

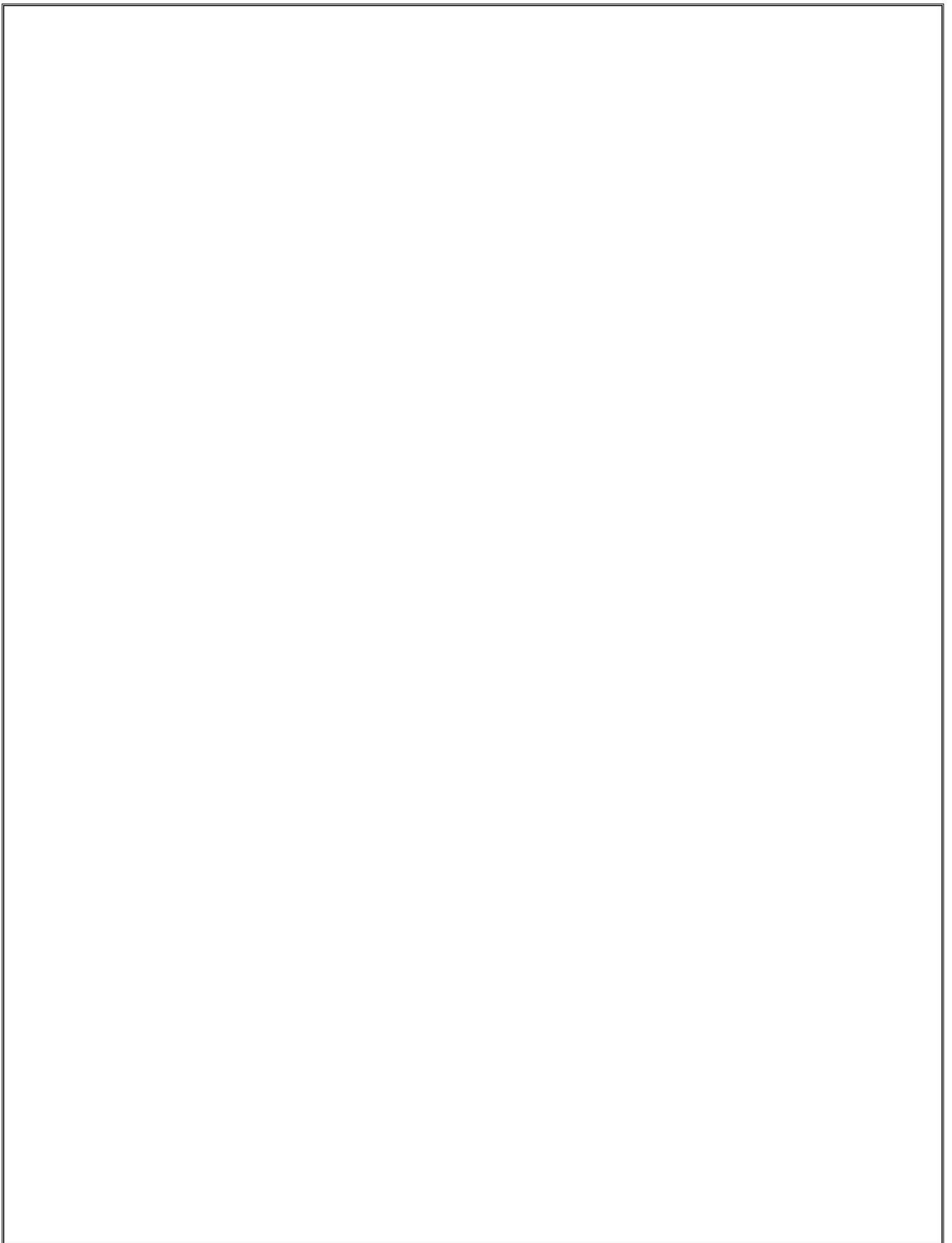


**First Consolidated Progress Report on  
Activities Implemented under the Lebanon Recovery Fund**

**Report of the Administrative Agent  
of the Lebanon Recovery Fund for the period ending 31 December 2007**

**Multi-Donor Trust Fund Office  
Partnerships Bureau  
United Nations Development Programme  
[www.undp.org/mdtf](http://www.undp.org/mdtf)**

**8 August 2008**



# LEBANON RECOVERY FUND

## PARTICIPATING UN ORGANIZATIONS<sup>1</sup>



**Food and Agriculture Organization of the United Nations (FAO)**



**International Labour Organization (ILO)**



**United Nations Development Programme (UNDP)**



**United Nations Educational, Scientific and Cultural Organization (UNESCO)**



**United Nations Environment Programme (UNEP)**



**United Nations Population Fund (UNFPA)**



**United Nations Humans Settlement Programme (UN HABITAT)**



**United Nations High Commissioner for Refugees (UNHCR)**



**United Nations Children's Fund (UNICEF)**



**United Nations Industrial Development Organization (UNIDO)**



**United Nations Development Fund for Women (UNIFEM)**



**United Nations Office for Project Services (UNOPS)**

## CONTRIBUTING DONORS



**Romania**



**Spain**



**Sweden**

<sup>1</sup> Participating UN Organizations that have concluded a Memorandum of Understanding (MOU) with the UNDP Multi-Donor Trust Fund Office, as the Administrative Agent of the Lebanon Recovery Fund.

## Abbreviations and Acronyms

<b>ATWG</b>	Ad-hoc Thematic Working Groups
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>ILO</b>	International Labour Organization
<b>LOA</b>	Letter of Agreement
<b>LRF</b>	Lebanon Recovery Fund
<b>MDTF</b>	Multi-Donor Trust Fund
<b>MOU</b>	Memorandum of Understanding
<b>PAG</b>	Project Approval Groups
<b>PSC</b>	Project Steering Committee
<b>RC</b>	Resident Coordinator
<b>RRC</b>	Recovery and Reconstruction Cell
<b>SC</b>	Steering Committee
<b>TOR</b>	Terms of Reference
<b>UN</b>	United Nations
<b>UNDG</b>	United Nations Development Group
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UNFPA</b>	United Nations Population Fund
<b>UN HABITAT</b>	United Nations Humans Settlement Programme
<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>UNICEF</b>	United Nations Children's Fund
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>UNIFEM</b>	United Nations Development Fund for Women
<b>UNOPS</b>	United Nations Office for Project Services

## **Definitions<sup>2</sup>**

### **Approved Project**

A project that has been approved by the Steering Committee of the Lebanon Recovery Fund (LRF) for which a project document has been subsequently signed.

### **Donor Pledge**

An amount indicated as a voluntary contribution by a Donor. Pledges are not included in the financial statements. Financial reports will report on legally binding Donor commitments and deposits to the LRF.

### **Donor Commitment**

A Donor contribution as per signed Letter of Agreement with the UNDP Multi-Donor Trust Fund Office, in its capacity as the Administrative Agent of the LRF.

### **Donor Deposit**

Cash deposit received by the Multi-Donor Trust Fund Office for the LRF.

### **Project Expenditure**

Amount of project disbursement plus un-liquidated obligations related to payments due for the year.

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<sup>2</sup> Common definitions used by the Multi-Donor Trust Fund Office in Consolidated Progress reporting.

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## **Executive Summary**

### **Introduction**

1. The Lebanon Recovery Fund (LRF) was established at the request of the Government of Lebanon and enables Donors to pool their resources and rapidly provide funding in the aftermath of the July 2006 war between Lebanon and Israel.
2. On 31 August 2006, the Government of Lebanon presented a strategy for a national early recovery process at the Stockholm Conference for Lebanon's Early Recovery, hosted by the Government of Sweden in close collaboration with the Government of Lebanon and the United Nations. At the conference the Government presented its early recovery priorities, and a number of Donors pledged their support.
3. The Multi-Donor Trust Fund (MDTF) Office of the United Nations Development Programme (UNDP) was designated as the Administrative Agent (AA) of the LRF and has concluded a Memorandum of Understanding (MOU) with twelve Participating UN Organizations.
4. This First Consolidated Progress Report on Activities under the LRF reports on the implementation of the ten projects approved for funding during 2007, the first year of operations of the LRF. The Progress Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating UN Organizations to the MDTF Office. The financial section includes data and analysis extending to the first quarter of 2008 on the basis of unofficial figures received from the operational units of the Participating UN Organizations. It is neither an evaluation of the LRF nor the MDTF Office's assessment of the performance of the Participating UN Organizations.

### **Strategic Framework**

5. The LRF, as stated in its Terms of Reference dated 3 November 2006, finances Government-approved priority recovery and reconstruction projects that can be executed with the support of Participating UN Organizations, in partnership and cooperation with government and non-governmental organizations, within the scope and time frame of national priorities. It also facilitates the Government's coordination of international assistance and enables the Government to ensure transparent fund administration and project implementation in line with its reform agenda.
6. The LRF complements other funding mechanisms that may be used by the Government and United Nations organizations, and its arrangements seek to ensure that:
  - each project approved for funding is part of a Government-approved priority programme for recovery and reconstruction activities based on and formulated in consultation with concerned line ministries and beneficiary communities and, to the extent possible, Donors and other stakeholders;
  - the activities financed through Participating UN Organizations are implemented, to the extent possible, directly by or in collaboration with national implementation partners, under the overall ownership and leadership of the Government, to ensure sustainable local capacities; and
  - funding and implementation are undertaken with special attention to transparency and accountability as well as to ensure prompt delivery and efficient use of donor funds.

## **Governance**

7. The Lebanon Recovery Fund is governed by its Terms of Reference. The LRF Steering Committee (SC) provides strategic guidance and oversight as well as makes final decisions on fund allocation. The SC is chaired by the Minister of Economy and Trade, or his/her designate, and composed of the Head of the Recovery and Reconstruction Cell (RRC), a representative from the Ministry of Finance, five representatives of Donors, and the United Nations Resident Coordinator. A second-tier of review involves the Project Approval Group (PAG), which reviews and approves proposals and allocates funds for all projects specific to recovery activities. The Recovery and Reconstruction Cell is located in the Office of the Prime Minister and is the designated national entity in Lebanon responsible for prioritization of and resource allocation to recover and reconstruction. Ad-hoc Thematic Work Groups (ATWG) are established as required to review and prioritize project proposals and submit them to the SC.

## **Project Approval Status**

8. The first projects under the LRF were approved in May 2007—only nine months after the end of the July 2006 war between Lebanon and Israel, seven months after the finalization of the LRF Terms of Reference, and five months after the receipt of the first Donor contributions. Compared to similar Multi-Donor Trust Funds in other post-conflict and recovery contexts, this is a notable achievement. The ten projects approved for funding by the LRF Steering Committee during the reporting period amount to a total of \$18,967,124. The projects were executed by five Participating UN Organizations: the Food and Agriculture Organization (FAO), International Labour Organization (ILO), United Nations Development Programme (UNDP), United Nations Educational, Scientific and Cultural Organization (UNESCO), and the United Nations Industrial Development Organization (UNIDO).

## **Project Implementation Status: Achievements and Challenges**

9. The destruction caused to the lives, livelihoods, and social and physical infrastructure of the people of Lebanon by the month-long war, coupled with the subsequent total land, sea, and air blockade imposed by Israel, resulted in a major setback to the country's encouraging economic outlook and to the reform agenda that the Government of Lebanon. The war also resulted in a longer-term unstable socio-economic and political environment in the country, posing challenges to and affecting the start-up phases of projects approved for funding under the LRF.
10. Whereas considerable efforts were made to establish project management units and coordination mechanisms, including negotiations with national counterparts and the development of terms of references, identification of project board members, and finalization of project documentation, the majority of substantive project activities, including procurement and the recruitment of project staff, were not initiated before the third or fourth quarter of 2007. Three projects, all approved in October 2007, reported no expenditure during the reporting period.
11. The UNDP-executed “Community Energy Efficiency and Renewable Energy Demonstration Project for Recovery of Lebanon (CEDRO)” was approved in May 2007 for a total of \$2,732,240, but the start-up of the project was delayed until October 2007 primarily due to the delayed signing of the appropriate project documents. Once implementation was initiated, the project progressed according to its work-plan during the remaining three months of the reporting period. Progress was made in the establishment of project management arrangements and the preparation of the pilot projects, as well as validating and replicating the project through the development of a second phase, which was approved for funding in October 2007.

12. The UNIDO project “Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon” (\$3,000,000) was approved in May 2007 and, whereas the project commenced immediately thereafter with the establishment of a Project Management Unit, the official launch of the project only took place in October 2007. The project assessed 125 enterprises in the north and south of the country as well as in the southern suburbs of Beirut. Among the assessed enterprises some 80 percent were totally destroyed, with the rest being partially damaged. Challenges encountered included the prevailing political situation and related insecurity, which led to delays in implementing such project activities as visits to enterprises in the southern suburbs of Beirut, thereby complicating the finalization of technical assessments.
13. FAO’s project “Early Recovery Assistance for the Horticulture Smallholder” (\$1,370,670) was approved for funding in June 2007. Whereas implementation arrangements for the project had been initiated with the establishment and convening of initial Project Steering Committees (PSCs), the majority of project activities were expected to be initiated in the first quarter of 2008, in line with the work plans of the project. As of 31 December 2007, FAO reported \$75,791 (6 percent) in expenditure under this project.
14. FAO’s project “Early Recovery Assistance to War-affected Resource-poor Livestock Keepers in South Lebanon” (\$1,900,000) was also approved in June 2007. The establishment of implementation arrangements for the project was initiated during the reporting period, including the identification of beneficiaries and the establishment of a Project Steering Committee (PSC) to oversee the overall programme implementation, though the majority of project activities were expected to be rolled out in the first quarter of 2008.
15. The ILO-executed “Local Socio-economic Recovery in War-affected Areas in South Lebanon” (\$1,183,108) was approved for funding in June 2007. Project implementation was initiated in August 2007 with the establishment of a Project Management Unit. A workshop was organized in October 2007 that analyzed the value chain of the South Lebanon olive oil sector. This workshop identified 19 short and medium-term olive oil-related project proposals in the fields of business management training, access to micro-credits and loans, cooperative development, and agriculture. One of the challenges faced included the need for enhanced joint UN project integration with regular dialogue within the teams and with partner organizations; inadequate capacity of local institutions in the conflict-affected South Lebanon region, both in the governmental and non-governmental sectors; and limitations in the availability of vocational training infrastructure.
16. The UNESCO-executed “Building of Human Resources for Digital Documentation of World Heritage Sites Affected by the War” (\$767,226) was approved for funding in May 2007, but was finalised and signed off on (and submitted for transfer of funds) in late August 2007. Whereas the process to set up the implementation arrangements of the project had been initiated, including the development of terms of references, the recruitment of a Technical Coordinator, and the preparation of the technical specifications of equipment to be procured, substantive project activities were not expected to be launched until January 2008.
17. The UNDP-executed “Enhance Performance of the Social Sector” (\$270,000) was approved in October 2007 and initiated in November 2007. During these two months a draft framework of social strategy was finalized; identification of duplicated/overlapping services and programs among the ministries of Social Affairs, Public Health, and Education was completed; and the first bilateral meeting between the Ministry of Social Affairs (MoSA) and the Ministry of Public Health (MoPH) was organized. The mapping of local development projects was also completed. Though the project made significant progress during its initial phase, political instability contributed to the delay of

project activities. In addition, weak and sometimes inadequate capacities of the public sector may affect efficiency in the implementation of the project.

18. The UNDP-executed “Increased Integration of the Poor Disabled” (\$1,400,000) was also approved in October 2007. Whereas the process to set up the implementation arrangements for the project had been initiated, no project activities were undertaken. However, the remainder of the year was spent finalizing agreements with the parallel Rights and Access Programme.
19. The UNDP-executed “Flood and Water Management for Livelihood Recovery in Baalback-Hermel” (\$2,843,880) was approved in October 2007. During this period project documentation was developed and discussed with national counterparts, coordination mechanisms and the roles and responsibilities of all actors were determined, and the project board members were identified. The terms of reference of the project implementation unit were developed, and the technical terms of reference/specifications for the technical backstopping team and other large service providers were drafted. All the necessary human resource-related procedures to mobilise the project staff were completed to ensure a smooth initiation of the project activities once the project document was signed. In parallel to the administrative processes, the project team members undertook numerous site visits as soon as they were assigned in order to collect basic data and to meet the project stakeholders.

### **Financial Performance**

20. During the reporting period, \$30.37 million was deposited into the LRF account. Of this amount, \$18.97 million (62 percent) had been transferred to five Participating UN Organizations by 31 December 2007. The Administrative Agent fee charged at the approved rate of 1 percent on deposits amounted to \$303,665 for the reporting period.
21. While donor deposits of \$10.46 million were received during December 2006, the LRF was not operational until 2007 and, thus, the first Consolidated Progress Report is being issued for the period ending 31 December 2007. The three contributors to the LRF as of 31 December 2007 were Spain (\$19.91 million), Sweden (\$9.80), and Romania (\$0.66 million).
22. As of 31 December 2007, the LRF had transferred funds to five Participating UN Organizations for approved projects for a total of \$18.97 million, which accounted for 62 percent of total deposited funds. Additionally, \$5.59 million worth of new projects were funded in the first quarter of 2008, bringing the total amount of projects funded as of 31 March 2008 to \$24.56 million.
23. A total of \$345,661 was expended, 2 percent of the total approved funding of \$18.97 million. An analysis of total expenditure by the UNDG-approved nine categories of expenditure by each Participating UN Organization shows that the highest percentage of expenditure was incurred on Personnel (39.7 percent), followed by Equipment (28.5 percent), Travel (18.1 percent), Miscellaneous (8.6 percent), Training (3.7 percent), Supplies & Commodities (1.3 percent), and Transport (0.1 percent). The indirect support costs are at 7 percent, which is within the 5-9 percent range specified in the MOU and LOA.

### **Transparency and Accountability of the LRF**

24. The major vehicle for public transparency of operations under the Lebanon Recovery Fund is the MDTF Office-maintained LRF-website, [www.undp.org/mdtf/lebanon](http://www.undp.org/mdtf/lebanon). The MDTF Office website is updated regularly and provides the most current information on all information related to the LRF. The public notification of all project approvals made by the LRF Steering Committee, as well as additional information and progress updates on these projects, provides a high level of transparency to national authorities, Donors, the public, and the Participating UN Organizations. Donor pledges,

commitments, and deposits are updated monthly and provide the Executive Committee, as well as all other stakeholders, up-to-date information on the financial status of the LRF. Participating UN Organizations' individual progress reports are available to Donors upon written request to the MDTF Office.

## **Conclusion**

25. This First Consolidated Progress Report on Activities under the Lebanon Recovery Fund reports on the implementation of the ten projects approved for funding during 2007, the first year of operations of the LRF. The Progress Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating UN Organizations to the MDTF Office. It is neither an evaluation of the LRF nor the MDTF Office's assessment of the performance of the Participating UN Organizations.
26. The first projects under the LRF were approved in May 2007—only nine months after the end of the July 2006 war between Lebanon and Israel, seven months after the finalization of the LRF Terms of Reference, and five months after the receipt of the first Donor contributions. Compared to similar Multi-Donor Trust Funds in other post-conflict and recovery contexts, this is a notable achievement.
27. The Participating UN Organizations reported on project start-up activities that focused on establishing project implementation and management capacities and systems, identifying and contracting implementing partners, and completing preparatory work for the procurement of critical goods and services. These activities have prepared the groundwork for Participating UN Organizations to continue the implementation of projects in 2008.
28. Lessons learned during the initial start-up phases of the projects have allowed Participating UN Organizations to take appropriate measures within existing projects as well as in future project submissions, and to ensure that improved project implementation and management arrangements are introduced, where applicable.
29. The MDTF Office envisages that this First Consolidated Progress Report on Activities under the Lebanon Recovery Fund will provide the LRF Steering Committee the basis on which to better assess the future of the LRF including its resource requirements and to advocate and mobilize additional funding in support of the recovery, reconstruction, and development process in Lebanon, as required and as appropriate.

## **Introduction**

The First Consolidated Progress Report on Activities Implemented under the Lebanon Recovery Fund (LRF) is submitted to the LRF Steering Committee for onwards submission to Donors contributing to the LRF, in fulfilment of the reporting provisions of the LRF Terms of Reference, the Memorandum of Understanding (MOU) between the UNDP Multi-Donor Trust Fund (MDTF) Office and Participating UN Organizations, and the Letter of Agreement between the MDTF Office and Donors. The UNDP MDTF Office represents UNDP as the Administrative Agent of the LRF. This first consolidated narrative and financial report of the LRF covers the period from the LRF's establishment to 31 December 2007. The Report provides information on progress made in the establishment and implementation of projects funded by the LRF as well as the common challenges and lessons learned.

By the end of the reporting period (31 December 2007), the LRF Steering Committee had approved funding for ten projects executed by five Participating UN Organizations. Building on the lessons learned to date, including shortcomings and achievements, the LRF will continue to strengthen its governance and implementation mechanisms, and to enhance monitoring and evaluation of its activities at the project level. It will further contribute to strengthening national institutional capacity, ensuring that every effort is made to sustain the recovery process in the country.

## **Report structure**

This Progress Report is a consolidation of individual project-level progress reports submitted by Participating UN Organizations. Chapter One provides a review of the strategic framework of the LRF as well as the establishment of the LRF. Chapter Two provides an overview of the LRF's governance and fund management arrangements and decision-making bodies. Chapter Three provides an update on project approvals and implementation status during the reporting period as well as highlights of key project implementation progress, with details to demonstrate the achievements, challenges, and lessons learned to-date. Chapter Four provides an overview of the financial performance of the LRF and includes data and analysis extending to the first quarter of 2008 on the basis of unofficial figures received from the operational units of the Participating UN Organizations. Chapter Five elaborates on efforts made to ensure LRF transparency and accountability.

## 1. Strategic Framework

The Lebanon Recovery Fund (LRF) was established at the request of the Government of Lebanon and enables Donors to pool their resources and rapidly provide funding in the aftermath of the July 2006 war between Lebanon and Israel.

The month-long war caused immeasurable destruction to the lives, livelihoods, and social and physical infrastructure of the people of Lebanon. Prior to the conflict, the Government of Lebanon had prepared a reform agenda that sought to place the country on a path to solid growth and sustainable development. The war and the subsequent total land, sea, and air blockade imposed by Israel resulted in a major setback to the country's encouraging economic outlook and to the reform agenda that the Government of Lebanon had elaborated.

The Government presented a strategy for a national early recovery process at the Stockholm Conference for Lebanon's Early Recovery, hosted by the Government of Sweden in close collaboration with the Government of Lebanon and the United Nations, on 31 August 2006. At the conference the Government presented its early recovery priorities, and a number of Donors pledged their support. The early recovery process included initial quick-impact, sector-based initiatives developed to respond to Lebanon's most critical needs.

According to the strategy, the Government provides overall coordination of the recovery process, ensuring that initiatives are in alignment with national priorities, and projects are implemented in close coordination with partners, including UN agencies, bilateral development agencies, and international and local non-governmental organizations.

The LRF, as stated in its Terms of Reference of 3 November 2006, finances Government-approved priority recovery and reconstruction projects that can be executed with the support of Participating UN Organizations, in partnership and cooperation with government and non-governmental organizations, within the scope and time frame of national priorities. It also facilitates the Government's coordination of international assistance and enables the Government to ensure transparent fund administration and project implementation in line with its reform agenda.

The LRF complements other funding mechanisms that may be used by the Government and United Nations organizations, and its arrangements seek to ensure that:

- each project approved for funding is part of a Government-approved priority programme for recovery and reconstruction activities based on and formulated in consultation with concerned line ministries and beneficiary communities and, to the extent possible, Donors and other stakeholders;
- the activities financed through Participating UN Organizations are implemented, to the extent possible, directly by or in collaboration with national implementation partners, under the overall ownership and leadership of the Government, to ensure sustainable local capacities; and
- funding and implementation are undertaken with special attention to transparency and accountability as well as to ensure prompt delivery and efficient use of donor funds.

## **2. Governance**

The Lebanon Recovery Fund is governed by its Terms of Reference which states the governance arrangements of the LRF. Below is an overview of the main bodies involved in the review, allocation, and decision-making process as well as the fund administration of the LRF.

### **2.1 The LRF Steering Committee**

The Steering Committee (SC) provides strategic guidance and oversight, and makes final decisions on fund allocation. The SC is chaired by the Minister of Economy and Trade, or his/her designate, and composed of the Head of the Recovery and Reconstruction Cell (RCC), a representative from the Ministry of Finance, five representatives of Donors (the European Commission, the State of Kuwait, the Kingdom of Sweden, the Kingdom of Spain, and the United Arab Emirates), and the United Nations Resident Coordinator. The Committee's work is governed by the Steering Committee Terms of Reference and Rules of Procedure, operates by consensus, and meets monthly to review progress of the LRF operations and ensure reporting to all LRF Donors.

### **2.2 The Project Approval Group**

A second-tier of review involves the Project Approval Group (PAG), which reviews and approves proposals and allocates funds for all projects specific to recovery activities. The PAG submits its decisions to the SC for endorsement on a no-objection basis within seven days of submission. The PAG is co-chaired by the Head of the RRC and the UN Resident Coordinator, and comprises leaders of the Ad-hoc Thematic Work Groups, as necessary.

### **2.3 The Recovery and Reconstruction Cell**

The RRC is located in the Office of the Prime Minister and is the designated national entity in Lebanon responsible for prioritization of and resource allocation to recover and reconstruction. The RRC supports the work of the SC and PAG and reviews all projects submitted for funding by the LRF to ensure alignment with approved national priorities and available resources. Following its review, project submissions and recommendations are forward either to the SC or the PAG.

### **2.4 The Ad-hoc Thematic Working Groups**

The Ad-hoc Thematic Work Groups (ATWG) are established as required to review and prioritize project proposals and submit them to the SC. The ATWG assists the RRC to review all proposals to ensure their alignment with approved national priorities and available resources.

### **2.5 The Administrative Agent**

The United Nations Development Programme's Multi-Donor Trust Fund (MDTF) Office has been designated as the Administrative Agent for the LRF. Its responsibilities as Administrative Agent include the receipt, administration, and management of contributions from Donors; disbursement of funds to the Participating UN Organizations in accordance with instructions from the Steering Committee; and consolidation of narrative and financial reports produced by each of the Participating UN Organizations as well as provision of these reports to the Steering Committee for onward submission to Donors.

### 3. Project Approval and Implementation Updates

#### 3.1 Project Approval Status

The first projects under the LRF were approved in May 2007—only nine months after end of the July 2006 war between Lebanon and Israel, seven months after the finalization of the LRF Terms of Reference, and five months after the receipt of the first donor contributions. Compared to similar Multi-Donor Trust Funds in other post-conflict and recovery contexts, this is a notable achievement. The ten projects approved for funding by the LRF Steering Committee during the reporting period amount to a total of \$18,967,124. The projects were executed by five Participating UN Organizations: FAO, ILO, UNDP, UNESCO and UNIDO. UNDP received \$10,746,120 (57 percent) of the total approved funding during the reporting period; FAO received \$3,270,670 (17 percent); UNIDO \$3,000,000 (16 percent); ILO \$1,183,108 (6 percent); and UNESCO \$767,226 (5 percent).

The LRF Steering Committee approved \$2,732,240 for the first of its ten projects in May 2007—the UNDP-executed “Community Energy efficiency and Renewable Energy Demonstration project for Recovery of Lebanon” (LRF-1). Two additional projects were approved for funding in May 2007: the UNIDO-executed “Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon” (LRF-2, \$3,000,000) and “Building of Human Resources for Digital Documentation of World Heritage Sites Affected by the War” (LRF-6, \$767,226). Another three projects were approved in June 2007 (LRF-3, LRF-4 and LRF-5), and the remaining four were approved in October 2007 (LRF-7, LRF-8, LRF-9, and LRF-10). In its meeting on 5 November 2007, the LRF Steering Committee approved another four projects for funding, but these were not finalized and submitted to the Administrative Agent for transfer of funds until January/February 2008.

Table 3.1, below, provides details on the projects approved for funding during the reporting period.

Table 3.1 Lebanon Recovery Fund (LRF) Steering Committee Approved Projects 1 January – 31 December 2007				
Steering Committee Approval Date	Project Number	Project Title	Participating UN Organization	Approved Budget (USD)
7 May 2007	LRF-1	Community Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon	UNDP	2,732,240
7 May 2007	LRF-2	Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon	UNIDO	3,000,000
12 June 2007	LRF-3	Early Recovery Assistance for the Horticulture Smallholder	FAO	1,370,670
12 June 2007	LRF-4	Early Recovery Assistance to War-affected Resource-poor Livestock Keepers in South Lebanon	FAO	1,900,000
12 June 2007	LRF-5	Local Socio-economic Recovery in War-affected Areas in South Lebanon	ILO	1,183,108
7 May 2007	LRF-6	Building of Human Resources for Digital Documentation of World Heritage Sites Affected by the War	UNESCO	767,226

3 Oct 2007	LRF-7	Enhance Performance of the Social Sector	UNDP	270,000
10 Oct 2007	LRF-8	Increased Integration of the Poor Disabled	UNDP	1,400,000
10 Oct 2007	LRF-9	Flood and Water Management for Livelihood Recovery in Baalback-Hermel	UNDP	2,843,880
10 Oct 2007	LRF-10	Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon (South, Bekaa, and Akkar)	UNDP	3,500,000
<b>Total</b>				<b>18,967,124</b>

### **3.2 Project Implementation Status: Achievements and Challenges**

The first projects under the LRF were approved in May 2007. The destruction caused to the lives, livelihoods, and social and physical infrastructure of the people of Lebanon by the month-long war, coupled with the subsequent total land, sea and air blockade imposed by Israel, resulted in a major setback to the country's encouraging economic outlook and to the reform agenda that the Government of Lebanon had elaborated. The war also resulted in a longer-term unstable socio-economic and political environment in the country, posing challenges to and affecting the start-up phases of projects approved for funding under the LRF.

Whereas considerable efforts were made to establish project management units and coordination mechanisms—including negotiations with national counterparts and the development of terms of references, identification of project board members, and finalization of project documentation—the majority of substantive activities (e.g., procurement and recruitment of project staff), were not initiated before the third or fourth quarter of 2007. Three projects, all approved in October 2007, did not report any expenditure during the reporting period.

#### **3.2.1 Energy efficiency and renewable energy (CEDRO) - UNDP**

The UNDP-executed “Community Energy Efficiency and Renewable Energy Demonstration Project for Recovery of Lebanon (CEDRO)” (LRF-1) was approved in May 2007 for a total of \$2,732,240 of LRF funding. Though the submission and request for transfer of funds was took place at the end of June 2007, the start-up of the project was delayed until October 2007 primarily due to the delayed signing of the appropriate project documents. However, once implementation was initiated, the project progressed according to its work-plan during the remaining three months of the reporting period. As of 31 December 2007, the project reported \$28,916 (1 percent) in expenditure.

The objective of the CEDRO project is to support recovery, reconstruction, and reform activities through the implementation of an efficient and renewable energy programme for public sector buildings and facilities. During the four months of the start-up phase of the project initial progress was made in the establishment of project management arrangements and the preparation of the pilot projects, as well as validating and replicating the project through the development of a second phase.

More specifically, in terms of project elaboration and management the project was successfully set up and launched. A terms of reference for the project manager was developed and the recruitment process completed. The project document was further developed following several technical meetings to discuss the work-plan and the review of the project document by the Council for Development and Reconstruction (CDR). Furthermore, terms of references were developed for the local team and a

technical request was developed for the proposal of the recruitment of an international technical backstopping agency. This proposal included the undertaking of an international bidding process for the recruitment of the technical backstopping agency).

Additionally, the set-up of the project office was completed, including the identification of appropriate location, the review and approval of the rental agreement, and the establishment of the project management unit. The set-up of the project office proved to be particularly demanding due to the unforeseen requested UN security requirements. Over 50 potential office locations were reviewed, upon which security clearance was obtained for one office location with conditional provisions to implement a series of security safeguards. These were duly procured and implemented.

With regard to project implementation and delivery, the project progressed steadily and included the following key highlights:

Situation analysis and preparation of pilot projects:

- All relevant project partners and potential members of the project steering committee were identified.
- Coordination mechanisms were developed with national project partners and stakeholders, such as the Lebanese Order of Engineers, Ministry of Energy and Water, and Ministry of Public Works.
- Required data and data gathering procedures from relevant ministries, buildings, or other sources were identified.
- Synergies were built with the on-going UNDP-project at the Ministry of Energy and Water/the Lebanese Centre for Energy Conservation Project (LCECP) on ongoing energy audits and activities, including the exchange of technical data and lessons learnt and brainstorming sessions to coordinate and maximise efforts for project implementation.

Capacity building and information dissemination:

- Project brochures in English and Arabic were designed and published.
- Upon the review of the project by CDR, a project signature ceremony was convened in the presence of representatives from the key ministries involved, the Donor agency, and local media.
- Magazine articles and press releases were published in the national print media to increase public awareness on the launch of this project.
- The project manager made a presentation during the National Energy Week event organised by the Order of Engineers and Architects in Beirut. The event is held annually and attended by more than 150 engineers from different sectors.

Project validation and replication:

- Development of the proposal for the second phase of the CEDRO project was completed and submitted to the LRF Steering Committee for review and subsequent approval.

In October 2007 a second phase (LRF-10, \$3,500,000) of the project was approved. This second phase focuses beyond supporting Lebanon's recovery activities by implementing an end-use energy efficiency and renewable energy programme for public-sector facilities and through the removal of barriers for the conversion of all public-sector facilities into energy efficient modalities. As such, the overall CEDRO project now has two key objectives: 1) Implementation of end-use energy efficiency and renewable energy projects to reduce national energy consumption and costs; and 2) Creating an enabling environment for the conversion of all public sector buildings and facilities into energy efficient modalities. As of 31 December 2007, LRF-10 reported no expenditure on funds received.

### ***3.2.2 Support for livelihoods and economic recovery - UNIDO***

UNIDO's project "Support for Livelihoods and Economic Recovery in War-affected Areas of Lebanon" (LRF-2, \$3,000,000) was approved for funding in May 2007. Whereas the project commenced immediately thereafter with the establishment of a Project Management Unit, the official launch of the project took place in October 2007 with the arrival of the Chief Technical Adviser. As of 31 December 2007 the project reported an expenditure rate of 3 percent (\$103,052) of funds received.

The project made considerable strides towards meeting its objectives to support economic recovery and restore industrial units in war-affected areas of Lebanon, thereby generating employment and alleviating poverty in the country.

While the project did face some initial delays due to the political situation in the country, it nonetheless managed to assess 125 enterprises. This progress was made possible through the development of a comprehensive questionnaire that was used for assessing the enterprises. The project management team together with staff from the Ministry of Industry visited each enterprise for an assessment of the damages they had incurred. Through these visits, plus the subsequent filling-in and analysis of the questionnaire and data collected, a comprehensive picture of the status for each enterprise was established.

All of the enterprises were visited several times, both in order to obtain the necessary evaluation data, but also as this helped establish trust and confidence among the potential beneficiaries. This later proved a fruitful strategy for in-depth discussions about their situation, the broad aims of the project and their wishes for assistance in view of the funds availability.

These enterprises were scattered in the north and the south of the country, as well as in the southern suburbs of Beirut. This achievement was made possible through the fruitful collaboration with the Ministry of Industry, which assigned staff to assist with implementation of the project. Six enterprise sectors were assessed: paper, plastics, and printing; wood work; leather; textiles; olive oil; and other food and beverage. Among the assessed enterprises some 80 percent were totally destroyed, with the rest damaged to varying degrees from minor to major. Some enterprises had managed to re-start, many in their original location, while others had moved to new locations. Most of the enterprises are in the micro and small-size category; and enterprises in the food and beverage sector, including dairy products, have shown particular potential for employment generation, if supported. In all, these sectors are examples of businesses requesting support that lies beyond the means of the project. However, a number of these enterprises have requested a variety of equipment and other forms of assistance, making it possible to provide partial yet meaningful support in relation to their requests. Many of the enterprises have shown an interest in receiving support in the form of training, participation in study tours, and business counselling in order to improve and expand their businesses.

The main challenges encountered and measure taken during the reporting period included the prevailing political situation and related insecurity, which has led to some delays in implementing the project activities, such as nominating Project Steering Committee (PSC) members, and thus delaying the establishment of the PSC, as well as difficulties in visiting some enterprises in the south of the country and southern suburbs of Beirut and therefore not being able to finalize the technical assessment as scheduled. Nevertheless, the Project Management Unit and its main counterpart, the Ministry of Industry, are taking steps to advance the project and complete its activities within the agreed upon time period.

### **3.2.3 Assistance to horticulture smallholders and livestock keepers - FAO**

FAO's project "Early Recovery Assistance for the Horticulture Smallholder" (LRF-3, \$1,370,670) was approved for funding in June 2007. Whereas implementation arrangements for the project had been initiated, with the establishment and convening of initial Project Steering Committees (PSCs) the majority of project activities were expected to be initiated in the first quarter of 2008, in line with the work plans of the project. As of 31 December 2007, FAO reported \$75,791 (6 percent) in expenditure under LRF-3.

The goal of the project is to provide assistance to the lives and livelihoods of 1,600 resource-poor and vulnerable war-affected farmers who have suffered critical crop losses. The project aims to sustain the early rehabilitation and recovery of small vegetable growers in South and Nabatiyeh governorates and to ensure resumption of agricultural activities. It aims to do so through knowledge transfer and by: 1) enabling small-scale farmers to resume crop production activities and technical improvement of the production systems; 2) improving water and fertilizer efficiency through effective use of localized/adapted drip irrigation systems; 3) building the capacity of farmers and stakeholders regarding the needs and means to rehabilitate the horticulture sector; and 4) enhancing the design of greenhouses for improved quality harvest and higher yields.

Significant progress was made on the project management aspects of the start-up phase of the project. Preparatory actions were initiated, including the recruitment of technical staff and the procurement of work-stations as well as the establishment of a Project Steering Committee (PSC), in close consultation with the Ministry of Agriculture (MoA), to oversee the overall programme implementation. The first PSC, convened in November 2007, agreed to the technical specifications of the inputs to be purchased and distributed, the questionnaire and criteria for beneficiary selection, and the beneficiaries' categorization. Furthermore, the MoA has allocated office space to FAO in Beirut within the Ministry. The office is operational and has facilitated coordination with the MoA and other related counterparts. Working in collaboration with the MoA, the technical specifications for the project inputs (with a total value of approximately \$950,000) were prepared and a procurement plan was developed. The technical specifications for the project inputs were finalized and certified by the Ministry and technically cleared by the FAO Technical Unit. Procurement procedures were initiated in December following the approval from the PSC, and four international tenders with detailed technical specifications and cost estimates were prepared.

Additionally, preparations of the training modules for farmers were initiated. Developed in close coordination with the MoA, training is expected to be conducted during 2008 on pest management, improved horticulture practices and techniques, and the development of new vegetable varieties production.

The identification of project beneficiary farmers was nearly completed by the end of the reporting period. The initial project proposal targeted 1,600 farmers located in 36 villages in South Lebanon (South and Nabatiyeh governorates). However, the damage of war had affected a larger number of beneficiaries in other areas whose poor livelihood status rendered them highly eligible to be considered in the implementation plan. The situation was highlighted during field visits undertaken to the damaged regions of the South and induced the project team's interest in ensuring that additional villages were encompassed by future initiatives. As a response to this finding, the FAO Emergency Unit in Tyr established a committee composed of representatives from the MoA, FAO Emergency Unit in Tyr, and the civil society. At the end of the reporting period the committee was in the process of identifying the final list of targeted villages, a task that was scheduled to be completed by end-January 2008.

The implementation constraints that were identified, including the general political and security situation in the country as well as the late receipt of project funds, adversely affected the timing pertaining to the planting seasons.

#### **3.2.4 Assistance to horticulture smallholders and livestock keepers - FAO**

FAO's second project to be approved during the reporting period, "Early Recovery Assistance to War-affected Resource-poor Livestock Keepers in South Lebanon" (LRF-4, \$1,900,000), was also reviewed and approved by the LRF Steering Committee in June 2007. As with LRF-3, the establishment of implementation arrangements for the project was initiated during the reporting period, but the majority of project activities were expected to be rolled out in the first quarter of 2008, in line with the work plans of the project. As of 31 December 2007, FAO reported an expenditure rate of 3 percent (\$51,786) under LRF-4.

The development goal of the project is to improve the food security, nutritional, and economic status of low-income rural families by initiating comprehensive recovery measures to support the war-affected livestock smallholders, mainly by the restocking and distribution of animals (cattle, goats, draft animal power, and beehives). The immediate objective is the improvement of the lives and livelihoods of 715 war-affected livestock owners (5,600 persons with an average of seven members per household), with special emphasis on female-headed households, through restocking of animals, veterinary drugs, feed, artificial insemination, and small equipment for honey production.

The project was initiated in August 2007 when FAO proceeded with the preparatory actions for recruitment of technical staff and the selection of works stations as well as the establishment of a Project Steering Committee (PSC) to oversee the overall programme implementation. The first PSC agreed to the technical specifications of the inputs to be purchased and distributed, the questionnaire and criteria for the selection of beneficiaries, and the beneficiaries' categorization. The technical specifications for the project inputs were finalized and certified by the Ministry and technically cleared by the FAO Technical Unit.

The procurement process started in December 2007 in consultation with the MoA following approval from the PSC. Extensive technical specifications and delivery conditions and procedures have been completed for procurement of: 1) 200 pregnant dairy Heifers for import to Lebanon; 2) 2,000 female goats for local purchase in Lebanon; 3) 100 male Shamee goats for import to Lebanon; 4) 200 tons of feed concentrate for local purchase in Lebanon; and 5) 200 tons of alfalfa pellet for local purchase or import to Lebanon.

The project team has identified 44 villages in South Lebanon for the implementation of activities, mostly in Southern Litani River villages. The selection of these villages was guided mainly by three major criteria: 1) they were the scenes of the heaviest battles during the conflict, and witnessed the greatest damage and loss of livestock; 2) they host the most vulnerable populations in terms of poverty and deprivation in Lebanon; and 3) the populations are based traditionally on livestock activities.

Furthermore, project staff undertook a thorough investigation in all selected villages with identification of 650 project beneficiaries (200 farmers for restocking with cattle, 450 farmers for restocking with goats). Identification of beneficiaries is targeting the poorest among the livestock farmers, who have suffered direct physical damage and losses to their agricultural assets, particularly losses in cattle, small ruminants, and beehives. Beneficiary selection focused on farmers who are dependent on livestock production for their livelihoods and have remained on their farms. Priority was given to women-headed households, war widows, poor livestock families with handicapped children, and cluster bomb victims when the family is able to take care of animals. Meetings were conducted with the farmer's unions and civil society representatives in the regions of implementation to ensure beneficiaries' reliability, commitment, and their exact relevance to the criteria recommended for beneficiary selection. These meetings were especially helpful after the consultant's own validation expedition as these key community representatives provided a more realistic and tangible overview of each beneficiary's income generation and status given their familiarity with a given farmer's living condition and personal history.

### **3.2.5 Local socio-economic recovery - ILO**

The ILO-executed “Local Socio-economic Recovery in War-affected Areas in South Lebanon” (LRF-5, \$1,183,108) was also approved for funding in June 2007. Project implementation was initiated in August 2007 with the establishment of a Project Management Unit. As of 31 December 2007, the project reported an expenditure rate of 7 percent (\$78,202) of the funds received. A no-cost extension of the project duration until 31 December 2008 has been requested.

Based on the territorial diagnosis and institutional mapping undertaken in the Bint Jbeil caza, a three-week workshop was organized in October 2007. This workshop followed a participatory methodology to analyze the value chain of the South Lebanon Olive Oil Sector and brought together a number of local stakeholders to identify socio-economic recovery projects to be developed and implemented. The workshop identified 19 short and medium-term project proposals in the fields of business management training, access to micro-credits and loans, cooperative development, and in the agriculture and olive oil sector, which is an important source of income in the Bint Jbeil caza. As a result of this exercise and the identification of priorities, contacts have been made with potential Donors (i.e., the Kuwait Fund for Arab Economic Development and the ROSS programme) for the immediate implementation of the projects. In response to the analyses, the workshop participants proposed several projects that cover a wide spectrum of socio-economic recovery needs.

With regard to the component on small and medium enterprise development, Al Majmoua Lebanese Association for Development was identified as the main implementing partner to undertake business management training and provide microcredit loans to up to 120 small entrepreneurs. The programme also partnered with local institutions to implement local economic recovery initiatives in the Bint Jbeil caza. These include the Social Development Center of the Ministry of Social Affairs of Bint Jbeil, the Agricultural Cooperative of Bint Jbeil, the Regional Cooperative Union in South Lebanon, the Cooperative Union for Development in the South (ARD), the Chamber of Commerce of Saïda, the Syndicate of Agricultural Laborers in South Lebanon, the Labor Union for the Syndicates of the Employees and Laborers of the South, and the Lebanese Association for Development, Rehabilitation, and Care (LADRC). These initiatives are expected to generate permanent employment for 60 beneficiaries and about 1,100 short-term jobs.

However, challenges were also faced during the reporting period, including those related to the need for enhanced joint UN project integration with regular dialogue within the teams and with partner organizations; inadequate capacity of local institutions in the conflict-affected South Lebanon region, both in the governmental and non-governmental sector; and limitations in the availability of vocational training infrastructure.

One of the lessons learned under the project is that community engagement requires significant time and energy, but that this can pay significant dividends. By gaining the trust of partners and community stakeholders, one may increase one’s engagement with national and local stakeholders and thereby increase one’s impact on job creation and poverty reduction. The work undertaken involves a broad range of outcomes and a broad representation of local actors to reach these outcomes. While the initiative is aimed at creating more and better jobs and a stronger local community, there are other outcomes that are produced as well. Development in the LED sense is a participatory process, which strengthens social cohesion through local public-private partnerships, fosters skills development, provides institutional capacity building, and lays the foundations for a sustainable development process. Close collaboration with formal and informal community leaders ensures transparency in the distribution of benefits and encourages accountability among the community for its own development. As a result, it helps in identifying beneficiaries most in need of, and best able to use, their support.

### ***3.2.6 Capacity building of human resources for digital documentation of World Heritage Sites - UNESCO***

The UNESCO-executed “Building of Human Resources for Digital Documentation of World Heritage Sites Affected by the War” (LRF-6, \$767,226) was approved for funding in May 2007, but finalised and signed off on – and submitted for transfer of funds – only at the end of August 2007.

The main objective of the project is to respond to the concerns raised by a July-August 2006 UNESCO assessment mission for war damages to World Heritage Sites in Lebanon. The assessment raised concerns regarding the routine maintenance of sites, and recommended to prioritise the establishment of an integrated action plan for tangible cultural heritage conservation all over the country through the establishment of risk maps and exhaustive digital technical documentation for World Heritage Sites, as well as building the capacity of human resources able to ensure the enhancement of tangible cultural heritage in the country.

Whereas the process to set up the implementation arrangements of the project had been initiated, including the development of terms of references, the recruitment of a Technical Coordinator, and preparation of the technical specifications of various equipment to be procured, substantive project activities were expected to be launched in January 2008. As of 31 December 2007, the project had reported no expenditure.

### ***3.2.7 Enhancing the performance of the public sector – UNDP***

The UNDP-executed “Enhance Performance of the Social Sector” (LRF-7, \$270,000) was approved in October 2007 and initiated in November 2007. As of 31 December 2007, the project had an expenditure rate of 3 percent (\$7,913).

The main objectives of the project include developing a national social development policy, strategy, and related implementation plan to enhance the effectiveness in social service delivery and implementation of social programs between public agencies and to enhance the effectiveness in the implementation of local development initiatives.

During the two months of the reporting period:

- a draft framework of Social Strategy was finalized, with a framework discussed with a technical team of the Inter-Ministerial Committee for Social Issues (IMC) and submitted to the IMC Ministers for comments and feedback.
- identification of duplicated/overlapping services and programs among the ministries of Social Affairs, Public Health, and Education was completed and the first bilateral meeting between the Ministry of Social Affairs (MoSA) and the Ministry of Public Health (MoPH) was organized with prepared suggestions for the reduction of overlapping/duplication primary health care services between the two.
- the completion of the mapping of Local Development Projects, including distribution of projects by geographic area, sector, and implementing agency, and a draft structure for database for local development projects was developed.

Though the project made significant progress during its initial phase, political instability was identified as a key factor contributing to the delay of project activities, in addition to the weak and sometimes inadequate capacities of the public sector that may affect efficiency in the implementation of the project.

### ***3.2.8 Increasing integration of the poor disabled - UNDP***

The UNDP-executed “Increased Integration of the Poor Disabled” (LRF-8, \$1,400,000) was also approved in October 2007. No expenditures were reporting for the period.

The project aims at expanding and improving access of the poor disabled (as a marginalized and vulnerable population most affected by the war) to proximity services. The key objective of the project is to increase the integration of the disabled within society through the provision of needed proximity services. It intends to do so by extending the provision of good quality, reliable, and suitable aids to persons registered as disabled and by catering for the new disabled groups that emerged as a result of the war.

Whereas the process to set up the implementation arrangements for the project had been initiated, no project activities were undertaken. However, the remainder of the year was spent on finalizing agreements with the parallel Rights and Access Programme.

### ***3.2.9 Flood and water management for livelihood recovery - UNDP***

The UNDP-executed project “Flood and Water Management for Livelihood Recovery in Baalback-Hermel” (LRF-9, 2,843,880) was approved in October 2007 and no expenditures were reporting for the period.

The project aims at assisting the Government of Lebanon in its recovery efforts in the conflict-affected and desertification-prone region of Baalback-El Hermel through better land management practices, namely: flood risk reduction, restoration of vegetation cover, and improved availability of irrigation water needed to increase crop productivity and improve standards of living. This will be achieved through the construction of stone walls, check dams, and water collection reservoirs to prevent runoff water from reaching villages and farms and through the restoration of land cover to reduce soil erosion. The objectives related to water management will be achieved through construction of several membrane-lined reservoirs to collect unused water from springs, rainfall, and snow melts and through installation of efficient irrigation networks and systems that will be used by local farmers to improve their crop diversity and productivity.

During this period, the Project Document was elaborated on and discussed with national counterparts and partners during several formal and informal meetings held with all parties. The detailed ATLAS project budget and work plan were developed for the duration of the project, and activities were elaborated in more detail. Coordination mechanisms and the roles and responsibilities of all actors were determined, and the project board members were identified. The terms of reference of the project implementation unit were developed, and the technical terms of reference/specifications for the technical backstopping team and other large service providers to the project were drafted. All the necessary human resource related procedures to mobilise the project staff were completed to ensure a smooth initiation of the project activities once the project document was signed. The complete project document was submitted to the national counterpart, the Council for Development and Reconstruction (CDR), for review and signature. In parallel to the administrative processes that took place, the project team members undertook numerous site visits as soon as they were assigned to collect basic data and meet the project stakeholders.

## 4. Financial Performance

UNDP, as Administrative Agent of the Lebanon Recovery Fund (LRF), officially reports to Donors, through the LRF Steering Committee, on total contributions received, transfers made to Participating UN Organizations for the implementation of approved projects, and the expenditures incurred against these projects.

### 4.1 Sources, Uses, and Balance of LRF Funds

As of the end of the reporting period ending on 31 December 2007, \$30.37 million was deposited into the Lebanon Recovery Fund account. Of this amount, \$18.97 million (62 percent) had been transferred to five Participating UN Organizations by 31 December 2007. Table 4.1 provides an overview of the overall sources, uses, and balance of the LRF as of 31 December 2007.

**Table 4.1 Sources, Uses, and Balance of LRF Funds, as of 31 December 2007 (US\$)**

<b>Source of Funds</b>	
Gross Contributions	30,366
Fund Earned Interest Income	833
Agency Earned Interest Income	0
<b>Total – Source of Funds</b>	<b>31,199</b>
<b>Use of Funds</b>	
Transfers to Implementing Agencies	<b>18,967</b>
Transfers from Donor Contributions	18,967
Administrative Agent Fees	<b>304</b>
Direct Costs	<b>0</b>
Bank Charges	<b>0</b>
<b>Total – Use of Funds</b>	<b>19,271</b>
<b>Balance of Funds Available</b>	<b>11,928</b>

Apart from Donor contributions, the other source of funds for the LRF is interest income. The two sources of interest earned income are Administrative Agent (Fund) earned interest, which is the interest earned by the MDTF Office as the Administrative Agent on the balance of funds remaining in the LRF account, and agency earned interest, which is the amount earned by the Participating UN Organizations on the undisbursed balance of LRF funds. As of the reporting period, the fund earned interest of \$832,748. Additional information relating to interest earnings is given in section 4.5.

The Administrative Agent fee was charged at the approved rate of 1 percent on deposits and amounted to \$303,665 for the reporting period.

### 4.2 Donor Contributions

While donor deposits of \$10.46 million were received during December 2006, the LRF was not operational until the middle of 2007 and hence the first Consolidated Progress Report is being issued for period ending 31 December 2007. Table 4.2 gives the breakdown of the deposits made by Sweden of \$9.80 million and by Romania of \$0.66 million in 2006, as well as by Spain of \$19.91 million in 2007, bringing the total contribution received to \$30.37 million as of the end of the reporting period, 31 December 2007.

**Table 4.2 Total Donor Deposits into the LRF (US\$)**

Donor	Gross Donor Deposits						Total		
	Jan to Dec 2006		Jan to Dec 2007		Jan to Mar 2008		Jan 2006 to 31 Mar 2008		
	(Donor Curr)	(US\$)	(Donor Curr)	(US\$)	(Donor Curr)	(US\$)	(Donor Curr)	(US\$)	
Romania	EUR	500,000	659,531				EUR	500,000	659,531
Spain				EUR	15,000,000	19,909,500	EUR	15,000,000	19,909,500
Sweden	EUR	7,436,276	9,797,465				EUR	7,436,276	9,797,465
<b>TOTAL</b>			10,456,996		19,909,500				30,366,496

### 4.3 Transfer of Approved Funding to Participating UN Organizations

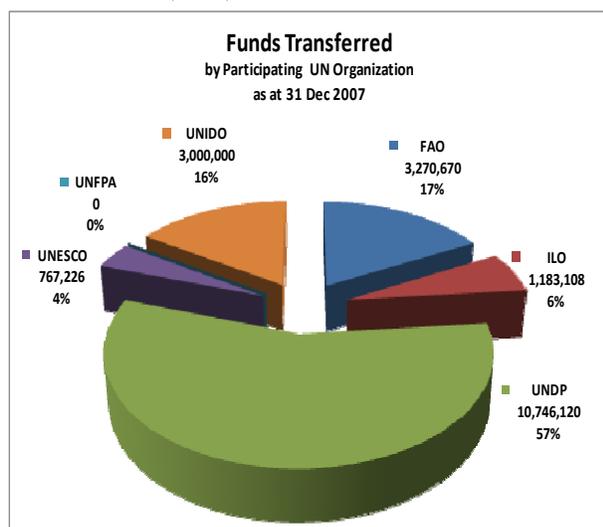
As of 31 December 2007, the LRF had transferred funds to five Participating UN Organizations for approved projects for a total of \$18.97 million, which accounted for 62 percent of the total deposited funds. Additionally, \$5.59 million worth of new projects were funded in the first quarter of 2008, bringing the total amount of projects funded as of 31 March 2008 to \$24.56 million. The distribution of approved funding, consolidated by UN Participating Organization and reporting period, is summarized in table 4.3.

FAO, ILO, UNDP, UNESCO, and UNIDO were the five implementing agencies that received funding for the ten projects approved by the LRF Steering Committee during the reporting period. UNDP received the bulk of the funding (57 percent) followed by FAO (17 percent), UNIDO (16 percent), ILO (6 percent), and UNESCO (4 percent). In the first quarter of 2008 an additional four projects were approved for FAO (\$2.6 million), UNDP (\$2 million), and UNFPA (\$1 million), and funds were transferred accordingly to the Participating UN Organizations. Figures 4.1 and 4.2 reflect the transfer of funds, by Participating UN Organization, as of 31 December 2007 and 31 March 2008, respectively.

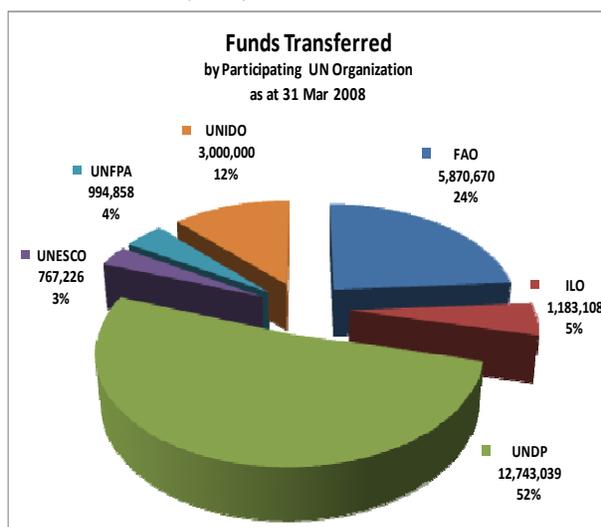
**Table 4.3 Funds Transferred and Number of Projects, by Participating UN Organization**

AGENCY	Funds Transferred					
	as of 31 December 2007			as of 31 March 2008		
	Amount (US\$)	% of Amount Transferred	No. of Projects	Amount (US\$)	% of Amount Transferred	No. of Projects
FAO	3,270,670	17	2	5,870,670	24	3
ILO	1,183,108	6	1	1,183,108	5	1
UNDP	10,746,120	57	5	12,743,039	52	7
UNESCO	767,226	4	1	767,226	3	1
UNFPA	0	0	0	994,858	4	1
UNIDO	3,000,000	16	1	3,000,000	12	1
<b>TOTAL</b>	<b>18,967,124</b>	<b>100</b>	<b>10</b>	<b>24,558,901</b>	<b>100</b>	<b>14</b>

**Figure 4.1 Funds Transferred as at 31 Dec 2007 (US\$)**



**Figure 4.2 Funds Transferred as at 31 Mar 2008 (US\$)**



#### 4.4 Expenditure

In view of the difficult situation on the ground, a lot of the programme activities could not be taken up as initially envisaged. Consequently, during this, the first reporting period, a total of only \$345,661 was expended, which is just 2 percent of the total approved funding of \$18.97 million. Additionally, as the projects were not implemented until the second and third quarters of 2007, this may also have contributed to the low levels of expenditure reported by the Participating UN Organizations. Table 4.4.1 provides a summary of total expenditure by the UNDG-approved nine categories of expenditure by each Participating UN Organization. Table 4.4.2 provides an overview of the total expenditure, against approved and funded projects, by Participating UN Organization.

The highest percentage of expenditure was incurred on Personnel (39.7 percent) followed by Equipment (28.5 percent), Travel (18.1 percent), Miscellaneous (8.6 percent), Training (3.7 percent), Supplies & Commodities (1.3 percent), and Transport (0.1 percent). The indirect support costs are at 7 percent, which is within the 5-9 percent range specified in the MOU and LOA.

**Table 4.4.1 Total Expenditure, by Participating UN Organization, with Breakdown by Category, 1 January-31 December 2007 (US\$)**

Participating UN Organization	Funds Transferred (US\$)	Total Expenditure (Jan - Dec 07)		EXPENDITURE by CATEGORY (US\$)								
		(US\$)	% of Funds Transferred	Personnel	Contracts	Training	Transport	Supplies and Commodities	Equipment	Travel	Miscellaneous	Indirect Support Costs
FAO	3,270,670	127,577	4	63,096	0	0	0	0	0	38,679	17,456	8,346
ILO	1,183,108	78,202	7	0	0	11,759	430	0	52,824	2,058	6,015	5,116
UNDP	10,746,120	36,830	0	28,962	0	0	0	4,188	0	0	1,270	2,410
UNESCO	767,226	0	0	0	0	0	0	0	0	0	0	0
UNIDO	3,000,000	103,052	3	36,172	0	52	0	0	39,201	17,794	3,092	6,742
<b>TOTAL</b>	<b>18,967,124</b>	<b>345,661</b>	<b>2</b>	<b>128,229</b>	<b>0</b>	<b>11,811</b>	<b>430</b>	<b>4,188</b>	<b>92,025</b>	<b>58,531</b>	<b>27,833</b>	<b>22,614</b>
<i>Percentage of Total Programme Costs</i>				<i>39.7</i>	<i>0.0</i>	<i>3.7</i>	<i>0.1</i>	<i>1.3</i>	<i>28.5</i>	<i>18.1</i>	<i>8.6</i>	<i>7.0</i>

**Table 4.4.2 Total Expenditure, against Approved and Funded Projects, by Participating UN Organization, 1 January-31 December 2007 (US\$)**

Project	Agency	Steering Committee Approval Date	Funding January 2006 to December 2007 (\$)	Expenditure January to December 2007 (\$)	% of Funds Transferred
<b>FAO</b>					
LRF-3 Early recovery assistance for the horticulture smallholder	FAO	12 Jun 07	1,370,670	75,791	6
LRF-4 Early recovery assistance to war-affected resource-poor livestock keepers in South Lebanon	FAO	12 Jun 07	1,900,000	51,786	3
<b>Subtotal</b>			<b>3,270,670</b>	<b>127,577</b>	<b>4</b>
<b>ILO</b>					
LRF-5 Local socio-economic recovery in war-affected areas in South Lebanon	ILO	12 Jun 07	1,183,108	78,202	7
<b>Subtotal</b>			<b>1,183,108</b>	<b>78,202</b>	<b>7</b>
<b>UNDP</b>					
LRF-1 Community Energy efficiency and Renewable Energy Demonstration project for Recovery of Lebanon	UNDP	07 May 07	2,732,240	28,916	1
LRF-7 Enhance Performance of the Social Sector	UNDP	03 Oct 07	270,000	7,913	3
LRF-8 Increased Integration of the Poor Disabled	UNDP	10 Oct 07	1,400,000	-	0
LRF-9 Flood and Water Management for Livelihood Recovery in Baalback-Hermel	UNDP	10 Oct 07	2,843,880	-	0
LRF-10 Country Energy Efficiency and Renewable Energy Demonstration Project for Recovery of Lebanon (South, Bekaa and Akkar)	UNDP	10 Oct 07	3,500,000	-	0
<b>Subtotal</b>			<b>10,746,120</b>	<b>36,830</b>	<b>0</b>
<b>UNESCO</b>					
LRF-6 Building of Human Resources for digital documentation of world heritage sites affected by the war	UNESCO	07 May 07	767,226	-	0
<b>Subtotal</b>			<b>767,226</b>	<b>-</b>	<b>0</b>
<b>UNIDO</b>					
LRF-2 Support for livelihoods and Economic recovery in War-Affected Areas of Lebanon	UNIDO	07 May 07	3,000,000	103,052	3
<b>Subtotal</b>			<b>3,000,000</b>	<b>103,052</b>	<b>3</b>
<b>Total</b>			<b>18,967,124</b>	<b>345,661</b>	<b>2</b>

#### 4.5 Balance of Funds

Table 4.5 provides an overall status of the fund and indicates that 62 percent of funds had been transferred to Participating UN Organizations as of 31 December 2007. There was \$11,095,707 available for funding in the LRF account as of 31 December 2007. With additional receipts from Spain and fund transfers to FAO, UNDP, and UFPA in 2008, available funds as of 31 March 2008 dropped to \$5,503,930. The unutilized balances remaining with Participating UN Organizations as of 31 December 2007 was \$18,621,463, which was 98 percent of the funding they received, reflecting a very high rate of unused funds due to the difficult situation on the ground as indicated earlier in this report.

**Table 4.5 Balance of Funds (US\$)**

	Balance of Funds			
	as of 31 December 2007		as of 31 March 2008	
	Total (US\$)	% of Gross Contributions	Total (US\$)	% of Gross Contributions
<b>Gross Donor Contributions</b>	30,366,496	-	30,366,496	-
<b>Net Donor Contributions*</b>	30,062,831	99.0	30,062,831	99.0
	Total (US\$)	% of Gross Contributions	Total (US\$)	% of Gross Contributions
<b>Approved Funding</b>	18,967,124	62.5	24,558,901	80.9
<b>Balance of Funds with AA</b>	11,095,707	36.5	5,503,930	18.1
	Total (US\$)	% of Approved Funding	Total (US\$)	% of Approved Funding
<b>Expenditure</b>	345,661	1.8	N/A **	-
<b>Balance of Funds with Agency</b>	18,621,463	98.2	N/A **	-

\* Contributions after adjusting for the Administrative Agent's fee  
\*\* N/A - Not covered in this reporting period

## 4.6 Interest Earned

### 4.6.1 LRF-Administrative Agent (Fund) earned interest

The LRF earned interest income of \$832,748 as of 31 December 2007. In view of the 'pass-through' fund management modality of the LRF, contributions received from Donors are expected to be transferred to the Participating UN Organizations as soon as the projects are approved and are not to be kept as unutilized funds for long periods of time.

**Table 4.6 LRF Interest Income Earned on Money Market Fund (MMF) Account, 2007 (US\$)**

Fund Earned Interest 2007		
Period	MMF (US\$)	MMF Yield (%)
1st Quarter	-	-
2nd Quarter	436,908	5.21
3rd Quarter	206,477	5.24
4th Quarter	189,363	4.94
<b>Total</b>	<b>832,748</b>	<b>5.13</b>

*NOTE: Average MMF Yield is obtained by JP Morgan Asset Management by calculating daily interest accrual on the balance invested. The average yield is the summation of daily yield in the investing period, divided by the number of days in that period.*

#### **4.6.2 Interest earned by Participating UN Organizations**

All interest earned by the Participating UN Organizations are expected to be credited to the LRF account unless the governing bodies of the said organizations have approved decisions that govern the specific use of interest earned on Donor contributions. Interest earnings of \$190,434 were reported by the Participating UN Organizations for period ending 31 December 2007.

**Table 4.6.2 Reported Interest Earned by Participating UN Organizations, as of 31 December 2007 (US\$)**

<b>Interest Earned by Participating UN Organizations 2007</b>			
<b>Participating UN Organization</b>	<b>Amount Reported</b>	<b>Amount Received</b>	<b>Difference</b>
FAO	40,778	-	40,778
ILO	25,785	-	25,785
UNDP	74,191	-	74,191
UNESCO	6,979	-	6,979
UNIDO	42,701	-	42,701
<b>Total</b>	<b>190,434</b>	<b>-</b>	<b>190,434</b>

Both the Fund earned interest as well as the interest earned by Participating UN Organizations duly transferred to the AA will be used to augment the availability of funds for project funding.

#### **4.7 Cost Recovery**

The cost recovery for LRF is guided by the applicable provisions of the LRF Terms of Reference, the Letters of Agreement concluded between the UNDP/MDTF Office as the Administrative Agent of the LRF with Donors, and the Memorandum of Understanding concluded between the UNDP/MDTF Office and Participating UN Organizations.

For the reporting period, the actual costs were as follows:

- a) The Administrative Agent fee of \$303,665, charged for the entire duration of the LRF, amounted to 1 percent, which is what is usually charged by UNDP for administering similar funds.
- b) While the range for indirect support costs specified in the LOA and MOU is 5-9 percent, the cumulative average rate of indirect support costs charged by the Participating UN Organizations to date amounts to 7 percent. Some Participating UN Organizations may charge indirect support costs on total project budget amounts instead of on actual expenditures, as permissible by their Regulations and Rules, with appropriate adjustments to be made upon project completion.

## **5. Transparency and Accountability of the LRF**

The major vehicle for public transparency of operations under the Lebanon Recovery Fund is the MDTF Office-maintained LRF-website, [www.undp.org/mdtf/lebanon](http://www.undp.org/mdtf/lebanon). The website is updated regularly and provides the most current information on all information related to the LRF. The public notification of all project approvals made by the LRF Steering Committee, as well as additional information and progress updates on these projects, provides a high level of transparency to national authorities, Donors, the public, and the Participating UN Organizations. Donor pledges, commitments, and deposits are updated monthly and provide the Executive Committee, as well as all other stakeholders, up-to-date information on the financial status of the LRF.

The LRF Steering Committee's Terms of Reference and Rules of Procedure, including detailed information on the decision-making process and criteria for allocation of resources as well as templates and guidance notes are posted on the website. Additionally, project summaries and project progress updates, provided by Participating UN Organizations, are posted regularly, providing the LRF Steering Committee, Donors, and others with a tool to enable oversight and monitoring of the implementation of the projects.

Participating UN Organizations' individual progress reports are available to Donors upon written request to the MDTF Office.

## **Conclusion**

This First Consolidated Progress Report on Activities under the Lebanon Recovery Fund reports on the implementation of the ten projects approved for funding during 2007, the first year of operations of the LRF. The Progress Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating UN Organizations to the MDTF Office. It is neither an evaluation of the LRF nor the MDTF Office's assessment of the performance of the Participating UN Organizations.

The first projects under the LRF were approved in May 2007—only nine months after the end of the July-2006 war between Lebanon and Israel, seven months after the finalization of the LRF Terms of Reference, and five months after the receipt of the first donor contributions. Compared to similar Multi-Donor Trust Funds in other post-conflict and recovery contexts, this is a notable achievement.

The Participating UN Organizations reported on project start-up activities that focused on establishing project implementation and management capacities and systems, identifying and contracting implementing partners, and completing preparatory work for the procurement of critical goods and services. These activities have prepared the groundwork for Participating UN Organizations to continue the implementation of projects in 2008.

Lessons learned during the initial start-up phases of the projects have allowed Participating UN Organizations to take appropriate measures within existing projects as well as in future project submissions, and to ensure that improved project implementation and management arrangements are introduced, where applicable.

The MDTF Office envisages that this First Consolidated Progress Report on Activities under the Lebanon Recovery Fund will provide the LRF Steering Committee the basis on which to better assess the future of the LRF including its resource requirements and to advocate and mobilize additional funding in support of the recovery, reconstruction, and development process in Lebanon, as required and as appropriate.