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Rising from the Rubble

War-Damaged Agro-Industries
in Lebanon Bound for Recovery



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



الممهورية اللبنانية
وزارة الصناعة





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UNIDO Support to Agro-Industries in Lebanon: Groundwork for Economic Recovery

The 2006 Lebanon War, also known in the region as the “July War,” dealt a devastating blow to the country’s population and economy. A large part of the civilian infrastructure was destroyed and the losses suffered by the Lebanese industry and agriculture were equally significant. Most of the country was affected, with the areas close to Israel’s borders, the southern suburbs of Beirut and the Bekaa Valley paying the highest price in lost lives and ruined livelihoods. It was estimated that some 900,000 people – or one quarter of Lebanon’s population – were displaced.

Convened shortly after the cessation of hostilities, the Stockholm Conference for Lebanon charted the course for the country’s initial stages of recovery. In accordance with conference recommendations and following a war-damage assessment, the United Nations Industrial Development Organization (UNIDO) drew up a project entitled “*Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon,*” also referred to as the Lebanese Agro-Industry Support and Economic Recovery (LAISER) project. The main beneficiaries of assistance were to be small and medium agro-industrial enterprises in the country’s south, the southern suburbs of Beirut and Bekaa Valley.



Custom-tailored response The project was designed to respond to recovery needs outlined by the Government of Lebanon as well as to the specifics of the country's economy. Lebanon's lack of industrial raw materials and its total dependence on imported oil have led to an insufficiently diversified industrial base. There are eight leading industrial sectors, with agro-industries accounting for approximately two-thirds of the total number of enterprises and a substantial contribution to GDP. Another defining feature of the Lebanese industry is the prevailing small size of enterprises, an overwhelming 80% of which have fewer than five employees. It was estimated that over 700 industrial enterprises suffered extensive damage during the



conflict and that industrial production capacity in the worst affected areas declined by 40%. The war had an equally devastating impact on Lebanon's agriculture with painful consequences for the rural population. Government data show that 30% to 40% of rural households rely entirely or partially on agriculture and small-scale agro-processing for their livelihood.

UNIDO was well acquainted with Lebanon's economic environment and development necessities; it had provided extensive technical assistance under the integrated programme *"Enhancing the Competitiveness of the Lebanese Industry and Its Integration in the Global Market."* Moreover, the Organization's numerous interventions in post-crisis situations in Afghanistan, Indonesia, Iraq, Sudan, Uganda and

elsewhere provided compelling evidence of its capability to help rehabilitate agro-industrial infrastructure, create employment, raise household income levels and reduce poverty.

LAISER started out with a detailed assessment of war damage in the target areas carried out jointly by UNIDO and the Lebanese stakeholders: the Ministry of Industry, the Ministry of Agriculture, the Ministry of Economy and Trade, the Presidency of the Council of Ministers, industrial associations and business owners. All public and private stakeholders were then called upon to participate in consultations on how



project resources could be put to work in the best interest of rigorously selected main beneficiaries – small and medium enterprises operating in five sectors: textiles, leather, woodwork, food and beverage, and olive oil.

The selection process covered 119 damaged agro-industrial businesses, 80% of which had been totally destroyed. One international and several national consultants undertook field visits to assess the equipment and civil work needs of each enterprise. Based on the resulting assessment reports, profiles of technical specifications and budget requirements were prepared for each selected enterprise. The great majority of these businesses were family-owned enterprises which are predominant in the Lebanese agro-industrial sector.



Rebuilding and retooling A total of 86 enterprises have been supported by the project over the last two years. Eight of these benefited from extensive building restoration work on their heavily damaged premises. Power generators, olive oil production equipment, spice grinders, woodworking machinery and other manufacturing equipment procured by UNIDO through competitive international and local bidding started being distributed in October 2008. Thirty-nine enterprises received up-to-date machinery as well as technical and managerial training. The total project budget was US\$3 million, funds provided by Italy, Spain, Sweden and others through the Lebanon Recovery Fund.

The shiny new machines in the brightly lit and freshly painted production facilities contrast strikingly with the dismal piles of rubble they replaced. Moreover, they have not failed to become a source of encouragement and a call to action for other small businesses that found themselves in dire straits in the aftermath of the armed conflict. Thirty enterprises which were not listed initially as possible recipients of assistance became associated with the project at their own request and participated in capacity building activities. The modern equipment also helped increase awareness of product quality and safety standards and of good manufacturing practices in general, particularly among entrepreneurs in the food and beverage and olive oil sectors.



Capacity building Direct training and study tours made up the busy schedule of capacity building activities. The participants were entrepreneurs from all five sectors supported by the project as well as representatives of government institutions and business associations and university students. These activities included:

- training in the use of the Computer Model for Feasibility Analysis and Reporting (COMFAR), a software developed by UNIDO for the analysis and appraisal of investment projects;
- business counseling for representatives of government institutions and business associations;
- training in business management for entrepreneurs;
- courses in good manufacturing practices, hazard analysis and critical control points for entrepreneurs in the food and beverage and olive oil sectors;
- study tours in Jordan (for olive oil producers), Egypt (for furniture manufacturers), Syria (for textile manufacturers) and France (for entrepreneurs in the food and beverage sector).

The training and study tours also generated valuable by-products. Furniture manufacturers and olive oil producers initiated the establishment of business associations and training programmes for their sectors. Most participants in the SIAL Food Exhibition in France successfully negotiated raw material transactions with foreign suppliers and some are now close to entering into partnerships with foreign investors. These capacity building spin-offs are very likely to help ensure that project achievements will be sustainable.

Stories of recovery For all small businesses affected by the war the process of recovery has been a daunting task, and for those which suffered most it may not have been possible without assistance. Many of these were in the south of the country, in small towns such as Khyam, where Imad Ghosson had a small pickled foods factory he and his brother had established in 1995. Both the factory and his adjacent house were destroyed and, after the end of hostilities, it took him two years to resume production on his old premises. With assistance under the LAISER project, the factory interior was completely renovated. Imad Ghosson also received new equipment. An astute businessman, he was quick to foresee the benefits of project training in management, good manufacturing practices and quality control. With significant improvements in product quality, range and presentation, he soon saw his order log growing. Ghosson pickles are now a common sight in the food stores



of Khyam and nearby towns. But possibly the greatest achievement is that up to 90% of total production is exported, mostly to Europe, Canada, the United States and Australia. Several young people have been added recently to the workforce to help with packaging (*next page*) and other tasks.

With ten employees and its own outlets in Beirut and the southern towns of Tyr and Saida, the Farestex garment factory (*page 4, right*) in Zawtar was doing fairly well before the war. Although the factory and the adjacent house of the owner, Hani Faress, were partially damaged, the business managed to keep operating during the conflict. However, a lot of mending had to be done after the war and the enterprise as a whole had to be upgraded if it were to remain competitive. LAISER came to the rescue by providing new equipment and training in management. In addition, the owner took part in a study tour abroad and became acquainted with advanced production equipment. Quality improvements and better designs as well as a new product line (jeans) were the outcomes of project support and, encouraged by recent increases in sales, Farestex is now hiring additional workers and will soon open new outlets.

These and other stories of successful recovery of businesses and livelihoods have contributed to a large extent to the donors' recent decision to provide additional funding for a one-year extension of the project.





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