REPORT

Expert Group Meeting on
Strengthening Good Governance Practices in Conflict Affected Countries: Current Priorities and Future Interventions

Section on Emerging and Conflict Related Issues (ECRI)

27 – 28 February
UN-ESCWA, Beirut, Lebanon

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

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the depletion of human resources and physical infrastructure as well as the desperate need to upgrade and develop outdated administrative practices.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

2. In developed and developing nations, reform and improvement initiatives of the public sector's performance may have been influenced in some cases by interest groups aiming to capitalize on state resources for narrow local interests, which are not necessarily concurrent with national interests. The influence of such interest groups varies from country to country in Western Asia and beyond. Reform initiatives have also suffered from the inadequate expertise of civil servants or public officials. It is hence crucial to introduce good governance practices as a developmental mean, targeting civil servants through tailored capacity-building modules, in order to raise the awareness of the general public and decision-makers that good governance practices are a conduit for the economic well-being of all members of society, particularly those countries suffering from conflict and political instability. Human capital development on the basis of results-based management, under the overarching principles of human rights, anti-corruption and performance management is critical for institution building of the public sector. Such human capital development is also essential to sustain and drive reform, including the facilitation and the realization of the Millennium Development Goals (MDGs). As such, reform of the public sector remains essential but should be tackled within the socio-economic needs context and not the political context.

3. In order to better understand the dynamics of good governance and its relationship to conflict, conflict mitigation and development in Western Asia, ESCWA convened an Expert Group Meeting (EGM) on Strengthening Good Governance Practices in Conflict Affected Countries: Current Priorities and Future Interventions from 27 – 28 February in Beirut, Lebanon.

The objectives of the EGM were to:

(a) Present concepts and experiences of good governance practices as a vehicle for development, conflict mitigation and peace-building;
(b) Assess and build on past experience in capacity building as a means to instigate reform and institutionalize good governance practices, including the lessons learned through the collaboration of ESCWA and UNDP Iraq;
(c) Ascertain the best means to introduce concepts of human rights, performance or results based management, human capital development, accountability and transparency into state institutions in crisis afflicted countries;

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

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

(f) Examine possible good governance interventions or programs that would mitigate the impact of conflict on development and support peace-building efforts.

The EGM was planned and organized by the Section for Emerging and Conflict Related Issues (ECRI). It brought together a wide range of local, regional and international experts and representatives from member states, including the League of Arab States, United Nations Development Programme, UN High Commissioner for Human Rights, Organization for Economic Cooperation and Development, Kuwait Fund for Arab Economic Development, Netherlands Institute of International Relations, European School of Governance, the Arab Center for the Development of the Rule of Law and Integrity, the American and Lebanese Universities, the Lebanese center for Policy Studies.

4. The meeting was organized around five panels. The first discussed the importance and mutually reinforcing roles good governance, human rights, and social and economic development and peacebuilding. The second panel explored challenges to good governance in conflict-affected countries and resultant challenges to these countries’ development goals. The third panel presented regional expertise and lessons learned in supporting the enhancement of local good governance practices in conflict affected countries. The fourth panel explored the role of capacity building in strengthening the public sector of conflict-affected countries.

I. RECOMMENDATIONS

5. At the conclusion of the EGM, the participants agreed to the importance of the following recommendations:

Governance, Human Rights and Development

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

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

**Capacity Building**

(c) Service delivery and building the capacity of middle managers within public institutions to ensure the transparent and efficient delivery of basic services to populations is both important to development and to the mitigation of conflict in this region, which suffers principally from protracted wars.

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

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

**Good Governance and Reform**

(f) Good governance is an essential component to development in conflict affected countries. The specific conflict and its context must be thoroughly analysed before any plan for state building intervention can take place. The problem of security is considered one of the most important obstacles to development in post conflict countries;

(g) Building a resilient state also includes the need for civilian oversight and effective reforms. Reform is important also at the level of institution strengthening especially relating to the recruitment and capacity building of civil servants (as mentioned in the above recommendations on capacity building). Judiciary reform should also be linked to good governance.

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

**Corporate governance**

(i) The principles of corporate governance yet binding should be implemented with an administrative and legal oversight and stipulated internal sanctions for
breaches. In addition to these laws, records should be made public, binding companies for transparency and accountability.

II. TOPICS FOR DISCUSSION

A. GOVERNANCE, HUMAN RIGHTS AND DEVELOPMENT

6. Good governance is essential to socio-economic development, and is particularly crucial in conflict-affected societies. It is crucial to understand the regional nature of the relationship between socio-economic development, good governance and conflict in the ESCWA region as sources of conflict include socio-economic realities, strategic matters and issues of governance in a manner which is cross border and transnational. Failure to promote good governance leads to negative long lasting trends, such as the rise of non-state actors, displacement and extremism, which contribute to both de-development, and conflict on the regional level.

7. The Regional Representative of the High Commissioner for Human Rights presented on the interdependence and indivisibility of human rights, sustainable development and good governance. The achievement of a life of human dignity is the goal of sustainable development; human rights is a system of legal standards and social values that define in their totality human dignity; and good governance is the system required to effectively respect and fulfill the dignity of a society. Sustainable development and good governance can only succeed when such approaches contain integrated and sufficient human rights elements. Essential to this are: reliance on and implementation of a specific set of human rights and performance standards whose protection and fulfillment is a matter of legal responsibility; ensuring participation of rights bearers in design and implementation of policies; enabling open and transparent policy setting and implementation, including facilitating a free media; developing effective monitoring mechanisms, including national and international human rights monitoring mechanisms and an open and free media; accountability mechanisms to ensure that actors involved are fulfilling their responsibilities, prevention of corruption and subversion of original intent, and public oversight of the entire process.

8. The ESCWA Region suffers from a vicious cycle of political tension, conflict and de-development in which political tensions, conflict, collapse of state institutions, extreme ideological discourse, and negative detrimental social and economic repercussions lead to reinforce each other. The spillover effects are displacement, and resulting strain on public services, illegal migration, brain drain, capital flight and negative economic growth. Religious extremism, terrorism and mushrooming of ethno-sectarian tensions are also reinforced as a result. On the local level, this vicious cycle is manifested by weak national political and socio-economic systems, deficient local socio-economic and reform processes and competing international local and regional interests. A common pattern of government deficit exists in many conflict affected countries, with the following characteristics: rigid centralized decision making in which political and security considerations override concerns of good governance; patronage, corruption and clientalism; inefficient state institutions and services; widening gap between rich and
poor and political elites and citizenry; and polarized leadership. The result is a political-economic system unable to address political discord and grievances and increased poverty, unemployment and instability.

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

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

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

10. Good governance in service delivery is essential to development and state building in conflict affected countries. Good governance practices strengthen essential service delivery, which mitigates the impact of conflict on the socio-economic development of affected countries and contributes to state building. In order for good governance practices to be accomplished a concerted effort must be made by all concerned parties and stakeholders, including local government, the donor community and international organizations.

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

12. In order for good government interventions to take place, however, a minimum level of security must first be achieved, including reaching an initial peace settlement. The signing of a peace agreement may not signify the end of a conflict period in a country as they often include long transition phases. The goal of a transition phase should be building a resilient state, by increasing the legitimacy and effectiveness of government and promoting development. While a peace agreement may be a pact between leaders, in the transition phase is defined by a broadening through interaction between the state and citizens. This is especially important given the importance of lack of legitimacy and other governance related causes of conflict in many countries.
13. Good governance is achieved in the transition phase by increasing the legitimacy of the government. Early elections are often a risk to stability, however increasing the representative nature of government can be supported by building on various existing state and non-state institutions, creating a type of hybrid home grown democracy. Local institutions such as village councils, political parties and religious organizations, can be supported to help increase participation, accountability, equality and merit based recruitment.

14. Priority of increased effectiveness of government should first be on rule of law and human security and once minimum standards have been achieved, focus on sectors such as health and education. Depending on capacities both state and non-state institutions should be included, with the state playing an essential coordination role. The international community should provide support through capacity building and institutional development interventions.

15. Good governance and accountability are essential for and supported by economic growth, which together with distribution of wealth also plays an important role in conflict mitigation. While state building models do not provide answers, it is clear that the role of taxes in increasing accountability and the promotion of macroeconomic stability are essential components of the transition. Promotion of good governance and development in the transition phase is subject to external factors, such as geopolitical interference, conflict in the region, resource scarcities, ineffective or irresponsible development aid, and conflict in the region; it is important for external actors to address these external factors.

16. In the case of the Palestinian National Authority (PNA), the environment in which it has carried out institutional reform is characterized by major challenges, including the image of the PNA and the peace process in the eyes of its constituency, discontinuity in leadership, prospects for medium- and long-term reform and development in absence of a peace accord, the lack of full jurisdiction over a contiguous territory, and lack of control over major economic and fiscal policy instruments as a result of Israeli occupation. There were also internal aspects of the PNA which necessitated institution building and reform. With roots in the PLO leadership and civil administration machinery, recruitment had long been underpinned by neo-patrimonial logic and bureaucracy dominated by political appointees, rather than merit based recruitment, as a result the PNA had created an elite group. This posed barriers to reform in many ways such as culture of dependency and profiteering, loyalty to powerful individuals rather than the public good, and counter-interest of the ruling elite to aspects of good governance reform such as transparency and accountability. Palestinian institutions are a product of a particular political economy, which is that of a transitional authority with limited jurisdiction and with diminished local legitimacy when the Oslo interim period ended in 1999. Institution building has been hampered by an almost continuous state of fiscal, socio-economic and political crisis the failure of either Palestinians or the international community to place primary importance on democratic institution building, and lack of a holistic, national institution-building plan.
17. Institutional building required human resource management reform of the PNA’s large, expensive and largely unresponsive bureaucracy, and promotion of unity and power sharing between various ruling parties, among whom fragmentation poses another challenge to good governance reform. Good governance in the occupied Palestinian territory (oPt) was further damaged by the failure of the international community to observe “Do No Harm” principles, such as fragmentation of aid, lack of incentives for reform as the result of high availability of bilateral aid, and a focus on the executive branch in PNA institution building assistance. Further challenges are the lack of credibility of the international community’s advocacy and government reform and perception that the reform agenda is not Palestinian.

18. Reform in the oPt could most be facilitated by a credible peace process. Balanced, coherent aid allocation is also necessary and should focus on establishing a coherent coordination arrangement and common funding mechanism. Areas for action for reform in the near term include Palestinian Legislative Council (PLC) led preparation of a national agenda and approval of development and reform plan and budget, as well as strengthening of the General Personnel Council, and a strengthening of the policy formulation, planning and budgeting processes. Policy formulation and resource allocation processes should reflect real sector and social needs, and be accompanied by enhanced policy capacity at the ministry and local level and increased fiscal autonomy and responsibility at the local government level.

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

19. Successful regional models are a highly useful resource for applicability and transferability on the local level and may be easier to implement.

20. The Parmenides Foundation’s tool for systematizing and conceptualizing a way of analyzing good governance through participatory information collection, is a valuable contribution to the efforts for the development of policy and strategies for good governance interventions. Good governance and state building defined as a trajectory from the present state to a situation that meets the criteria for good governance, can be analyzed through a methodology with three focus areas: systemic context, need for self-consistent and coherent measures and the importance of monitoring and evaluation.

21. Comprehension of the systemic context is a prerequisite to developing state building strategies, and includes identification of conflict drivers, vicious circles, underlying mechanisms of conflict and possible backlashes, as well as the use of mediation as a technique to analyze and resolve conflict between parties. The ultimate result of state building is not a finished, consolidated state, but a “work in progress.” It is essential to have consistent and coherent strategies throughout, ensuring a participatory approach to assure acceptance by the target communities and countries. Detailed discussions with stakeholders are essential to assure transparency of the process.
22. Monitoring and evaluation are essential and need to be carried out at all stages. Goals and relevant indicators must first be agreed upon. Goals need to be realistic, adaptable and shared among stakeholders; indicators should be closely relevant and related to goals, as well as strong, relevant and also agreed upon by all stakeholders. It is essential to perform assessment performance of proposed strategies and/or measures against goals at all stages and in a transparent manner. Monitoring execution of the project should also be done at each stage and should include capacity building components to improve stakeholder project management capabilities. Measures should be adaptable to reality on the ground and re-evaluated and realigned as appropriate. Evaluating success of the project should be the result of continuous and transparent monitoring of indicator changes, and help developing of lessons learned and knowledge management. After project goals and steps should be discussed throughout monitoring and evaluation.

23. E-governance is the use of information and communication technologies to support good governance, strengthening existing relationships between citizens and government and building new partnerships within and among various official and non-official institutions. Over the past years Egypt has undergone vast development of E-governance services, in which ICT has been harnessed to achieve administrative and social goals as part of a greater governance reform process promoting accountability, transparency and improvement in public services. The push for e-governance was also a result of international agency demands for progress in areas such as civil rights and effective financial management and devolution from central government to regional offices. E-governance is more than simply e-services, and is a means of improving the internal organizational processes of governments, increasing government transparency to reduce corruption, reinforcing political credibility and accountability and promoting democratic principles public participation and consultation. E-governance is a strategic choice for developing countries but must show sensitivities to the reality of these countries and be preceded by e-readiness, and a commitment to develop high level awareness and infrastructure needed to carry e-governance forward.

24. Egypt is a large, young country with a critical mass of young educated human resources, a vibrant civil society, and strategic commitment to change and economic reform to support social development. Egypt also has a large civil service; 4.6 million public servants on the government payroll. In 2004, Egypt instituted a Development Agenda, including commitment to developing the civil service, developing basic public services, building and information society and developing the political and legislative environment. The Ministry of State for Administrative Development has been working to upgrade the quality of government services provided to different segments of the population, using service delivery as an indicator for achieving good governance goals. Key to this is improved identification of clients needs, including through the Family Database Project, which linked existing databases and provided a profile of 17 million Egyptian families for better government decision making. E-governance is also being used to build capacity for service delivery, often through public private partnerships, including components of citizen relations management and service delivery, such as issuance of ID cards and tax forms.
25. E-governance in Egypt has resulted in direct economic gains, saving 1 to 3 percent on procurement costs and saving 900 working hours annually. It has also had indirect gains such as increasing demand for information, reducing traffic and reducing opportunities for corruption.

26. From the 1990s through the present day, Lebanon has faced both a crisis of governance and conflict as a result of internal and external factors. Recurrent Israeli attacks resulted in major damage to infrastructure, particularly water and electricity; additional armed conflict occurred in Lebanon in the form of the 2007 conflict in Nahr el-Bared refugee camp. This period was also defined by political crisis including assassinations, bombings and an escalation of political fighting. This had a strong negative impact on governance and service delivery, including: 7 billion USD in direct infrastructure damage; delay of government reforms; government and parliament paralysis; lack of budgets for 2007 and 2008; and undermined financial stability. The capacity of the Ministry of Finance (MoF) was further depreciated by brain drain, damage to facilities and lack of capacity building.

27. The strong need for reform was viewed as a complex, interconnected policy package with capacity building a central issue. A comprehensive and integrated reform policy was instituted with policy support, technical assistance coordination and training and recruitment at its core. To this end the Basil Fuleihan Institute of Finance (IoF) was created in 1996 as a joint French Lebanese endeavour as an autonomous agency under the tutelage of the MoF, to provide a sustainable source of high quality, specialized training in Lebanon and the region. Its mission is to develop public employees’ qualifications in financial management, to improve quality and transparency of service, and to network with regional, local and international institutions, serving as a regional platform for training. Since its inception almost 30,000 trainees have participated. In addition to improving human resources competencies and management and providing training for better financial governance, the IoF also carries out public information activities in support of the reform agenda, promoting access to information, participation and consensus building. Good governance principles serve as both training objectives and training indicators.

28. The IoF has expanded it activities across the region, benefiting from commonalities in language, history and regional development policies. As a locally driven initiative for South-South cooperation in which 17 countries and 47 institutions participate, the IoF’s activities in the region have included study tours, technical assistance, and trainings, in which over 1,500 trainees have participated. Lessons learned demonstrate the importance of confidence building as a result of improvements in administration, macroeconomic stability, and direct improvement in service. The IoF believes key factors to their success to be: visible, tangible, desired results, clear communication of intentions, government ownership, good performance and adaptation to local needs.
29. In Iraq, the National Centre for Consultancy and Management Development (NCCMD) is another good example of good governance practices in this region, as well as within the context of conflict and instability. The reform efforts through modern methods, capacity building and training of officials have the objective of creating an affective administration. The NCCMD contributed to the preparation of E-government. Iraq has also set up a review board for cross-checking UN and NGO projects with national development strategies.

30. ESCWA has designed and carried out capacity building in several conflicted affected member countries utilizing a 360 degree approach, targeting policy development and advocacy for reform, institutional development, infrastructure and systems improvements, and human empowerment and skill building. Sustainability underlies the approach which is characterized by the following guiding principles: involvement of national stakeholders at all levels; partnership with UN organizations and national, regional and international entities to ensure complementarities and prevent overlap and assure replicability and adaptability of the intervention to the local setting; the multiplier effect of target partners (training institutions) and activities such as Training of Trainers (ToT); comparative advantage and local need.

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

32. Capacity building endeavours faced major environmental challenges as a result of operating in a country characterized by protracted conflict and instability. As a result of insecurity in the target country, it may be necessary to hold trainings abroad or safe locations within the country, thus raising the cost of training. Crisis conditions may also limit the ability to perform needs assessments and correctly adapt training criteria to beneficiaries’ needs and aspirations. Limited access to the field also poises challenges to conducting monitoring and evaluation. There have also been programmatic challenges which limit the multiplier effect of trainings such as inadequate follow-up mechanisms to capacity building, inadequate selection of beneficiaries of ToTs limited support from senior decision makers, or lack of correspondence between training materials and local needs.

33. Lessons Learned from ESCWA Capacity Building Activities in Conflict Effected ESCWA Countries:
(a) Involve project beneficiaries/partners in the planning and implementation phases of the intervention;
(b) Involve and inform senior officials of the project of its potential benefit to the institution in order to ensure support and ownership of the intervention from senior management and decision makers;
(c) Coordination with other implementing entities in order to avoid overlap and duplication;
(d) Setting clear and agreed upon selection criteria of participants, especially for TOT workshops;
(e) Planning of follow-up sessions to capitalize on knowledge transmitted;
(f) Follow-up sessions should be based on assignments that participants would perform in their respective environments;
(g) Impact evaluations – if no access to end beneficiary is possible – should be performed through desk reviews and confirmed during an evaluation meeting involving all stakeholders;
(h) Needs assessment to be performed prior to developing training curricula and fine-tuning to be coordinated with relevant national partners;
(i) Study tours as an effective and efficient means to transmit institutional development methods and experiences.

34. ECRI credits its successes to building on available regional models and expertise, successful partnering with UN, national and regional organizations in implementing training activities, Treating project beneficiaries as partners, thus ensuring ownership and commitment. This has assured coordinated interventions and pooling of resources and high levels of ownership and sustainability. ECRI is currently moving forward with several prospective capacity building activities, including supporting member states in identifying priority institutional capacity, building interventions that would promote good governance practices, and human and institutional capacity building interventions to be set by a comprehensive national strategy that would abide by national priorities and vision. ECRI is working to enhance partnerships at the regional level to build on regional expertise and best practices and promoting local governance as a means to enhancing service provision under crisis conditions and promoting decentralization.

35. The experience of UN-Habitat working on the municipal level in South Lebanon following the 2006 Israeli war represents a success story in post-war reconstruction. The 33 day war of July 2006 left 1,287 dead, 4,061 injured and 900,000 displaced civilians and resulted in the contamination of an area of around 35 million square meters with over 1 million unexploded ordinance and cluster munitions. Around 20,000 houses completely destroyed more than 12,000 houses in Southern Lebanon. Reconstruction efforts faced additional challenges due to pre-existing conditions, such as weak municipal capacities, absence of reconstruction regulations, lack of proper urban planning and zoning rules and regulations, and inaccurate documentation of housing.

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

37. Municipal capacity building targeted several levels. Regional Technical Offices (RTOs) and Local Reconstruction Offices (LROs) were established as part of the municipal system in the union of municipalities (RTO) and in each municipality (LRO), and were mainly charged with dealing with the numerous reconstruction needs. They play an instrumental role in actively engaging local stakeholders as well as affected communities in responding to recovery and reconstruction needs. Three urban observatories were established and housed within three unions of municipalities and include data and indicators presented in an analytical but easily accessible format supported by GIS tools. Municipalities have now a full range of digitized maps as well as base maps and locally verified data to guide future planning. A final component was the development of Municipal Strategic Development Plans. Data was collected and analyzed through the observatories, producing village profiles and regional strategic plans through a participatory process involving stakeholders at both the village and municipal level.

38. Municipal Capacity Building formed an important cross cutting component. A locally-adapted training programme was developed with emphasis on developing the management capacity of the municipal authority. Four key training areas were: competencies for successful municipal management, financial administration, and strategic planning and community participation.

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

40. The Ministry of Planning in Palestine approached reforms in a new way after past unsuccessful achievements. The reform agenda, through the Peace, recovery and development plan for Palestine (PRDP) for 2008-2010 was developed with full Palestinian ownership encompassing performance analysis and coordination in line with national strategies. In previous years, attempts at good governance reform were severely limited in efficacy by lack of coordination and fragmentation. There was no linking between reform plans. Processes of formulating plans and budgeting suffered from a lack of coordination and competition among stakeholders. Donors exacerbated this through dispersed funding policies. Projects were often included without proper assessment and without the context of a larger development framework. As a result, the reform process and governance in general suffered paralysis. The PRDP has been drafted as an attempt
to create a cohesive framework in line with responsible donor and coordination principles for the next four years.

41. Four main national objectives as laid out in the PRDP are security and rule of law, justice, fiscal reform and the reform project for “Open and Accountable Government”. The fiscal reform initiative includes the wage bill reduction for public employees, addressing the impact of the net lending for utilities phenomena on the poorest of the poor, and tax administrative reforms directed at further increasing the efficacy and transparency of collection of tax and customs. The “Open and Accountable Government” (OAG) programme is a final component which consists of three sub-programs: system and process re-engineering, with capacity building implementation of modern policy-making, planning and budgeting processes; building effective oversight institutions, with capacity-building for independent auditing; and monitoring and evaluation of government performance with extensive capacity building of a central government entity for monitoring and evaluation.

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

42. Enhancing good governance practices of civil servants is essential to improving the performance of the public sector. Capacity building initiatives are a critical component, and must be relevant, accepted, and owned by local civil servants. Also key to their success are strategic planning with the setting of realistic goals.

43. The Organisation for Economic Cooperation and Development’s (OECD) Task Force in Iraq has shown the importance to align national priorities and the need to recognise the link between political, security and development objectives. Improved governance initiatives play an important role in conflict contexts, both in fostering economic growth and job creation and the role played by improvements in public services in promoting peace and security. In early post-conflict phases, private sector development (PSD) related governance reforms are of equal importance as traditional rule of law and capacity building initiatives and must be included in first generation reforms. Importantly, while weakness in rule of law may exist overall, there may be a contemporaneous overregulation of sectors regulating small businesses. The impact is increased incentives to stay in the informal economy, and a barrier to economic growth.

44. Despite this, PSD is often not integrated due to competing reform priorities and political difficulty of such reforms. The OECD, the World Bank, GTZ have developed frameworks to PSD, in all of which ensuring ownership of the reforms process and close support of the government is essential to successful efforts. PSD instruments and concepts include: OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones; Principles for Good International Engagement in Fragile States and Institutions; “Concepts and Dilemmas of State Building in Fragile Situations”; Development Assistance Committee (DAC) Guidelines on Security System Reform and Governance (2004) and the 2005 Paris Declaration on Aid Effectiveness.
45. The MENA/OECD project was carried out in Iraq. The project benefited from broad mandate provided by the International Compact with Iraq and MENA-OECD initiative, support of MENA countries, and the engagement of key Iraqi ministries. The project involved capacity building meetings in the areas of investment reform, public procurement, anti-corruption and improved governance as well as supporting involvement of Iraqi officials into regional experts’ networks, focusing on investment and anti-corruption. The initiative provided targeted capacity building support that leveraged OECD and MENA countries’ expertise and capacities. The project supported leadership in the government to ensure coordination and consensus on priorities for reform through a broad range of policy areas affecting good governance and the business climate, and continuously involved the private sector and civil society for sustainability. Any future interventions within fragile or conflict countries for administrative reform towards good governance should be framed within the principles of the effectiveness of aid as spelled out in Paris in 2005 as well as the OECD DAC principles of intervention in fragile states.

46. Capacity building in conflict affected countries faces several additional challenges which require the development of a new framework. In cases such as Lebanon and Iraq, sectarian tension means that additional care much be taken in choosing target trainees. It also creates further difficulties in the monitoring and evaluation process; in many cases rent seeking behaviours affected the impact of trainings, as training political elites may not have the impact of improving capacity of targeted government entities at large. Another problem in conflict affected areas is the donor frenzy that often occurs, resulting in poorly coordinated efforts which may repeatedly target the same beneficiaries without a strategic framework or proper coordination.

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

(a) Laws and structures of legislation, taking into account how institutions operate and how civil servants are managed;
(b) Political consensus and level of commitment to reform;
(c) Coordination among public institutions in the public sector;
(d) The will for change and capacity for change management among leadership and public sector institutions and;
(e) Willingness of government to commit and invest in human resources as a source of development.

E. TOWARDS MORE EFFECTIVE GOVERNANCE: NORMS AND MECHANISMS

48. Effectiveness of the public sector is increased by the adoption of ethical norms. Public private partnerships and corporate social responsibility increase good governance
practices by making the public sector more competitive, cost effective, transparent, and responsible.

49. As a result of failures in global corporate governance such as those that led to the financial crisis of the 1970s, the OECD promulgates a set of principles for companies to abide by, including a set of guidelines specifically for state owned enterprises; at the core of these principles is the notion of the stakeholders’ role as a decision making body and a separation of capital ownership.

OECD Guidelines on Corporate Governance of State-owned Enterprises:
(a) Ensuring an Effective Legal and Regulatory Framework for State-Owned Enterprises
(b) The State Acting as an Owner
(c) Equitable Treatment of Shareholders
(d) Relations with Stakeholders
(e) Transparency and Disclosure
(f) The Responsibilities of the Boards of State-Owned Enterprises

50. Some of these principles have been included in national laws; in Lebanon, these principles have been included in legislation. Despite this, implementation of responsible corporate governance faces great challenges and the principles are not widely abided by. This has discouraged foreign investment; the private sector in Arab countries currently receiving only 2% of global international investment. Failure to abide by the principles also fuels emigration of expertise. In the Lebanese banking sector there is considered to be good accountability which ensures growth and investment, however this is one of the few sectors where this is the case.

51. A major aspect in which the principles are not abided by is in the separation of management from ownership of the shares. Internal audit units are widely lacking, and where they do exist, they often represent management, and are not transparent. Company information which is published generally reflects management’s interests rather than objectivity. State owned enterprises in Lebanon have been established progressively, generally beginning with government privileges, such as the electricity provider and national tobacco company. These companies were administered by private sector and then acquired by the state, most have come to be characterized by a lack of competitiveness and surplus of employees. Cellular telephone service is a more recent example of the negative impact of state ownership of enterprises in Lebanon. There are two companies neither of which abide by market principles, and suffer inefficiencies due to lack of competition.

52. Public sector reform in post-conflict countries in this region is often faced with strong sectarian divides within the structure of the public institutions which creates significant obstacles in reform efforts. A useful five pillar monitoring approach is used by the Lebanese Center for Policy Studies (LCPS) which includes among others political consensus for reform, coordination between ministries and human resource development. Judiciary reform as part of public sector governance in Lebanon is an excellent case
which demonstrates the need for the separation of the executive authority to the judicial authority to ensure transparent and effective governance.

53. The case of Uganda showed that media and information campaigns and civilian oversight improves governance and transparency and reduces corruption. Public-Private Partnerships also maximises government resources and improves the quality and transparency of interventions and delivery of services.
# Annex

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