TOWARDS A RISK MANAGEMENT APPROACH IN PUBLIC PROCUREMENT IN LEBANON

Infrastructure and Public Procurement Division
Public Governance Directorate, OECD

December 7th, Beirut/ Paris
OPENING REMARKS

• Mr Ghassan Zeenny, Acting President, Institut des Finances Basil Fuleihan

• Ms Erika Bozzay, Senior Policy Advisor, Infrastructure and Public Procurement Division, OECD
HOW THE NEW PUBLIC PROCUREMENT LAW IN LEBANON PREPARES THE GROUND FOR RISKS IDENTIFICATION AND MANAGEMENT

• Ms Rana Rizkallah Fares, Senior Procurement Specialist, Institut des Finances Basil Fuleihan
THE ROLE AND RELEVANCE OF RISK MANAGEMENT IN PUBLIC PROCUREMENT

- Ms Kenza Khachani, OECD
- Mr Elhadj Malick Soumare and Ms Aya Amer, IsDB
- Representative from civil society
Public procurement matters*
Why Public Procurement matters?

Public procurement matters because it represents:

✓ A major economic and governmental activity
✓ A fundamental pillar of good governance and service delivery
✓ A strategic lever for achieving public policy objectives
✓ A high-risk area
— Public procurement matters for effective public service delivery (1/2)

<table>
<thead>
<tr>
<th>Services to guarantee basic physical conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mobility</td>
</tr>
<tr>
<td>• Waste disposal</td>
</tr>
<tr>
<td>• Water</td>
</tr>
<tr>
<td>• Security</td>
</tr>
<tr>
<td>• Cleanliness</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services to guarantee basic social conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Health</td>
</tr>
<tr>
<td>• Education</td>
</tr>
<tr>
<td>• Housing</td>
</tr>
<tr>
<td>• Child and Elderly care</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services supporting the quality of life</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Culture</td>
</tr>
<tr>
<td>• Green spaces</td>
</tr>
</tbody>
</table>
## Public procurement matters for effective public service delivery (2/2)

### Public procurement - a large share of the economy:

- **12.6% of GDP (OECD)**  
  15% in MENA countries  
  6.5% in Lebanon

- **30% of general government expenditures (OECD)**  
  20% of central government expenditure in Lebanon

- **63% spent at the sub-national level**

### Public procurement impacts many areas of public service delivery:

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>30%</td>
</tr>
<tr>
<td>Economic affairs</td>
<td>17%</td>
</tr>
<tr>
<td>Education</td>
<td>12%</td>
</tr>
<tr>
<td>Defence</td>
<td>10%</td>
</tr>
<tr>
<td>Social protection</td>
<td>10%</td>
</tr>
<tr>
<td>General public services</td>
<td>9%</td>
</tr>
</tbody>
</table>
It matters for everyone including citizens

Public Procurement end users

PP users

Public entities

Citizens

establishing citizens’ trust
Public procurement is a high risk area
Why public procurement is a high-risk area

Public procurement is a high-risk area due to:

• the **amounts** involved
• the **complexity** of the procedures and the multiplicity of the **parties involved**
• the **interaction** and close contact between the public and private sectors
• the numerous **sectors** and **stakeholders** involved
What is a risk/ risk management?*

“A Risk implies future uncertainty about deviation from expected outcome”

• The outcome of risk may be **positive** (an opportunity) or **negative** (a threat)
• A risk should be linked to an **objective to achieve**.

“Managing risk is dynamic and assists organizations in setting strategy, achieving objectives and making informed decisions” - ISO 31000
The 2015 OECD Recommendation on Public Procurement
The OECD Recommendation: principle on RM

* 

Integrate risk management strategies for mapping, detection and mitigation throughout the public procurement cycle.

i) Develop risk assessment tools to identify and address threats to the proper function of the public procurement system.

ii) Publicise risk management strategies
— Numerous risks all over the procurement cycle

- Needs analysis
- Market Analysis
- Preparation of tender docs

Pre-tendering

Tendering

- Publication
- Bid submission
- Evaluation
- Award

Contract performance

- Management
- Delivery
- Payment
What are the risks impacting the public procurement system and activities?

- Economic
- Budgetary/financial
- Information technology
- Socio-environmental
- Political
- Operational
- Regulatory/compliance
- Integrity

Risk categories
The risk management cycle
The risk management cycle

1. Identification
   *What are the risks?*

2. Assessment
   *What is the likelihood of the risk occurring?*
   *How severe will the risk impact be?*

3. Control
   *What can we do to reduce the impact of the risk?*

4. Monitoring
   *Has the situation changed?*
   *Are there new risks emerging?*
Preliminary steps (1/3)

- The definition of the scope of the risk management activities.

- The definition of risk criteria (uniform for each public entity):
  - The likelihood/probability of occurrence of the risk (V)
  - The severity or impact of the risk (G).

→ the importance (criticality) of a risk: \( C = V \times G \)
— Preliminary steps (2/3)

- The definition of the context of each contracting entity.
- The risk tolerance of the entity
## Preliminary steps (3/3)

<table>
<thead>
<tr>
<th>Likelihood severity occurs</th>
<th>Potential Severity Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Likely</td>
<td>Minor: Moderate</td>
</tr>
<tr>
<td>Likely</td>
<td>Low: Moderate</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Very Low: Moderate</td>
</tr>
<tr>
<td>Rare</td>
<td>Very Low: Moderate</td>
</tr>
</tbody>
</table>
THE DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT STRATEGIES IN PUBLIC PROCUREMENT

- Ms Kenza Khachani, OECD
- Ms Rim Zehri, HAICOP
Existence of a strategy for assessment, prevention and mitigation of PP risks

OECD, 2018

Tunisia developed a tailored strategy
The public procurement reform strategy for 2019-2023

The reform strategy highlights the need to develop a “risk management strategy and tools” to efficiently identify and mitigate procurement risks.
The development of a **risk management strategy**

It requires following concrete steps and taking into account different parameters:

- Creating a **steering committee**
- Defining **the context and objective** of the strategy
- Defining the **scope** of the risk management strategy
- Setting a **timeline for the implementation** of the strategy
- Identifying **impacts on institutional settings**
- Identifying **implementation measures**
- Monitoring
CLOSING REMARKS

• Mr Paulo Magina, Deputy Head of the Infrastructure and Public Procurement Division, OECD
Thank you!

Links to OECD work on Public Procurement
http://www.oecd.org/gov/public-procurement/

THEMATIC REVIEWS

COUNTRY PROJECTS

TOOLS