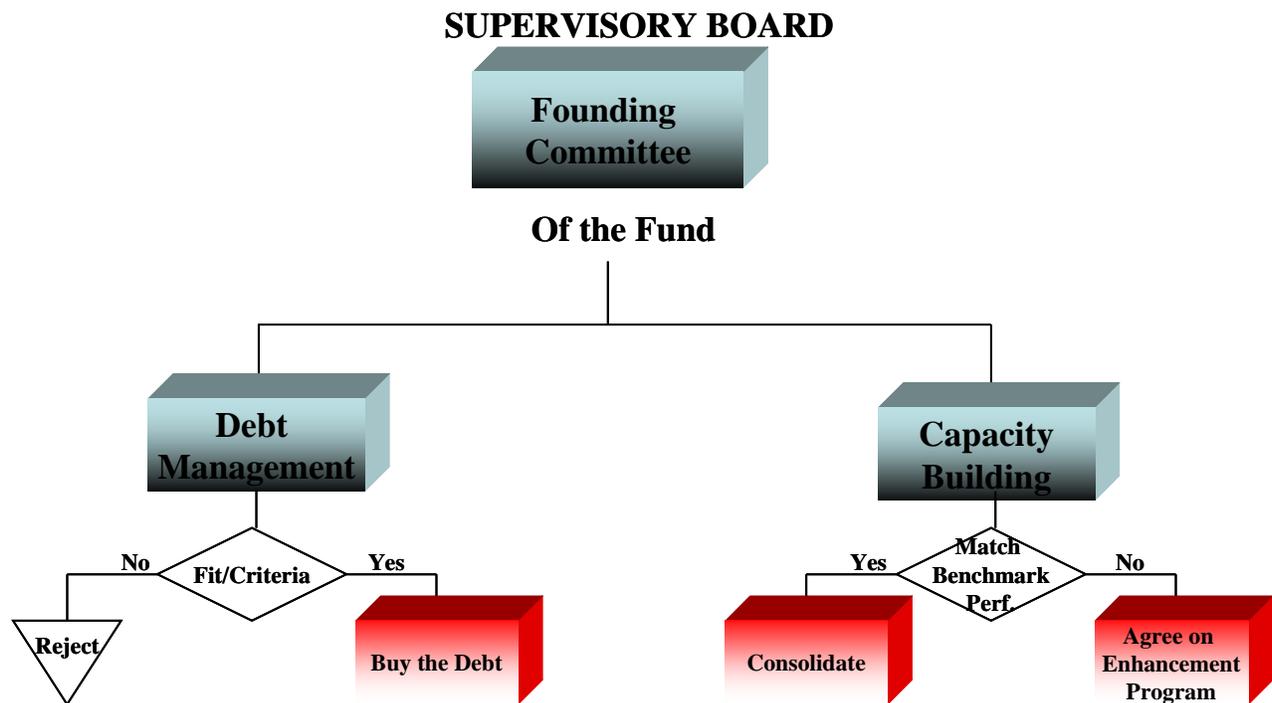
Due to the July-August 2006 war, major economic sectors have been damaged and the majority of small enterprises have been suffering from a financial load with no prospects for generating the necessary income to settle their debts. Small enterprises are still facing the risk of bankruptcy, negatively impacting the profitability and the rating of local Lebanese banks. Compounding this problem is the fact that most of the Lebanese 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 200 million USD fund with 20 million USD as seed money is suggested. The fund will be dedicated to buy the debts of small enterprises and assist them to enhance their capabilities.

The necessary steps towards establishing the fund which is to be supported by five major Arab/GCC banks consist of forming a Founding Committee, in direct consultation with UN ESCWA and the Union of Arab Banks, which would eventually evolve into the Supervisory Board. The Founding Committee would follow-up on the creation of the fund, mainly raising the necessary capital. The Founding Committee, after creating a task force, would then dissolve into the Supervisory Board, which would monitor the fund's activities and results, conduct the necessary high-level communication to ensure the funds sustainability and access to capital. The Supervisory Board would also review and approve the funds financial statements. During the early stages of the fund's inception, the Supervisory Board – through the task force – would develop banking networks that feed into/support the fund. It would also oversee the conduction/analysis of

an elaborate field survey and complete the transaction mechanism between the funds and local banks.

To enhance the Fund economic feasibility, it is proposed that, significantly, the Committee or Board would also develop/oversee a debt management entity and a capacity building team. The debt management entity would develop an acceptance or rejection criterion on which an enterprise's debt purchase would be based. The debt management entity retains two options should it decide to accept the purchase of the debt. It could either restructure then re-sell the debt or it could decide to reschedule payments, which would be closely managed until full collection of the loan. Hence, on its initiation, the debt management entity would set out to develop a credit risk management process. It would also have to develop structuring and marketing debt instruments capabilities.



Empowering Small Enterprises through Managing Debts and Building Capabilities

Working in parallel with the debt management entity, the capacity building team would be established, which would develop a benchmark criterion for enterprise performance review. The team would also develop management and audit capabilities as well as develop/implement enhancement programmes. As regards the latter, the team would either decide 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 would be dedicated to enhance the capacity and performance or rather profitability of the business. The programme would entail the improvement of skills and business practices with the aim of achieving market competitiveness thus ensuring the sustainability of the business as

well as the repayment of the loan. The enhancement programme would be laid jointly with the capacity team and the business. [The flow chart added may clarify process]

(3) Instating A Community Development Programme: 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 would gain socioeconomic 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.

UN 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 hostilities or the repercussions thereof. The Programme shall, furthermore, provide for training and capacity building as well as credit and financial support for enterprise and gainful employment creation in these localities. Consequently, CDPL would be made up of three modules, namely (a) establishment of Community Development Centres, the CDC Module; (b) training and capacity building module, the TCB Module; as well as (c) a module dedicated to financial and credit support for community development, through a grants and credit scheme, the GCS Module.

Essentially, each host locality shall include core as well as auxiliary components. Core facilities in the CDC module shall 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 utilizing modern hygienic and quality standards for the benefit of the local community.[†] Multipurpose technology community centres, on the other hand, shall provide the local community with ICT capabilities, including Internet access. Through MTCCs the community will possess a platform for the delivery of PC- and Internet-based vocational training programmes and other educational input. MTCCs will also pave the way for the introduction of selected e-services, including public health awareness and educational programmes. Core components of the CDC module shall contribute to the development of entrepreneurial skills and should result in enterprise and employment creation. In parallel, auxiliary facilities shall be implemented in aid of socioeconomic and environmentally sound operation of the core facilities, including for example water treatment, solid waste treatment, as well as solar process water heating.

The Training and Capacity Building Module (TCB) will have the benefit of dedicated multipurpose workshops as well as, wherever possible, technical support labs and offices, dedicated to enterprise support. Through this module the Programme should be able to operate specific vocational trainings courses within well-equipped workshops. The TCB module will also provide extension services and enterprise support schemes through dedicated facilities. The TCB module shall run special programmes aimed at enterprise and employment creation and skill

[†] AFPU's 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, utilizing locally available resources.

enhancement. This module will also institute follow-up modalities designed to provide feedback for optimal future activities targeting enterprise and employment generation.

The third module of the Programme comprises the grants and credit scheme. Through this scheme grants and easy loans shall be made available to prospective entrepreneurs. The scheme shall be operated in coordination with banking and enterprise support institutions and nongovernmental organizations (NGOs) with top credentials in the field. Strict monitoring and auditing shall be maintained on all GCS operations from substantive as well as managerial viewpoints.

The fact that this programme is designed with regard to utilizing locally available resources, it may help achieve optimal and tangible results within a limited time period. Additionally, by initiating discussions leading to firm partnership arrangements with local community actors and stakeholders, as well as institutions concerned with providing technical backstopping i.e. geographically close universities, this programme will help launch related follow-up activities that disseminate best practices and maximize benefits. It should open up many possibilities for coordinating efforts with a variety of both national and international actors concerned with community capacity building, particularly in rural Lebanon, with emphasis on enterprise and employment creation, hence poverty reduction.

(4) 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 the South and there is a high diversification of agro-food products. The dairy industry, poultry industry, apiculture, as well as wheat and forages have a presence of varied degrees in different areas of the South. 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:

- Much of the land area in the interior region is mountainous and degraded;
- Agricultural production is distributed among a significant number of small farmers, with few large owners.
- Areas surrounding urban centres have become specialized in certain crops, oftentimes due to skewed market signals;
- The main agro-food productions in the areas of South Lebanon liberated in 2000 are: tobacco, olive oil, honey, milk, and eggs.
- Scarcity of water: the main problem faced by farmers is the scarcity of water for irrigation. This has limited to a large extent the culture of irrigated crops in the area. Existing crops (in commercial quantities) are those that depend on rain (mainly olives).

It is worth mentioning that there is likely a strong correlation between the dependency on tobacco production (and associated tobacco subsidies) and the lack of farmer incentive to diversify into

other forms of cultivation and production. Many farmers view the tobacco subsidies provided by the Regie [the government] as an “opportunity.” Limited access to water resources and insufficient infrastructure and agri-industrial services are likely contributing reasons to the lack of product diversification in areas concentrated on tobacco production.

It is proposed to assist small farmers to diversify their production into more profitable alternative crops of new products such as medicinal herbs and flowers. A recent needs assessment study conducted by UN ESCWA (as part of the UN ESCWA/ILO project “Employment creation and income generation through the development of micro and small agro-industries in South Lebanon”) revealed great potential for the cultivation of thyme (zaatar) and other herbs, in addition to the production of honey. The project 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 caza of Bint Jbeil.

The follow-up strategy of the project is to renew collaboration between ILO and UN ESCWA to generate employment and income opportunities for men and women served in the previous project through the production and marketing of zaatar, and identify additional partners for extending and replicating these successful pilot projects in other parts of Lebanon.

This would be achieved by repairing the damage - caused by the recent Israel war on Lebanon - through the provision of equipment, goods and technical services, as well as building upon the past project’s success, by sharing lessons learned and providing technical assistance to other communities based on the experience gained. Opportunities for expanding the current pilot projects to include additional beneficiaries will also be pursued.

The project would aim to realize the following:

1. Provide immediate technical and financial assistance to repair the damage caused by the war.
2. Identify and pursue opportunities for expanding the current pilot projects, and assessing the feasibility of engaging in secondary value-added industries
3. Identify and pursue opportunities for sharing lessons learned and replicating the projects based on previous experience.
4. Improve the competitiveness and productivity of the zaatar and honey producers in South Lebanon.

(5) Enhancing e-literacy education in remote areas

Disadvantaged rural communities have been facing many challenges, some of which are within the context of development and the introduction of IT. Although efforts are being made to improve the Information and Communication Technologies (ICT) infrastructure, there are still significant unmet needs especially in remote areas. There is also a lack of sufficient technical institutions that could cover the region and that can provide accredited certificates. Training centres, within Community Development Centres (CDC), as well as a mobile computer schools could contribute to cover IT needs in rural areas.

A mobile computer school, or E-Caravan, is a fully equipped mobile computer school that roams clusters of villages introducing the world of Information Technology (IT) to rural communities. Such 'mobility' makes it particularly attractive, as this school defies and circumvents the inherited obstacles of remote and isolated locations; limited and inexistent infrastructure; unavailability of electronic equipment, absence of Internet connectivity, and exclusion (geographical but also social) of some populations, such as people with disabilities. Also, it offers a unique opportunity to reach the highest possible number of people, to serve them in their own environment, and at low cost.

The E-Caravan is to provide basic e-literacy sessions to local populations and to micro and small enterprises (MSEs); it would also provide advanced courses to selected groups of skilled trainees. It would thereby provide opportunities for income generation and reduce unemployment in disadvantaged rural communities in Lebanon.

The July 2006 war has revealed the extent of the need to initiate specifically cultural and educational activities in rural areas in order to fill the widening gaps in several fields. Diversity and tolerance would be promoted as trainees become increasingly aware of cultural proximity and diversity. Such an initiative – along with the CDC described above - would assist rural communities to re-connect with the “world”, particularly with e-government services, as well as other non-public providers of services. It would help micro and small enterprises to better understand the needs of the market, become familiar with new technologies and promote their products through the net.

In this connection, it is worth mentioning that UN ESCWA in partnership with Fondation Saradar (a Lebanese NGO) launched the E-Caravan project in January 2006. During the first 6 months of the project, the E-Caravan visited 5 clusters of villages along the borders of South Lebanon and trained over 550 people. The E-Caravan, however, has sustained heavy damages on 29 July 2006 while parked at the Intermediary School of Ayta Al-Shaab in South Lebanon. UN ESCWA and Fondation Saradar are working together to rebuild the E-Caravan to serve the disadvantaged rural communities.

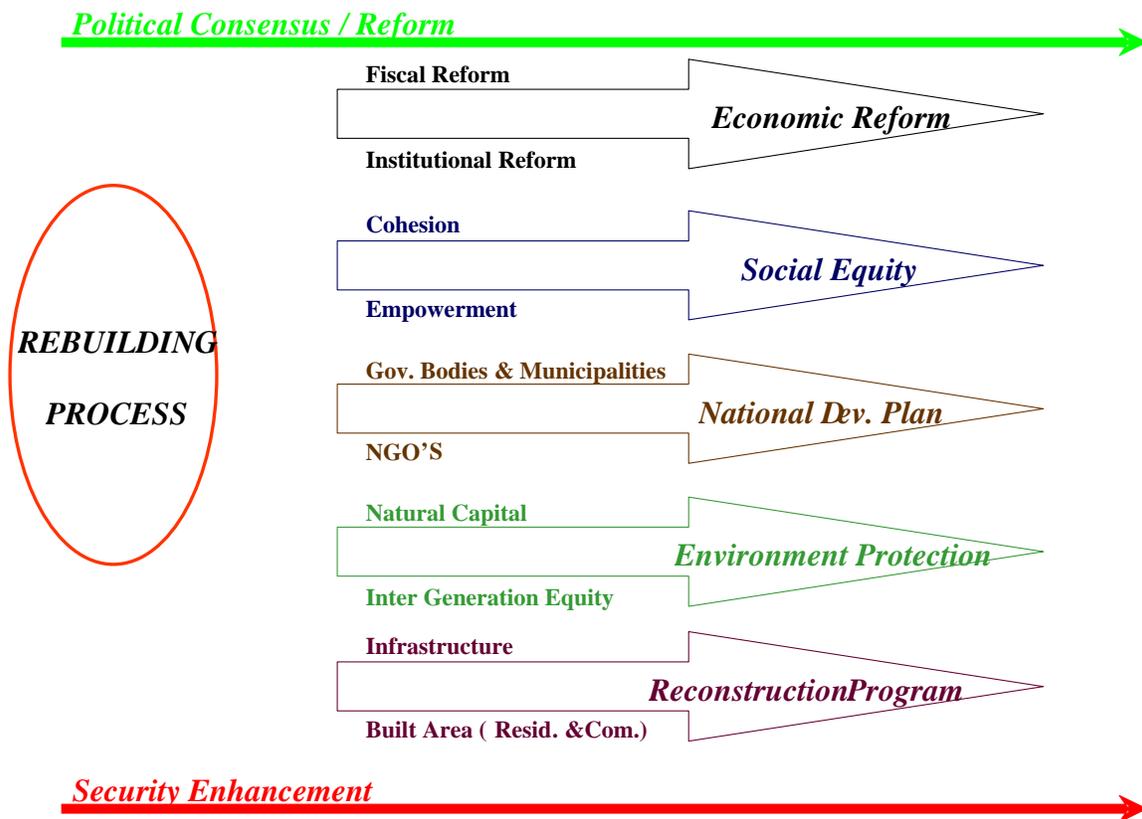
Conclusion and recommendations

The above policy paper may be illustrated in the road map below:

- The rebuilding and revival process would have 2 major limiting constraints: Political consensus and reforms and security stability.
- In between, the process would enjoy 5 driving vehicles, each of which would benefit from 2 additional boosters. These are:
 1. Economic reforms enhanced by fiscal and institutional reforms.
 2. Social equity enhanced by further social cohesion and empowerment of marginalized groups.
 3. A national Development vision and plans shared by all public and private sector institutions.

4. Concern of the Environment that would include protection of the National capital and respect of future generation rights.
5. A comprehension Reconstruction programme that would include elaborate plans for national infrastructure and build area.

This elaborate scheme, based on a National vision and a particularly implementation approach shared by all social actors, would ensure the success of the reconstruction and revival process and would make up most and optimal exploitation of resources that would be made available by Arab and International Donors.



Lebanon's Rebuilding and Revival

While some are focusing on reconstruction and others on development, the investment climate remains at risk even if we go back to pre 12 July 2006, particularly with the political instability that prevailed a few months after the cessation of hostilities.

A major improvement of the key parameters of the investment climate is needed:

- Efficiency of Institutions outputs / services
- Social optimal cost of Infrastructure
- Predictable and equitable Tax Regime
- Focused fight against Corruption

- Motivation retention and optimal utilization of Human Capital
- Enhanced access to finance at a viable cost
- And most of all political and social stability.

It could be argued that in the short and medium term Lebanon may face uncertainty, lower credit rating, low FDI flow, a likely brain drain and a possible prolonged disinvesting climate.

The prevailing political and security instability situation in the country and in the region would 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, but the rate will largely depend on the improvement in security and political environment.

In view of UN ESCWA, the multicultural and religiously diverse Lebanese society is a fertile soil to build on past successes and learn from failures. In this 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 this in mind, UN ESCWA focused this policy paper on the necessity of establishing the laboratory for studies and strategies, to make them easily accessible to researchers, policy makers and project leaders. Also UN ESCWA hopes that the reference hub for NGO reporting would stand the test of time and aims to service the donor community and civic institutions, keeping them abreast of all NGO activities and progress on the Lebanese development front. UN ESCWA counts a lot on the regional networks and on the sustained Arab enthusiasm to support the rebuilding of the Lebanese confidence and the nation, in spite of the recurrent political and security instability.

Although future stability of political and security prospects may not be ideal in the immediate term, Lebanon's current rebuilding and revival momentum must be seized and channeled to recover and improve what was destroyed. This vital process will only be strengthened and sustained through the approach proposed in this paper, where donors reassert and strengthen Lebanese public institutions and do not, by means of their funding and priorities, fragment what has to remain united.

If political squabbles and prevailing circumstances hindered the proper execution of past reconstruction programs (too costly, too fast), and its general direction proved to be far away from advances in industry, technology and the new criteria of success, we hope that this paper would be conceived as a shared development vision. It is expected that it may be elaborated further by all concerned and then developed into tangible programmes and plans action, as a policy driver leading to a viable nation that Lebanese children deserve, one in which their rights and dreams are protected by a capable state.

A shared development vision is required that would drive a comprehensive rebuilding process, leading to a viable nation sustained by a capable state.