

INTEGRATED PROGRAMME

A Progress Report

(as of 31 May 2007)

Lebanon

Title Integrated programme to enhance the competitiveness of the Lebanese industry and its integration in the global market (including emergency assistance to development of productive activities in Southern Lebanon)

Brief Description

To support Lebanon's objective to establish a modern and strong industrial base, which satisfies internal demand, attracts investments and allows the penetration of Lebanese products into international markets, UNIDO's integrated programme aims at supporting the enhancement of the competitiveness of the Lebanese industry and its integration in the global market.

The IP is structured in four major components:

1. Effective governance;
2. Promotion of partnerships and market access;
3. Improvement of enterprise performance and SMEs development; and
4. Industrial Environmental Management.

It addresses major industrial development issues such as information for strategic and policy decisions, quality, standards and consumer protection at enterprise and institutional levels, SME development including promotion of industry-based employment generation activities, integration of the Lebanese industry in the regional/international production and commercial chains and actions to reduce the impact of industrial activities on the environment while improving the cost-efficiency of industrial processes. The IP has also incorporated specific actions required to quickly and urgently respond to the needs of the areas in the South of Lebanon returned under Lebanese control in May 2000.

Current Planning Figure (incl. psc): \$6,735,365

Current Planning Figure (excl. psc): \$5,960,500

	Component	Current Planning Figure	Total Allotment	Total Expenditure
0.0.00	Multi-purpose	\$0	\$2,042,084	\$178,343
1.0.00	Effective governance	\$817,000	\$456,151	\$229,850
2.0.00	Promotion of partnerships and market	\$1,018,000	\$888,671	\$452,736
3.0.00	Improvement of enterprise performance and SMEs development (including assistance to the South)	\$2,523,500	\$600,495	\$570,215
4.0.00	Industrial environmental management	\$1,602,000	\$496,640	\$430,597
99.0.00	General Management	\$0	\$52,111	\$52,109
	Total	\$5,960,500	\$4,536,152	\$1,913,851

Funds Mobilization Status and its Implications for Programme Implementation

The Austrian Government secured a financial contribution of €100,000 for the second half of the year 2006 to ensure continuation of the LCPC (Lebanon Cleaner Production Centre). A number of actions have been launched during 2006 in view of sustaining the activities of the LCPC through payment for the services provided by it.

Following the war in Lebanon, July 2006, a conference for Lebanon's early recovery hosted by the Government of Sweden took place in Stockholm from 30 August to 1 September 2006 in close cooperation with the Lebanese Government and UN Agencies. The donor contributions mobilized at the conference more than 9 MUSD with primarily support early recovery of Lebanon in the areas of displacement & shelter; mines & unexploded ordnance; infrastructure; water & sanitation; health; education; environment; unemployment & livelihoods; agricultural production; industrial production; emergency assistance to Palestinian refugee camps. UNIDO expressed its full support to the Lebanese Government and prepared, in concordance with the Stockholm Conference recommendations and results, a project entitled **"Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon"** which was approved by the Steering Committee of the Lebanon Recovery Fund on 8 May 2007 with a budget of 3 MUSD.

New funding opportunities:

- Following the Stockholm Conference **the International Conference for the Support of Lebanon - Paris III** took place in Paris on 25 January 2007 for the assistance of the Lebanese Government. The Lebanese Government set an overall structure to conduct and supervise the implementation of the reform program presented during the Paris III Conference. The structure envisages a Program Management Office (PMO) chaired by the Prime Minister. The PMO will have the responsibility of the overall coordination of the implementation of the Economic Reform Program. It will direct the work of the various Inter-Ministerial Committees and permanent secretaries from relevant ministries. Among the 7.6 billion USDs that were pledged, 231 MUSD are directed to non-governmental institutions and international organizations namely UN Agencies and NGOs. Three inter-ministerial committees were established (Social, Economic and Infrastructure & Privatization). UNIDO would be involved with the Social inter-ministerial committee that is concerned with securing funding for the social sector in terms of job creation through the development of the productive sectors mainly agriculture and industry.
- The project "Increase access to export markets for Lebanese products and improvement of its Quality infrastructure to increase TBT/SPS compliance" with a total budget of \$2,200,000 including support cost, has been approved for funding by seco and the project document has been signed in November 2006 by the Ministry of Economy and Trade, the Swiss Embassy and UNIDO. Official launching took place in May 2007 and the project is currently under implementation and is currently known as **Market Access & Compliance for Lebanese Exports (MACLE)**.
- The UN Country Team is developing joint proposals for UNDP/MDG Spain Achievement fund. In this respect, UNIDO/LCPC is involved in the preparation of a UNCT joint programme proposal for the MDG-F Thematic Window on Environment and Climate Change. This programme aims at promoting local economic growth and thus alleviating poverty by mainstreaming sustainable environmental considerations into local and national policies, programmes and plans, tapping into innovative sources of financing and implementing local-level natural conservation programmes. This programme will support the Government of Lebanon to more effectively integrate environmental concerns for the poor at the national and regional levels, in both medium-long term development objectives as well as post-conflict recovery programmes. The programme will bring together relevant UN agencies working on poverty and environmental issues, including UNDP, UNEP, FAO, UNIDO, RWAO (Rural Women's Advisory Organization), UNOHCHR, UN-HABITAT, GM (Global Mechanism), IFAD, and FAO.

New Government Priorities:

The war in Lebanon in July 2006 has caused immeasurable destruction to the lives, livelihoods and infrastructure of the people of Lebanon.

In addition, it marked an abrupt interruption to an encouraging economic outlook for 2006 and 2007, achieved despite a heavy debt burden for the country and under difficult circumstances in the wake of the turbulences faced in 2005. The scale and the scope of the damage to the local economy, the infrastructure, and the public administration are significant. The destruction has weakened virtually all sectors of the country's economy, from small scale farming, to transportation and tourism, directly affecting the livelihoods of hundreds of thousands of Lebanese citizens. Furthermore, beyond the direct losses and immediate impact on employment and revenue generation capacity, the indirect and long-term shocks, and the monetary and fiscal implications, will resonate for years to come. While the full extent of the damage remains to be accurately understood and quantified, the clear reality is that thousands of human lives have been shattered and billions of dollars have been lost.

In this context, and immediately following the cessation of hostilities, the Government of Lebanon, supported by the international community, initiated a series of early recovery efforts, designed to address immediate needs and prepare the development of a comprehensive long term reconstruction and recovery program.

The main objective of the national early recovery process is to establish the critical elements for Lebanon to resume its progress towards sustainable growth and development. In particular, the national early recovery process seeks to:

- (a) *Provide* the conditions for the return of the displaced, including temporary shelter and safety from the immediate threat of unexploded ordnances; and
- (b) *Restore* minimum capacity in terms of infrastructure, access to basic social services and income generating activities, pending full reconstruction.

The long-term reconstruction program that will build on these achievements, and present comprehensive multi-sectoral plans, based on in-depth social and economic impact assessments, aimed at sustained development through economic and fiscal recovery and the full restoration of livelihoods. As a result, a Reconstruction Cell was established at the Office of the Prime Minister and the Lebanon Recovery Fund (LRF) was founded to study project proposals related to the recovery process.

In this regard, during the Stockholm Conference for Lebanon's Early Recovery, and in concordance with its recommendations, the UNIDO proposal for the support of the agro-industries was included in the Government documents and circulated among the donors. Moreover, the Minister of Environment requested UNIDO's assistance for the Oil Spill/Environment/Livelihoods in supporting fishing communities and associated businesses.

Programme Development Highlights

It is to be noted that activities under the IP for which funds have already been allocated and released will be continued however, new activities will be established as per the new UNIDO proposal in accordance with the Lebanon Recovery Plan.

The Programme "Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon" was presented to the Lebanon Recovery Fund and was approved by its Steering Committee on 8 May 2007 with a budget of 3 MUSD.

A joint UNIDO/UNDP Project on Environment, namely Recycling Demolition Waste in Conflict Affected Areas of Lebanon is being prepared for the submission to the Lebanon Recovery Fund (2 MUSD). One MUSD is already allocated by UNDP for that purpose and there is possibility of funding from the Swedish Government. A new proposal aiming at reinforcing the activities related to entrepreneurship development in Lebanon was prepared by the SME Branch in the framework of the Recovery Programme and was presented to the government. The IP will continue through its previous components mainly Promotion of Partnership and Market Access (mainly Food Safety) and Industrial Environmental Management. The rest of the components would have to be reassessed and/or reformulated according to the changing priorities and needs of the Government.

However, due to the war, the Food Sector has been assessed by UNIDO and one of the main recommendations is to enlarge the Food Sector to additional sub-sectors like olive oil, fruits and vegetables, fisheries, and meat with greater focus on processing. To secure funds, a project document will be finalized soon by AGRO and submitted to the Recovery Cell (Office of the Prime Minister).

In conclusion, the IP and the formulation of Phase II have not been discontinued:

- * Seco-UNIDO Project i.e. the MACLE project (Trade Capacity Building Component) will be implemented;
- * Agro-Food Component will be enlarged to new areas and implemented while the Food Law is still with the Parliament for its final approval.
- * The Component related to Environment focusing on the sustainability of the LCPC will be enlarged and its activities would include Energy and EMS.

As for the major current development highlights, the following activities have been undertaken:

- An assessment of the prevailing situation (post-war) in the agro-food sector in the Beka'a and South Lebanon regions was undertaken in September 2006 and a report was presented to UNIDO HQ.
- An assessment of the fishing sector in South Lebanon was initialized in October 2006 jointly with the FAO team.
- A Proposal on "Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon" was prepared by UNIDO, presented to the Lebanon Recovery Fund and approved for funding on 8 May 2007. It includes the following components:
 1. Reactivate business and the employment creation capacities in line with UNIDO thematic priority related to poverty alleviation through productive activities.
 2. Restore the competitiveness of the industrial sector through reinforced and additional trade capacity building measures for market access.
 3. Emergency oil spill clean up and environmental and energy assessment.
- The project "Increase access to export markets for Lebanese products and improvement of its Quality infrastructure to increase TBT/SPS compliance" (known currently as MACLE) was approved and signed in November 2006 and the official launching took place on 11 May 2007.
- Proposals related to the early recovery of the environment sector were presented to UNIDO HQ. These proposal are entitled:
 1. Introduction of Environmental Management Systems (EMS) in two clusters in Lebanon and adoption of ISO 14000.
 2. Sustain the services of the Lebanese Cleaner Production Center (LCPC), which will offer awareness raising, in-plants demonstrations and technical advice in all environmental related issues.
 3. National plan for implementation of Municipal Solid Waste Management Programme.
 4. Municipal Solid Waste Management including hazardous waste.
- A project on the Industrial Support to the National Strategy for Early Recovery of the Health Sector in Lebanon has been prepared and is to be discussed with the Ministry of Health, the Ministry of Industry and WHO.
- UNDP and UNIDO are closely coordinating to prepare a joint proposal on Recycling Demolition Waste in Conflict Affected Areas of Lebanon to be submitted for funding by the Lebanese Recovery Fund. The maximum fund to be sought would be about 2 MUS\$ (UNDP has already mobilized 1 million USD for this purpose). LCPC role in the forthcoming proposal will be considered by UNIDO and UNDP.

Comments related to the current status of other UNIDO activities

Following the Stockholm and Paris III conferences, UNIDO readapted its approach to the new priorities of the Government whereby the UNIDO programme "Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon" has been approved by the Lebanon Recovery Fund and will soon be implemented.

The current phase of the IP continues to be implemented also and with regards to the sub-component related to Industrial Statistics, the project started its implementation in Feb 2006 with the staff mission to discuss the modality and revised time-tables of project implementation. Two experts - one industrial statistician and one system analyst were hired to assist the Ministry of Industry in preparation of design of an industrial survey and simultaneously to set up the industrial database.

Activities completed so far:

- An initial design of the business register that combines the data set available in the Ministry from the past census and the registry data has been prepared. The design also envisages the link with registry data available in the Association of Lebanese Industrialists (ALI).
- A framework for the census of industrial production covering all establishments with 5 and more person engaged. It has been proposed that such census should be conducted once in 5 years and a sample survey should be conducted annually to meet the regular demand of industrial data. To measure the current industrial growth trend it would be necessary to construct production indices from quarterly production data. However, it can be implemented after the census.
- A questionnaire for an industrial survey has been designed, discussed and finalized.
- A training of the data collection staff was planned which was interrupted by the conflict in July 2006. In the beginning of November 2006, a joint mission of UNIDO staff member and data processing expert was undertaken in an attempt to resume the project activities. Data processing equipment with a server and a number of terminals were procured and installed. The ministry staffs were trained with dummy questionnaire. The training of data collection staffs postponed earlier was rescheduled in January 2007. However, the murder of the Minister of Industry Mr. Pierre Gemayel and worsening security situation prevented resumption of the project activities.
- It is suggested to conduct the training of the key national staffs outside Lebanon in order to enable the Ministry to conduct the survey at time when the security situation permits.
- Out of total project budget US\$ 295,050 (excl. support cost) approximately US\$ 70,000 has been spent so far.

With reference to the Food Safety sub-component, the Italian Government provided in total €581,950 in three installments (€ 200,000 in 2004, € 181,950 by October 2005 and €200,000 by January 2007). By these contributions the project is fully funded. Due to the critical situation in the country the Arab Food Safety and Quality Conference conducted in June 2006 remains the most important activity. In total more than 350 participants coming from 22 countries participated in the conference and contributed with valuable comments to the success of these event. The direct follow up on this conference was hindered by the war and the following insecure situation in the country. In order to find the proper connection to the needs after the war a detailed assessment of the dairy and meat sector was conducted. This assessment will be reflected in the forthcoming work. Due to the still insecure situation an additional extension of the project implementation will be requested.

In addition, with relation to the trade capacity building component, the MACLE project is underway and has started its activities.

As for the Industrial Environmental Management Component, cooperation with UNDP to develop a joint programme on Environment is well under way and will soon be formulated and presented to the Lebanese Recovery Fund for approval.

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