

LEBANON

Public Procurement Reform Strategy & Action Plan

Final draft

OCTOBER 2021

DEVELOPED WITH SUPPORT OF:



OUTLINE

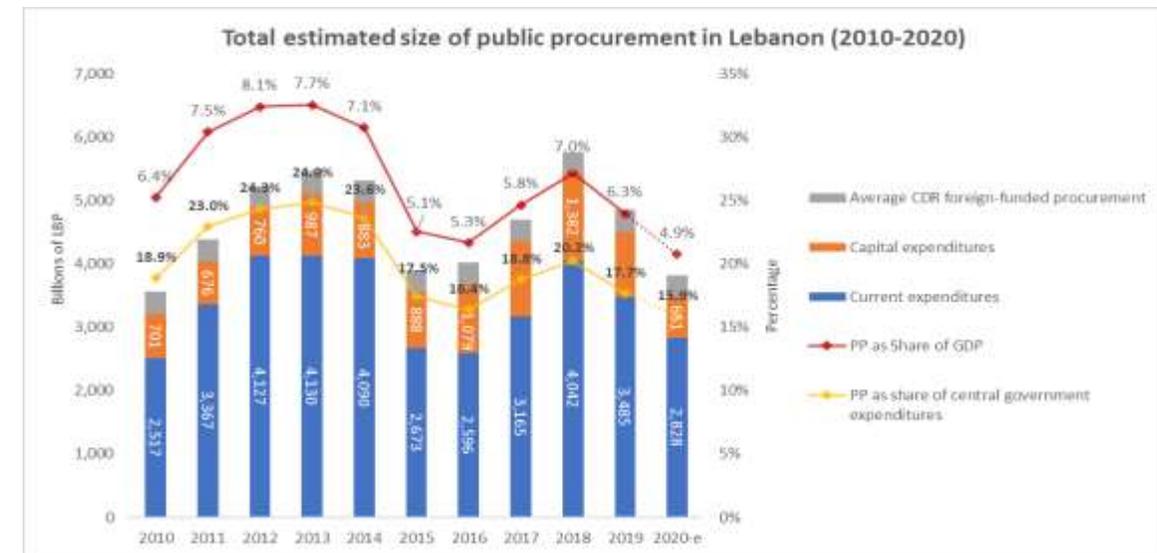
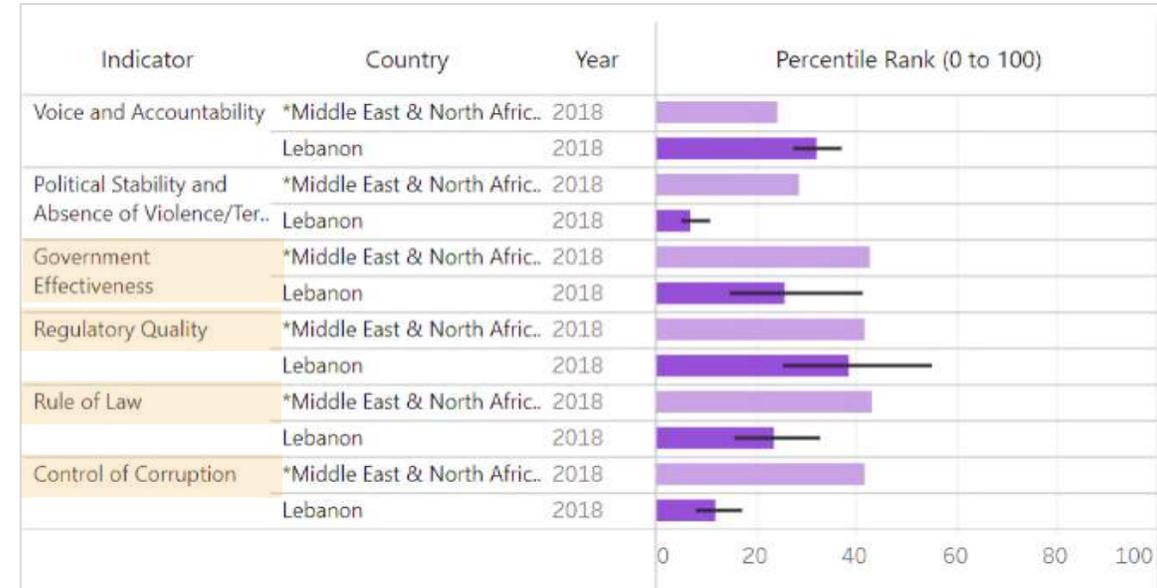
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- **01** Context and Challenges
 - **02** Objectives, Priorities and Main measures
 - **03** Reform action plan 2021-2023

Public Procurement Reform Strategy

CONTEXT & CHALLENGES

Why public procurement reform?

- **Public procurement size:** 20% of public expenditures & 6.5% of GDP; at central level.
- **Narrow fiscal space for public investment**, not exceeding 5% of public expenditures (2018) and shrinking to 2% in 2020 Budget, due to high expenditures on personnel cost, interest payments and foreign debt.
- **Quality of procurement system is poor (48/100)** as compared to the rest of the world and to MENA countries. World Bank (2017), Benchmarking Public Procurement Report
- **Weakening economic competitiveness**, ranking 88/141, due to notable deficiency in infrastructure and institutions, World Economic Forum (2019), Global Competitiveness Index
- **Government digitization and access to information is scarce;** Lebanon ranks 99/193 in terms of e-Govt development.
- Considerable **capacity gaps**, resulting in inefficiencies and high risks of corruption. Lebanon ranks 149/180 on CPI (2020); corruption costs are high.
- PP practices **do not conform with standards of sustainability**



MAPS pinpointed gaps & shortcomings

PILLAR I Legal, Regulatory & Policy Framework

- Incomplete & incoherent legal framework: no unified law
- Narrow range of award procedures: high risk of ineffective & inefficient procurement
- Secondary legislation missing, incomplete or late
- Lack of officially endorsed standard documents & guidance tools: widely varying practices
- Complaints review cumbersome, time consuming, inefficient
- No strategic policy approach to PP as tool for financial governance & sustainable development
- Lack of alignment with international agreements

PILLAR III Procurement Operations & Market Practices

- Weak knowledge, skills & experience, limited access to training & advice for practitioners & officials
- No guidance materials, standard documents
- Cumbersome, time consuming procedures
- Weak skills, inadequate practices for drafting requirements & setting selection & award criteria
- Limited access information to private sector, especially SMEs & new entrants
- Weak competition, weak supply market, lack of knowledge of PP

PILLAR II Institutional Framework & Management Capacity

- Gaps, overlaps in allocation of key public procurement functions; weak resources
- Inefficient internal organisation of procuring entities, lack of skills, absence of profession
- No use, no benefits of centralized procurement, framework agreement
- No e-procurement, not even national website for notices
- Procurement data not systematically collected, compiled, analyzed & disseminated for supporting evidence-based policy making

PILLAR IV Accountability, Integrity & Transparency

- Procurement data scarce or missing, difficult to access, making it difficult to monitor fraud & corruption; lack of transparency
- Lack of systematic policy consultations
- Absence of an independent review body
- Unclear distribution of responsibilities; few effective sanctions meted out
- Oversight & monitoring fragmented, incomplete; no internal audit; external audit not fully independent
- Lack of regulatory & institutional measures to ensure integrity



A needed reform now more than ever

Lebanon: Navigating the crisis

It would be naïve to assume the crisis will be anything but painful and prolonged

by Amer Bisat and Rob Kahn

6 March 2020 | 17:10

Source: by Annahar

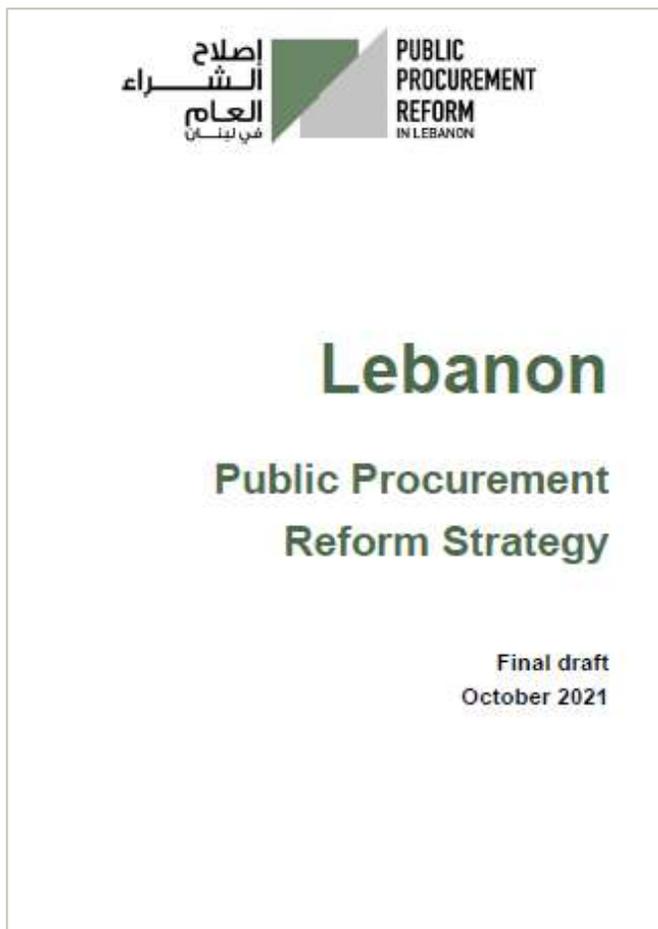


A moment of truth. The constellation of shocks facing Lebanon and its new government is unprecedented. A deep economic and financial crisis and a new and

In addition to evidence collected from MAPS assessment (2019-20) and the institutional mapping exercise (2020) conducted to study the interactions of procurement stakeholders and detect overlapping mandates and roles, the **need for profound procurement reform has been further emphasized by several recent events and developments**, among which are:

- Port of Beirut explosion on August 4, 2020 imposed extreme financial and economic losses
- The “3RF” framework for Reform, Reconstruction and Recovery launched by the United, the EU and the WB, that includes a reform and reconstruction track focusing on critical reforms to address governance and recovery challenges in Lebanon as well as investments that focus on the reconstruction of critical assets, services, and infrastructure, among which is public procurement reform.
- Other social, political and economic challenges facing Lebanon:
 - ✓ Unprecedented economic and financial crisis since 2019
 - ✓ Periods of long political deadlocks
 - ✓ Increasing poverty, social vulnerabilities and difficulties to ensure basic needs
 - ✓ Consequences of economic downturn on business closures, unemployment and increased brain drain
 - ✓ COVID-19 impact on businesses and the job market

A strategy to consolidate the reform process



- The public procurement reform strategy for Lebanon **recalls the reform needs** in public procurement, **states the objectives** to be achieved, and **sets out a schedule of actions and measures** to be implemented.
- Articulates **updated priorities and defined responsibilities** in view of the latest national developments and the progress of the various components of the reform.
- Guided by the **renewed commitment of successive Lebanese Governments** through Ministerial declarations (Hariri, 2019 Diab, 2020 and Mikati, 2021) to pursue procurement reform actions, to put in place a modern system.
- Based on the **outcomes of the MAPS assessment** completed in 2020, and aligned with the provisions of the **new and comprehensive Public Procurement Law (PPL) no. 244/2021**, dated July 19, 2021.
- Elaborated **in consultation with reform lead (MOF/IOF), Central Tender Board, and other key national stakeholders** involved in PPL discussions and reform design.
- **Developed and peer reviewed** with the technical support of World Bank.

Public Procurement Reform Strategy

OBJECTIVES, PRIORITIES, MAIN MEASURES

Four strategic reform objectives

1 Bring the regulatory and policy framework in line with good international practices

2 Create an institutional framework for successful procurement management and build corresponding capacity

3 Ensure economy and efficiency in procurement operations and practices

4 Promote accountability, integrity and transparency in public procurement

Declined in 16 operational objectives

SO.1 Bring the regulatory and policy framework in line with good international practices

- 1) Implement the new, public procurement law by all procuring entities;
- 2) Widen the range of award procedures to make it easier to pick the one best suited to the value, nature and complexity of the contract and to the conditions on the supply market;
- 3) Ensure that responsibilities for key functions mainly policy making, regulatory development, and review of complaints, are clearly assigned;
- 4) Develop and implement a sustainable procurement policy that empowers the public procurement system to play its role in promoting the country's development policies and objectives.

SO.2 Create an institutional framework for successful procurement management and build corresponding capacity

- 1) Ensure that the key central functions of the public procurement system are well handled; namely the Public Procurement Authority (PPA) and the Complaints Authority (CA);
- 2) Reorganize procuring entities and build their capacities;
- 3) Set up the framework for professionalization of the public procurement function;
- 4) Develop, where appropriate, arrangements for centralized purchasing;
- 5) Set up the central electronic platform and prepare for e-procurement implementation

Declined in 16 operational objectives

SO.3 Ensure economy and efficiency in procurement operations and practices

- 1) Raise the skills of procurement officials and all directly concerned stakeholders in planning and preparation, tender evaluation and contract award, and in contract management;
- 2) Develop the use of framework agreements;
- 3) Promote wider enterprise participation and greater competition, by setting fair and reasonable requirements and award criteria and applying them in a consistent and transparent manner, and making information easily accessible.

SO.4 Promote accountability, integrity and transparency in public procurement

- 1) Institute systematic policy consultations with the business community and civil society and raise transparency of public procurement;
- 2) Simplify and clarify principles and policies of integrity and accountability, e.g. through a public procurement code of conduct in line with the general principles set out in the PPL, and support their application;
- 3) Eliminate gaps and overlaps in the roles of oversight bodies, modernize their approaches and raise the level of transparency of their work, with focus on the achievement of good public procurement outcomes and the prevention of bad practices;
- 4) Ensure that actual cases of fraud and corruption are identified, properly investigated and effectively sanctioned.

Ingredients of reform success

Effective reform process

Maintaining **political momentum**



Nurturing a **common vision**



Strong **reform management** for decision-making & coordination



Going **beyond the law**; regulatory & institutional development



Designing a framework for **accountability**



Secure **availability & continuity of financing** & other resources



Manage **information, consultations, stakeholder involvement**



Monitor, evaluate, report; demonstrate success



Implementation Timeline

- **Short term – priority actions :**

Before entry into force of the Public Procurement Law (PPL) on 29 July 2022

- **Medium term – remaining strategy implementation actions:**

Until 31 December, 2023

Long term – continued development of public procurement:

As of 1 January, 2024

An actionable reform

- **Short term - priority actions: to ensure sound implementation of the law** there is a need to:
 - ✓ Prepare for the entry into force of the PPL, adopt related **secondary legislations**;
 - ✓ Set up the proposed procurement **regulatory & complaints** review mechanisms and bodies;
 - ✓ Issue **guidance materials & standard documents** for the new or revised procurement approaches & procedures
 - ✓ Provide **training to public officials & tenderers** on the PPL, as the first phase in a longer-term capacity building & professionalization action plan;
 - ✓ Issue **user-friendly & customized explanatory handbooks & manuals**
 - ✓ Set up a **central platform** covering all operations, allowing for publication of information & collection, analysis and systematic access to data
- **Medium term - remaining strategy implementation actions** with additional resources needed to:
 - ✓ Develop & provide **continuous & specialized capacity building** programs;
 - ✓ Develop and introduce a more comprehensive **e-procurement system**;
 - ✓ Establish new initiatives like the introduction of **centralized purchasing** and the widening use of **sustainability criteria** in public procurement;
 - ✓ Elaborate a **risk management strategy & tools** to efficiently identify and mitigate procurement risks.

... providing room for continued improvement

- **Long term** - continued development of public procurement system

The present public procurement reform strategy **sets string grounds for a new, longer-term strategic vision**, which aims to ensure that the modernized **public procurement system achieved by these reforms remains stable and continues to develop and improve in the future.**

It focuses on :

- ✓ Establishing and maintaining stable, predictable legal and institutional environment
- ✓ Maintaining and developing trust in the system
- ✓ Having an advantage of 3-5 year development plans, with regular updates of actions to be carried out

Reform Action Plan

2021-2023

Action plan

RESOURCE MOBILIZATION
POLICY ADVISE
MONITORING & EVALUATION
STRATEGIC COMMUNICATION FOR INFORMATION & CONSENSUS BUILDING

Adopt reform strategy & action plan

Form the inter-ministerial committee & technical committee

Prepare & adopt secondary legislations

Prepare & adopt guidelines on the law

Prepare & issue standard forms

PPA & CA nominations & internal regulations

Validate capacity building strategy & action plan

Raise the skills of procurement officials & other stakeholders

Set-up the central electronic platform

Recruit, appoint and train PPA staff

Recruit, appoint and train PPA staff

Enforce the use of the central electronic platform

Develop & issue a code of conduct

Update regulatory environment

- Implement a wider range of award procedures
- Develop the speedy and competent handling of complaints

Issue complementary sec. legislations

Develop & implement a sustainable procurement policy

Develop arrangements for centralized purchasing

Introduce e-procurement

Develop and provide training on use of e-procurement

Develop & implement training programs & certification

Develop & test risk management tools

Conduct pilot internal audit & issue reports



LAW ENTRY INTO FORCE
29 July 2022

Thank you

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