

# Public Resource Allocation in Lebanon: How Uncompetitive is CDR's Procurement Process?

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Lebanon is facing unprecedented intertwined crises: Its banking sector is largely insolvent, its currency has significantly depreciated, and its debt is unsustainable. Lurking behind this is the country's ailing and neglected infrastructure, which is essential to kick-start economic growth. Poor quality of roads, limited access to water, and chronic power shortages have cemented Lebanon's ranking among the worst in overall quality of infrastructure compared to countries with similar levels of economic development.<sup>2</sup>

Two factors can explain the infrastructure's current conditions: Limited budget and poor management. First, successive governments have invested too little in the country's fixed assets. Over the past 10 years, capital expenditures averaged 6% of total budget expenditures, with the ratio falling to 3% in 2020. Lebanon also had [one of the lowest capital investments-to-GDP ratios](#) (1.8%) compared to the average of other upper middle-income countries (5%) in 2018.<sup>3</sup>

Second, the public funds allocated for capital investment were mismanaged. Anecdotal evidence as well as cross-country comparisons show a strong correlation between the quality of infrastructure and the efficiency of spending. Indeed, a binding impediment to the effectiveness of public spending in Lebanon lies in the institutional governance of the public sector, as rampant corruption through the years, highlighted by the misallocation of public funds, has translated into [a limited return on infrastructure investment](#).<sup>4</sup>

To look into the efficiency and patterns of public spending in investment, we examine the allocation of projects contracted between 2008 and 2018 by the Council of Development and Reconstruction (CDR)—which has been tasked since 1977 to lead the public investment efforts. The following analysis is based on a dataset provided by the CDR through the Access to Information Law, and includes the contract's title, the district(s) concerned,<sup>5</sup> the project's monetary value, the winning firm, and the beginning and end dates of each project contract, among other variables. These projects were mainly in the sectors of water, electricity, roads, waste management, and education, and were funded principally by the Arab Fund for Economic and Social Development, CDR, World Bank, European Investment Bank, Islamic Development Bank, Saudi Development Fund, and the Kuwait Fund for Arab Economic Development.

The CDR managed funding for 492 projects across 26 administrative districts and 133 firms between 2008 and 2018. The investments reached \$3.17 billion and were distributed across the country at an

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<sup>2</sup> World Economic Forum. 2019. "The Global Competitiveness Index."

<sup>3</sup> Mahmalat, M. and S. Atallah. 2018. "Why Does Lebanon Need CEDRE?" The Lebanese Center for Policy Studies.

<sup>4</sup> Sanchez, D. G. 2018. "Combating Corruption, a Necessary Step Toward Improving Infrastructure." The Lebanese Center for Policy Studies.

<sup>5</sup> The CDR dataset presents contracts that are cross-district, and assigns each district its relative share of the contract value.

average of \$397 million per governorate,<sup>6</sup> with Mount Lebanon receiving the highest (\$959 million) and Bekaa and Baalbek-Hermel receiving the lowest (\$133.8 million and \$134.6 million respectively). At the district level, the investments averaged \$122 million, with Sour (\$275 million) and Tripoli (\$270.3 million) receiving the highest amounts and Rachaya (\$14.9 million) and Hermel (\$20.8 million) the lowest.

The prevalent patterns of resource allocation have not only resulted in [disparities in the volume of investment across regions](#),<sup>7</sup> but have also raised warranted concerns on the level of fairness in the tendering process. Our analysis of the distribution of CDR contracts between 2008 and 2018 suggests that contract tendering was not done on a competitive basis. A full 60% of total CDR spending—or \$1.9 billion—was granted to only 10 companies. The top four firms accounted for more than one third (35.6 %) of the value of projects (\$1.13 billion), with two of them alone accounting for 23% of total CDR spending (\$726 million) (table 1).<sup>8</sup>

These top companies are: M.A. Kharafi & Sons / Veziroglu Construction & Engineering /Guris Construction & Engineering,<sup>9</sup> Al Jihad for Commerce & Contracting, Danash for Contracting & Trading, JV Mouawad Edde Soriko S.A.L., Khoury Contracting Company, Al Bonyan Company for Engineering & Contracting S.A.R.L, Homan Engineering Company Limited, General Construction and Contracting Company (Geneco), Nassim Abou Habib Company for Industry & Contracting, and Badawi Azour Trading & Contracting (BATCO).

Investigating the monetary allocation of CDR contracts across firms shows that a non-competitive tendering process is not only evident at the country level, but at regional levels as well, suggesting that some firms received a privileged treatment in particular regions. In five governorates, two firms secured at least 45% of the total project value, and in three of those, the share of the top two firms exceeded 55% of total project value (table 2).

- In Nabatieh, the top two companies—Kharafi /Veziroglu/Guris and Danash for Contracting & Trading—received 77% of the total value of the projects.
- In Baalbek-Hermel, the top two companies—Al-Bonyan Company for Engineering & Contracting and Nazih Braidı for Engineering & Contracting—represented 55% of the total value of projects.
- In Akkar, the top two companies—Homan Engineering and Al Bonyan Company for Engineering & Contracting—obtained 55% of the total value of projects.
- In Beirut, the top two companies—Al-Jihad for Commerce & Contracting and Khoury Contracting Company—captured 54% of the total value of projects.
- In South Lebanon, the top two companies— Kharafi /Veziroglu/Guris and Danash for Contracting & Engineering—received 45% of the total value of projects.

The figures at the district level are even more striking, with some firms managing to establish a quasi-monopoly on public resources. In 22 of the 26 Lebanese districts, two firms secured at least 50% of the projects' total value between 2008 and 2018, and in 11 of these the top two firms' share exceeded

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<sup>6</sup> The CDR dataset presents contracts at the district level and contracts at the national level. For methodological purposes, we distinguished between national and district-level project contracts.

<sup>7</sup> Sanchez, D. 2018. "Perpetuating Regional Inequalities in Lebanon's Infrastructure." The Lebanese Center for Policy Studies

<sup>8</sup> These figures exclude CDR projects that happened at the national—not district—level. The total value of the 2008-2018 CDR projects at the national level is \$809,778,029, of which five firms accounted for 77.7% of the total value. These firms are Consolidated Engineering & Trading Company (27.7%), Cooperativa Muratori & Cementisti-CMC di Ravenna SC (24.4%), Middle East Airports Services (15%), Kharafi National KSC (5.5%), and Hammoud Est. For Trading and Contracting (5%).

<sup>9</sup> CDR assigned 25 contracts to a partnership of firms rather than an individual company, but it does not provide each firm's share of the contract value. In these instances, we allocated the contract to the dominant firm. One multi-district contract worth \$394 million was awarded to the partnership of Kharafi/Veziroglu/Guris.

60%. The top two companies captured more than 50% of the value of projects in all but four districts—namely West Bekaa, Chouf, Koura, and Metn (table 3).

- In Marjayoun, the top two companies—Kharafi/Veziroglu/Guris and Danash for Contracting & Trading—won five projects, which amount to 98% of the total value of the projects.
- In Hermel, the top two companies—Al-Bonyan Company for Engineering & Contracting and Subal/ LEMACO—obtained two projects which amount to 96% of the total value of projects.
- In Jezzine, the top two companies—Kharafi/Veziroglu/Guris and Joseph Maalouf Contracting—won two projects which amount to 94% of the total value of projects.
- In Aley, the top two companies—JV Mouawad Edde Soriko S.A.L. and Al-Jihad for Commerce & Contracting—had five projects which amount to 83% of the total value of projects.
- In Bint Jbeil, the top two companies—Kharafi/Veziroglu/Guris and Danash for Contracting & Trading—had three projects which amount to 80% of the total value of projects.
- In Jbeil, the top two companies—BATCO and CEA-COOP—had three projects which amount to 79% of the total value of projects.
- In Baabda, the top two companies—Al-Jihad for Commerce & Contracting and JV Mouawad Edde Soriko S.A.L—won three projects which amount to 78% of the total value of projects.
- In Hasbaya, the top two companies—Kharafi/Veziroglu/Guris and Madanat Contracting Company—had four projects which amount to 74% of the total value of projects.
- In Nabatieh, the top two companies—Kharafi/Veziroglu/Guris and The Arab Contractors—obtained three projects which amount to 72% of the total value of projects.
- In Minnieh-Dannieh, the top two companies—Danash for Contracting & Trading and Tadj Group—had three projects which amount to 69% of the total value of projects.
- In Keserwan, the top two companies—Khoury Contracting Company and Ramco—had three projects which amount to 67% of the total value of projects.
- In Beirut, the top two companies—Al-Jihad for Commerce & Contracting and Khoury Contracting Company—had nine projects which amount to 54% of the total value of projects.

The market reach of the top 10 firms is at the end very large. They captured 60% of the total value of projects and collectively dominated 21 of the 26 districts,<sup>10</sup> though each firm exhibited more dominance in particular parts of the country:

1. Kharafi / Veziroglu / Guris: The partnership, which controlled the largest share (14%) of the total value of projects, operated in eight districts and ranked among the top three in each, of which it dominated Marjayoun, Nabatieh, West Bekaa, Bint Jbeil, Jezzine, and Hasbaya.
2. Al-Jihad for Commerce & Contracting: The company, which controlled the second largest share (9%) of the projects' total value, operated in nine districts and ranked among the top three in six of those. It was the dominant firm in Beirut and Baabda.
3. Danash for Contracting & Trading: It holds the third largest share (7%), operated in seven districts, of which it ranked among the top three in five. It was the dominant firm in Minnieh-Dannieh and Sour.
4. JV Mouawad Edde Soriko S.A.L.: It holds the fourth largest share (5.8%), and ranked among the top three in five of the six districts it operated in. It was the dominant firm in Chouf and Aley.
5. Khoury Contracting Company: It holds the fifth largest share (5%), and ranked among the top three in four of the five districts it had projects in. It was the dominant company in Metn and Keserwan.
6. Al-Bonyan Company for Engineering & Contracting: It holds the sixth largest share (4.3%), operated in eight districts, and ranked among the top three in four, of which it was the dominant firm in Baalbek and Hermel.
7. Homan Engineering Company Limited: It holds the seventh largest share (3.8%), operated in 12 districts, was the dominant firm in Akkar and ranked among the top three in two others.

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<sup>10</sup> The term 'dominant' refers to a company that was awarded the highest share in total value of CDR projects in a said district.

8. Geneco: It holds the eighth largest share (3.7%), operated in four districts, and ranked among the top three in three, of which it was the dominant firm in Tripoli.
9. Nassim Abou Habib Company: It holds the ninth largest share (3.6%), operated in four districts, where it dominated Batroun and ranked among the top three in two others.
10. BATCO: It holds the tenth largest share (3.3%), operated in three districts, and ranked among the top three in two, where it was the dominant firm in Jbeil.

In conclusion, Lebanon not only suffers from low levels of public investments and an unbalanced pattern of resource allocation across its territory, but it also witnesses a severe mismanagement of funds channeled from taxpayers and international donors. The allocation of public sector contracts over the 10-year period indicates a lack of competitiveness in the tendering process at the country, governorate, and district levels, as few companies obtained the lion's share of infrastructure project funding. Today, the country will need financial support in order to adequately navigate through the current aggregated financial and economic shock. In light of the resurfacing talks on the CEDRE conference and the [269 projects](#) that the Lebanese government is seeking funds for,<sup>11</sup> there is an urgent need to make the procurement and tendering processes transparent and fair, in order to ensure the efficiency of public spending on infrastructure.

Building on this evidence-based work, further analysis needs to address two key pillars: First, the particular weaknesses of the bidding process currently in place at CDR need to be examined in order to improve it in the future. This includes looking more carefully at the performance of the checks and balances of stakeholder institutions, such as the Tender Board and the Central Inspection Board. Second, there is a need to understand the relationship between the firms that won CDR contracts and politicians. This could effectively shed light on the socio-political drivers of corruption—whether particular firms for example seem to have advantages in particular geographical areas or with different donors.

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<sup>11</sup> Atallah, S., G. Dagher, and M. Mahmalat. 2019. "CEDRE Capital Investment Plan: Scrutinizing the Allocation of Projects and Funds Across Regions" The Lebanese Center for Policy Studies.

Table 1: Distribution of CDR contracts in terms of value across the top 10 firms between 2008 and 2018

**Top Firms in Lebanon (Without National Projects)**

| Name   | Value of Projects (in Millions of USD) | Share in Total Value | Governorates Dominated | Districts Dominated                            |
|--|--|----------------------|------------------------|--|
| Kharafi / Veziroglu /Guris                   | 443                                    | 14.0%                | Nabatieh               | Marjayoun<br>Nabatieh<br>Hasbaya<br>Bint Jbeil |
|  |  |                      | Bekaa                  | West Bekaa                                     |
|  |  |                      | South Lebanon          | Jezzine  |
| Al Jihad for Commerce & Contracting          | 283                                    | 9.0%                 | Beirut                 | Baabda<br>Beirut                               |
| Danash for Contracting and Trading Co.       | 223                                    | 7.0%                 |                        | Minnieh-Dannieh<br>Sour                        |
| JV Mouawad Edde - Soriko SAL                 | 184                                    | 5.8%                 | Mount Lebanon          | Chouf<br>Aley                                  |
| Khoury Contracting Company                   | 158                                    | 5.0%                 |                        | Metn   |
|  |  |                      |                        | Keserwan                                       |
| Al Bonyan For Engineering & Contracting      | 136                                    | 4.3%                 | Baalbek-Hermel         | Baalbek<br>Hermel                              |
| Homan Engineering Company Limited            | 121                                    | 3.8%                 | Akkar                  | Akkar  |
|  |  |                      |                        | Koura  |
| Geneco                                       | 116                                    | 3.7%                 | North Lebanon          | Tripoli  |
| Nassim Abou Habib for Industry & Contracting | 113                                    | 3.6%                 |                        | Batroun  |
| BATCO Group                                  | 104                                    | 3.3%                 |                        | Jbeil  |

Source: Authors' calculation based on official CDR dataset

Table 2: Distribution of CDR contracts across governorates between 2008 and 2018

| Governorate    | Number of Firms | Number of Projects | Value of Projects in Millions of USD | First Dominant Firm       | Second Dominant Firm  | Share of first firm in number of projects | Share of first firm in value of projects | Value obtained by first firm | Share of second firm in number of projects | Share of second firm in value of projects | Value obtained by second firm | Share of top 2 firms in number of projects | Share of top 2 firms in value of projects |
|----------------|-----------------|--------------------|--------------------------------------|---------------------------|-----------------------|---|--|------------------------------|--|---|-------------------------------|--|---|
| Mount Lebanon  | 54              | 115                | 959.0                                | Mouawad Edde-Soriko       | Al Jihad Contracting  | 4%  | 15%                                      | 140                          | 7%   | 14%                                       | 139                           | 11%  | 29%                                       |
| North Lebanon  | 47              | 96                 | 643.3                                | Geneco                    | Al Jihad Contracting  | 2%  | 11%                                      | 73.3                         | 4%   | 11%                                       | 69.1                          | 6%   | 22%                                       |
| Nabatieh       | 32              | 69                 | 505.5                                | Kharafi/Veziroglu/Guris   | Danash Contracting    | 7%  | 61%                                      | 306.8                        | 12%  | 16%                                       | 80                            | 19%  | 77%                                       |
| South Lebanon  | 30              | 57                 | 467.3                                | Kharafi/Veziroglu/Guris   | Danash Contracting    | 5%  | 24%                                      | 112.2                        | 7%   | 21%                                       | 99.4                          | 12%  | 45%                                       |
| Bekaa          | 30              | 51                 | 133.8                                | Kharafi/Veziroglu/Guris   | Hammoud Contracting   | 3%  | 18%                                      | 23.8                         | 8%   | 13%                                       | 17.7                          | 11%  | 31%                                       |
| Baalbek-Hermel | 24              | 39                 | 134.6                                | Al Bonyan Contracting     | Nazih Al Braidi       | 23%                                       | 45%                                      | 60.07                        | 3%   | 10%                                       | 13.35                         | 26%  | 55%                                       |
| Akkar          | 26              | 34                 | 167.9                                | Homan Engineering Limited | Al Bonyan Contracting | 12%                                       | 37%                                      | 61.8                         | 6%   | 18%                                       | 30.0                          | 18%  | 55%                                       |
| Beirut         | 16              | 31                 | 164.6                                | Al Jihad Contracting      | Khoury Contracting    | 16%                                       | 38%                                      | 62.1                         | 6%   | 16%                                       | 26.2                          | 23%  | 54%                                       |

Source: Authors' calculation based on official CDR dataset

Table 3: Distribution of CDR contracts across districts between 2008 and 2018

| District        | Number of Firms | Number of Projects | Value of Projects in Millions of USD | First Dominant Firm        | Second Dominant Firm       | Share of first firm in number of projects | Share of first firm in value of projects | Value obtained by first firm | Share of second firm in number of projects | Share of second firm in value of projects | Value obtained by second firm | Share of top 2 firms in number of projects | Share of top 2 firms in value of projects |
|-----------------|-----------------|--------------------|--------------------------------------|----------------------------|----------------------------|---|--|------------------------------|--|---|-------------------------------|--|---|
| Marjayoun       | 10              | 14                 | 172.5                                | Kharafi/Veziroglu/Guros    | Danash Contracting         | 14%                                       | 66%                                      | 113.9                        | 21%  | 32%                                       | 54.4                          | 36%  | 98%                                       |
| Batroun         | 14              | 18                 | 126.9                                | Abou Habib for Contracting | Hamid Keyrouz SAL          | 6%  | 31%                                      | 39.8                         | 6%   | 19%                                       | 24.4                          | 12%  | 51%                                       |
| West Bekaa      | 18              | 22                 | 74.1                                 | Kharafi/Veziroglu/Guros    | Homan Engineering Limited  | 5%  | 32%                                      | 23.8                         | 10%  | 15%                                       | 11.2                          | 15%  | 47%                                       |
| Chouf           | 22              | 34                 | 191.4                                | Mouawad Edde-Soriko        | Geneco                     | 3%  | 21%                                      | 40.1                         | 3%   | 10%                                       | 20.0                          | 6%   | 31%                                       |
| Koura           | 10              | 13                 | 63.1                                 | Homan Engineering Limited  | Nazih Al Braidi            | 8%  | 31%                                      | 19.6                         | 8%   | 17%                                       | 10.6                          | 16%  | 48%                                       |
| El Metn         | 19              | 24                 | 268.7                                | Khoury Contracting         | Nassim Abou Habib          | 5%  | 20%                                      | 53.5                         | 5%   | 17%                                       | 44.8                          | 10%  | 37%                                       |
| Minnieh-Dannieh | 10              | 13                 | 78.3                                 | Danash Contracting         | Tajj Ets. Group            | 8%  | 55%                                      | 43.3                         | 15%  | 14%                                       | 11.0                          | 23%  | 69%                                       |
| Nabatieh        | 18              | 20                 | 110.9                                | Kharafi/Veziroglu/Guros    | The Arab Contractors       | 5%  | 58%                                      | 64.6                         | 10%  | 14%                                       | 15.4                          | 15%  | 72%                                       |
| El Hermel       | 6               | 6                  | 20.8                                 | Al Bonyan Contracting      | Subal / Lemaco             | 17%                                       | 67%                                      | 13.9                         | 17%  | 29%                                       | 6.0                           | 34%  | 96%                                       |
| Bcharre         | 10              | 11                 | 62.4                                 | Hamid Keyrouz SAL          | NECC                       | 9%  | 33%                                      | 20.3                         | 9%   | 20%                                       | 12.3                          | 18%  | 52%                                       |
| Baabda          | 17              | 18                 | 142.9                                | Al Jihad Contracting       | Mouawad Edde-Soriko        | 12%                                       | 51%                                      | 73.0                         | 6%   | 27%                                       | 38.9                          | 18%  | 78%                                       |
| Baalbek         | 22              | 33                 | 113.8                                | Al Bonyan Contracting      | Nazih Al Braidi            | 24%                                       | 41%                                      | 46.2                         | 3%   | 12%                                       | 13.4                          | 27%  | 52%                                       |
| Bint Jbeil      | 17              | 19                 | 95.6                                 | Kharafi/Veziroglu/Guros    | Danash Contracting         | 5%  | 68%                                      | 64.6                         | 11%  | 13%                                       | 12.2                          | 16%  | 80%                                       |
| Beirut          | 17              | 31                 | 164.6                                | Al Jihad Contracting       | Khoury Contracting         | 16%                                       | 38%                                      | 62.1                         | 6%   | 16%                                       | 26.2                          | 22%  | 54%                                       |
| Jbeil           | 9               | 10                 | 131.8                                | Badawi Az'our Contracting  | Cooperativa Edile Apennino | 20%                                       | 50%                                      | 65.7                         | 10%  | 29%                                       | 37.8                          | 30%  | 79%                                       |

|          |    |    |       |                           |                          |     |     |       |     |      |       |     |       |
|----------|----|----|-------|---------------------------|--------------------------|-----|-----|-------|-----|------|-------|-----|-------|
| Jezzine  | 6  | 8  | 49.0  | Kharafi/Veziroglu/Guros   | Joseph Al Maalouf        | 13% | 90% | 44.2  | 13% | 4.1% | 2.0   | 25% | 94.3% |
| Hasbaya  | 12 | 16 | 126.9 | Kharafi/Veziroglu/Guros   | MADANAT Contracting      | 6%  | 51% | 64.6  | 19% | 23%  | 29.5  | 25% | 74%   |
| Rachaya  | 11 | 15 | 14.9  | Hammoud Est. Contracting  | Executor Co. SARL        | 20% | 27% | 4.1   | 7%  | 22%  | 3.3   | 27% | 50%   |
| Zahle    | 13 | 14 | 44.7  | HETC / Green Line         | Consolidated Engineering | 7%  | 26% | 11.7  | 7%  | 24%  | 10.7  | 14% | 50%   |
| Zgharta  | 8  | 9  | 42.3  | Boodai Construction       | Sukru Uzun Insaat        | 11% | 35% | 14.9  | 11% | 21%  | 8.8   | 22% | 56%   |
| Sour     | 18 | 27 | 275.3 | Danash Contracting        | Consolidated Engineering | 11% | 34% | 92.3  | 11% | 16%  | 44.3  | 22% | 50%   |
| Saida    | 17 | 22 | 143.0 | Arab Business Corporation | Khoury Contracting       | 9%  | 29% | 40.8  | 5%  | 23%  | 32.5  | 14% | 51%   |
| Tripoli  | 23 | 32 | 270.3 | Geneco                    | Al Jihad Contracting     | 6%  | 27% | 73.3  | 12% | 26%  | 69.2  | 18% | 53%   |
| Aley     | 10 | 12 | 97.0  | Mouawad Edde-Soriko       | Al Jihad Contracting     | 17% | 63% | 61.1  | 8%  | 20%  | 19.6  | 25% | 83%   |
| Akkar    | 26 | 34 | 167.9 | Homan Engineering Limited | Al Bonyan Contracting    | 12% | 37% | 61.8  | 6%  | 18%  | 30.0  | 18% | 55%   |
| Keserwan | 13 | 17 | 127.4 | Khoury Contracting        | Ramco Contracting        | 12% | 36% | 45.4  | 12% | 31%  | 39.6  | 24% | 67%   |
| National | 34 | 55 | 809.8 | Consolidated Engineering  | Muratori&Cementisti      | 4%  | 28% | 224.5 | 2%  | 24%  | 198.0 | 6%  | 52%   |

Source: Authors' calculation based on official CDR dataset



