



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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Rapid Impact Assessment of the Crisis on Lebanese State Institutions

Summary Report
2020 - 2021

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List of Acronyms

AFD	Agence Française de Développement
CDR	Council for Development and Reconstruction
ESCWA	Economic and Social Commission for Western Asia
GDP	Growth Domestic Product
HR	Human Resources
IAS	International Accounting Standards
IMPACT	Inter-Ministerial Platform for Assessment, Coordination and Tracking
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LBP	Lebanese Pound
MoF	Ministry of Finance
MoPH	Ministry of Public Health
MoSA	Ministry of Social Affairs
NGO	Non-Governmental Organization
NSSF	National Social Security Fund
O2	Oxygen
PA	Public Administration(s)
PFM	Public Financial Management
PHC	Primary Healthcare Center
Pp	Percentage point
PP	Public Procurement
SDC	Social Development Center
SLTR	Single Lifetime Reference
SME	Small and Medium Enterprise
SOEs	State-Owned Enterprises
TIN	Tax Identification Number
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USD	US Dollars

About this brief

As Lebanon's multifold crisis has destroyed the livelihood of thousands of people and doubled poverty rates, a larger share of the population has become dependent on public services. This increased reliance on essential public services has strained under-resourced and frail public institutions and infrastructure to the breaking point. Disruptions in the provision of vital public services such as electricity, water, telecommunications, access to health and education, social protection, and others became recurrent.

The low readiness and quasi-absence of a crisis management plan in line with global standards were significantly detrimental to the offset of the fast-developing and multifaceted crisis and paved the way for prolonged hardship in the absence of political and economic reforms.

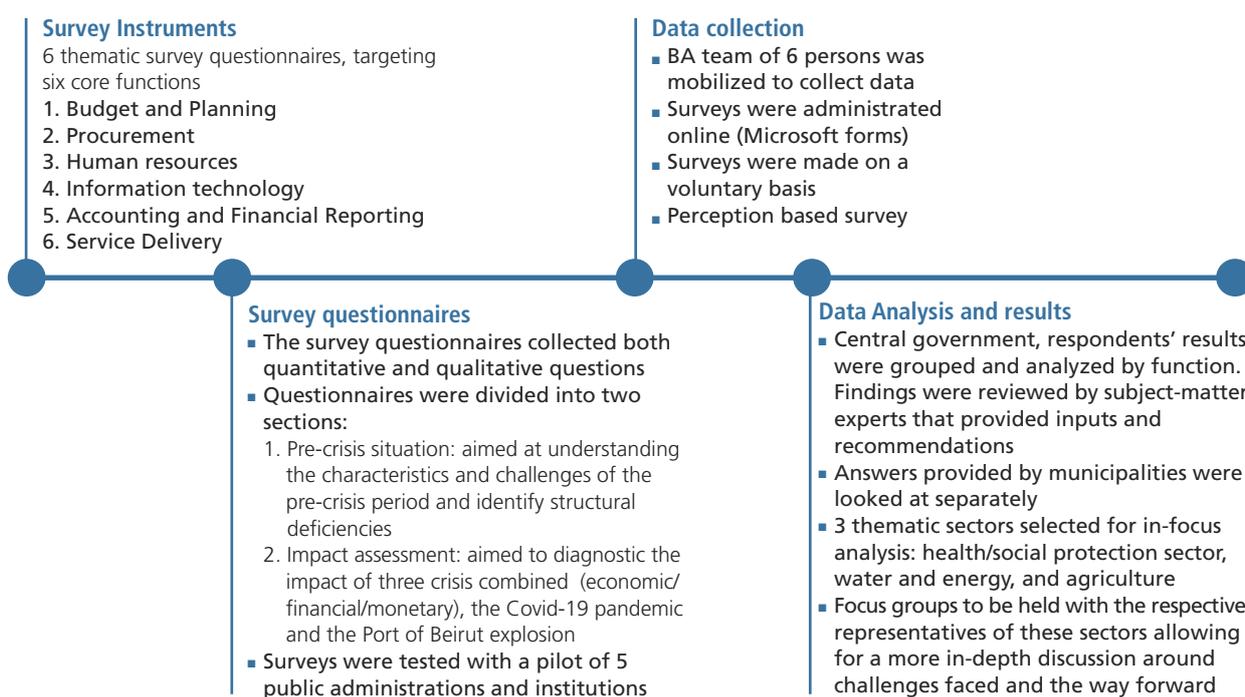
To better understand the challenges faced by Lebanese state institutions and that are threatening their existence and the perennity of public service, the Institut des Finances Basil Fuleihan, in partnership with UNICEF, has conducted a rapid impact assessment of the crisis impact on Lebanon's state institutions with the aim to provide an evidence-based description of the public administration's capacity to sustain public service provision to citizens. The diagnostic also helps identify inherent risks and aims to inform the design of the policy response.

The survey gauged the level of readiness of State institutions prior to the crisis and their current capacity to maintain the roll-out of six selected financial and administrative functions, namely (1) Budget and Planning, (2) Public Procurement, (3) Accounting and Financial Reporting, (4) Information Technology, (5) Human Resources and (6) Service Delivery.

It identified targeted immediate actions and strongpoints that can support institutions in sustaining the provision of vital services on the short and medium terms, and until more comprehensive solutions are initiated. Focus is provided on 4 sectors, namely Health, Water, Agriculture and Social Services.

An overview of the survey's methodology is provided in figure 1 and in Annex 1.

Figure 1 | Overview of the survey's methodology





Functional

Analysis

Main findings on Budget and Planning

How is disrupting the budget process impeding public service delivery?

The absence of budget laws in 2021 and 2022, structural weaknesses in budget preparation, limited guidance provided by the Ministry of Finance, budget cuts and loss in nominal value strained the public administrations' capacity to cope with the crisis. Operating based on the one twelfth rule of the 2020 budget law, government agencies' budgets were reduced by 90% in real value as the national currency was depreciating. While some were able to mobilize external financing, the majority of institutions encountered a significant reduction of their annual budget, notably in allocations needed to finance operations. Budget execution was disrupted by delays in controls and payments and by contracts' suspension.

Recommendations include: (1) consolidating the role of the Ministry of Finance through the introduction of fiscal rules, mandatory ceilings per spending unit, and a fiscal risk statement, (2) tightening controls over budget approval and execution, (3) enhancing spending units' planning capacities, (4) strengthening budget institutions, notably the Ministry of Finance, Court of Account and Parliament and (5) progressively moving towards program budgeting and medium-term planning.

Pre-crisis diagnostic and readiness for the crisis

- The country has been struggling with mounting fiscal deficits that reached **10.2%** of GDP in 2019.
- Fiscal adjustment was undermined by the absence of budget laws in 2021 and 2022, the lack of access to financial markets and a sharp drop in revenues, which are estimated to have reached **11.5%** of GDP in 2020, down by **9.1 pp** of GDP from 2019 (World Bank, 2021).
- Budget irregularities and mismanagement had already increased the country's exposure to fiscal risks.
- The outdated regulatory framework did not allow sectoral policies to be translated into programs and policy objectives through the budget, and therefore partially undermined effective and efficient service delivery.
- Most respondents considered that major challenges to the budget preparation process were external to their institutional capacities and systems (figure 2).
- The budget preparation follows a bottom-up approach, with minor guidance provided on ceilings and no mandatory spending envelop allocated for each budget entity. In addition, the timeframe given to spending entities for budget preparation is often not sufficient for administrations to make realistic proposals.
- **90.7%** of the respondents asserted that the budget planning process was at least partially automated. However, systems were neither unified nor integrated with that of the Budget Directorate.
- **84.6%** of the respondents abided by the legal deadlines, pointing to political deadlock and the late issuance of the budget circular as the major reasons behind recurrent delays.
- **38.5%** of the respondents had not anticipated the upcoming crisis and consequently did not take any preventive measures.

Figure 2 | Main weaknesses in the budget preparation process prior to the crisis

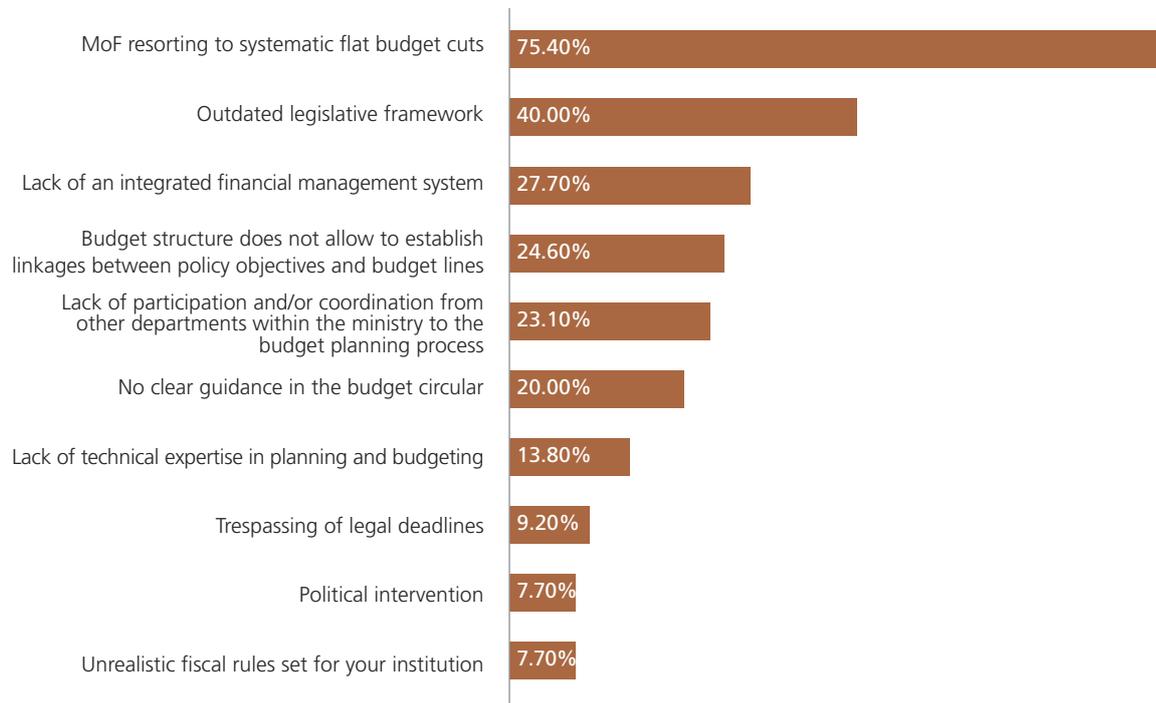
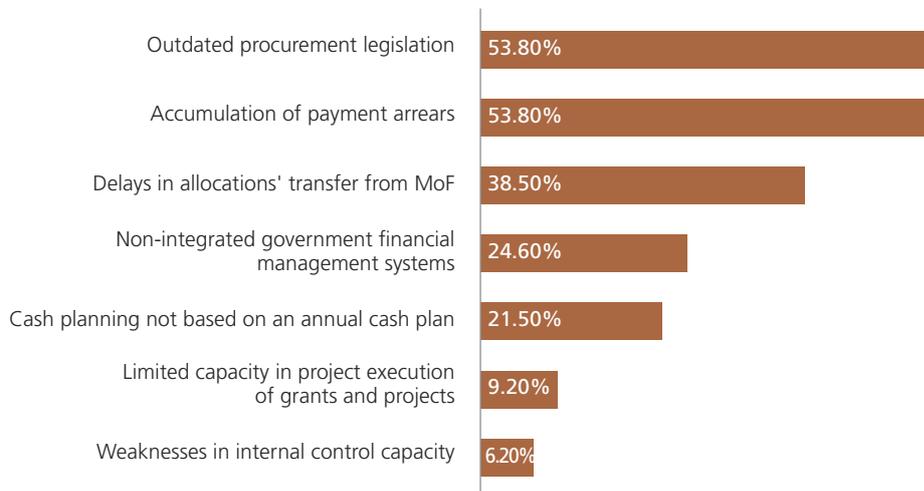


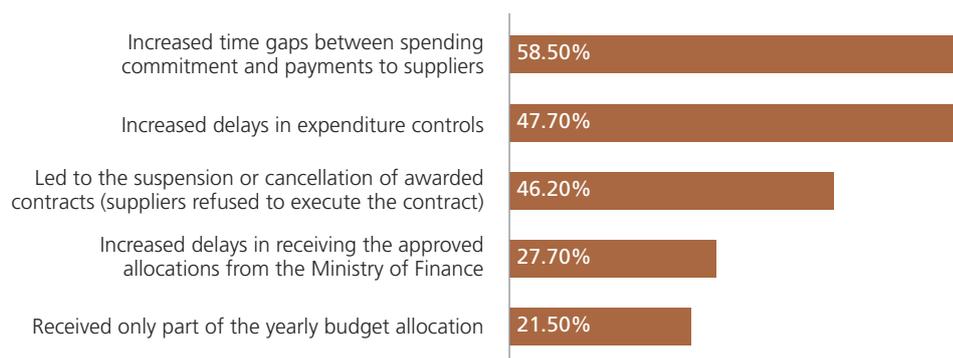
Figure 3 | Main challenges facing budget execution prior to the crisis



Crisis impact assessment

- **53.8%** of administrations encountered a flat budget cut when negotiating their draft budget for 2021 with the Ministry of Finance. In almost half of the surveyed administrations, the cut varied between 10 and 20% and was applied to operational expenditures. In the other half, it exceeded 20%.
- Only **16.9%** of the respondents said they have implemented alternative measures to sustain normal operations.
- To cope with the cut in funding, **69.2%** of the respondents reverted to existing stocks to cover for daily needs; **60.0%** reduced the use of equipment to save on fuel and maintenance; others introduced electronic based procedures instead of paper or enforced caps on utilities' consumption.
- **35.9%** of revenue-generating entities witnessed a reduction of more than 30% in nominal revenue collection.
- Among institutions that were able to mobilize external financing, only **21%** received aid in foreign currency. Alternative sources of financing came mainly from the private sector and philanthropic associations (**52.9%** of cases) and by donors (**70.6%** of cases) but were delivered in LBP.
- The crisis increased the time span between spending commitment and payments to suppliers (**58.5%** of respondents), as well as the delays in expenditure controls (**47.7%** of respondents) (figure 4).

Figure 4 | How did the crisis disrupt the budget execution process?



Areas of risks and fragility

- 1. The budget's regulatory framework is outdated.** It abides by a line-item structure that solely focuses on spending inputs with no linkages to policy objectives, therefore weakening the efficiency and effectiveness of service delivery as well as any performance analysis that would help improve targeting and impact. As well, in the years covered by the study, constitutional deadlines for budget preparation and ratification were largely bypassed, therefore increasing the risk of failing to approve a realistic state budget.
- 2. The perpetuation of off-budget spending¹ at times of crisis is a malpractice** that will lead to growing contingent liabilities and fiscal deficits, weaken oversight, and contribute to further eroding accountability and trust.

¹Budget coverage or comprehensiveness is a budget principle that calls for the budget to cover all government agencies and other institutions undertaking government operations, so that it presents a consolidated picture of these operations and is voted on, as a whole, in the parliament. In Lebanon, dozens of institutions operate outside the budget. Off-spending budget has been estimated to 15.5% of GDP in 2019 (Financially Wise, 2022).

3. **The limited guidance and instructions provided by the Ministry of Finance are restrictive to fiscal discipline.** The Ministry will need to sharpen its regulatory role to better monitor spending and improve both clarity on spending decisions and transparency on actual implementation.
4. **The decrease in revenues collected or generated by public institutions is depriving the state from valuable resources needed to meet its obligations, mitigate the impact of the crisis on livelihoods and support economic recovery.** It is resulting from the combined economic recession, limited tax collection as well as tax evasion, and has been exacerbated by the coexistence of multiple exchanged rates on the market.

Views on the way forward and Recommendations

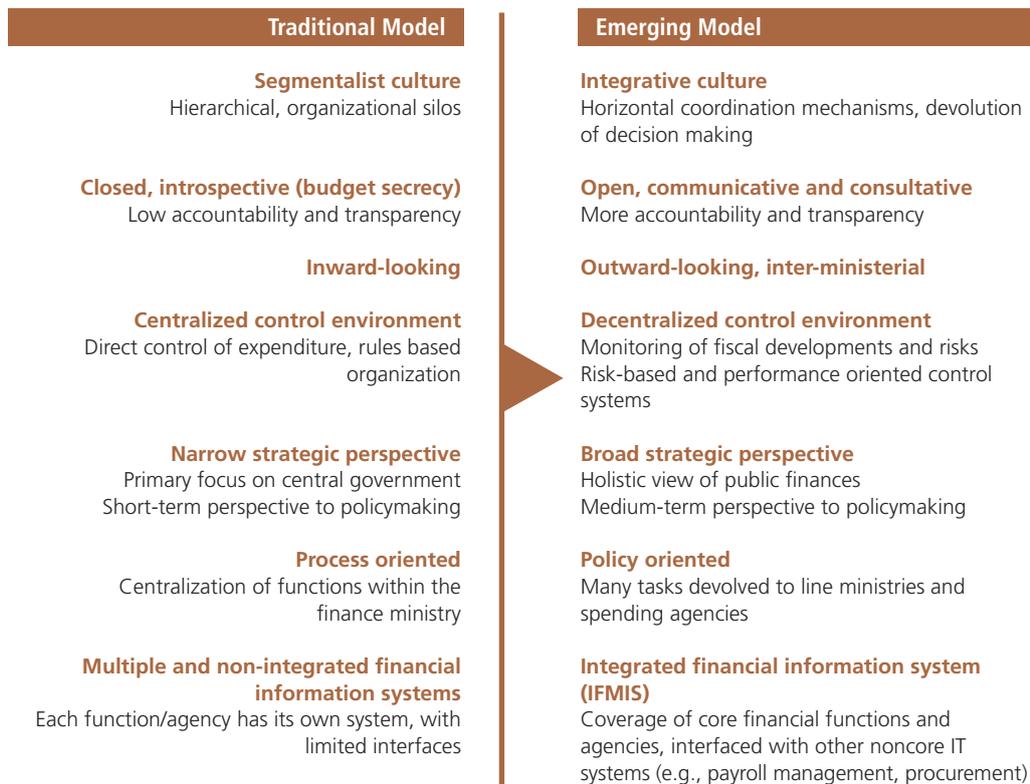
The **three priority areas of action** identified by surveyed institutions to help mitigate the impact of the crisis on their budget and planning functions were:

1. Stabilizing the official exchange rate **(95.4%)**
2. Preparing and enacting a new budget law **(66.2%)**
3. Accessing donor's financing **(52.3%)**

Short to medium term recommendations include:

1. **Support the Ministry of Finance consolidate its crisis management role:** Use the preparation of the 2023 budget as an opportunity to strengthen the budget preparation process, show responsiveness and restore credibility with the introduction of robust guidance tools such as fiscal rules, mandatory ceilings per spending unit, fiscal risk statement, prioritization of expenditure to ensure a minimum level of service provision in key vital sectors, etc. and enforce measures that would systemize and tighten controls over budget approval and execution.
2. **Enhance spending units' capacities for planning:** including development programs tackling strategic planning for budgeting, revenue mobilization, cost pricing and analysis under multiple exchange rates, cash planning, public investment management, etc. Countries with stronger planning institutions are quicker in formulating and adopting comprehensive fiscal adjustment plans (IMF, 2014).
3. **Strengthen budget institutions, notably the Ministry of Finance, Court of Accounts and Parliament** by conducting institutional capacity assessments, identifying priority institutional reforms and designing action plans aimed at developing and consolidating these institutions' capacities and systems (figure 5). Improving surveillance and scrutiny is a critical component for improving accountability and restoring citizens' trust in State institutions.
4. **Progressively move towards program budgeting and medium-term planning, and ultimately towards a new organic budget law:** this would align policy objectives with spending, monitor outcomes closely and help avoid the duplication of programs and spending. Better efficiency through better planning and budgeting would materialize in better outcomes and improve service delivery. This approach could start with pilot programs of high national priority (e.g. social protection or poverty reduction).

Figure 5 | Example of a revisited role and culture for a central budget institution - the Ministry of Finance



Source: IMF, The Evolving Functions and Organization of Finance Ministries, 2015

Main findings on Public Procurement

How is the crisis impacting the procurement of works, goods and services?

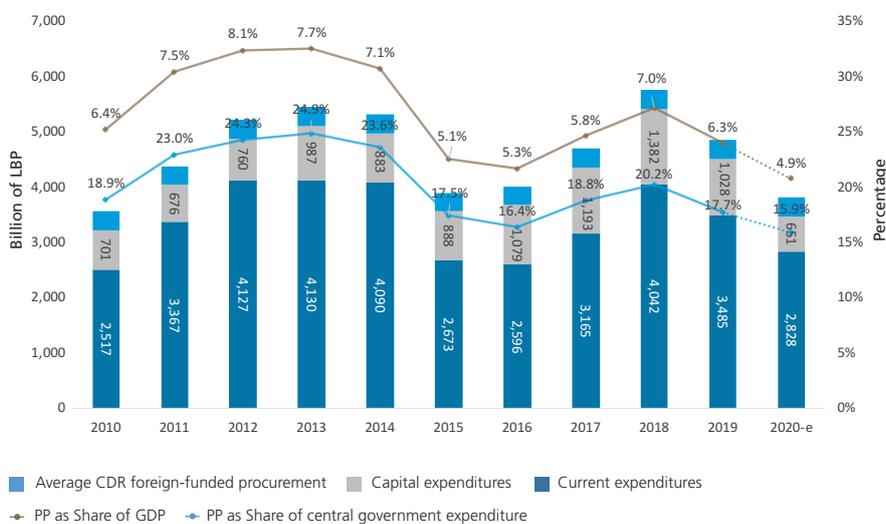
The crisis prompted severe disruptions in the procurement of goods and services. Those were exacerbated by pre-crisis deficiencies such as low planning capacity and readiness, liquidity shortages, payment arrears and ad-hoc inventory management. Needed goods could not be replenished from depleting stocks and prevented priority needs to be met. The crisis also led to a growing number of breaches, interruptions, or suspension of existing contractual agreements. It induced a rise in non-competitive procurement practices while public administrations reverted increasingly to direct contracting and mutual agreements, especially for emergency procurement (medical equipment, drugs, etc.).

Recommendations include (1) the immediate simplification of procurement requirements, (2) the development and enforcement of standards for inventory and stock management and (3) the introduction of new practices such as Centralized Purchasing and Framework Agreements.

Pre-crisis diagnostic and readiness for the crisis

- Public procurement in Lebanon was estimated to account for **20%** of central government expenditures and **6.5%** of GDP between 2010 and 2020 (Institut des Finances Basil Fuleihan, 2020) (figure 6).

Figure 6 | Total estimated size of public procurement in Lebanon (2010-2020)



Source: Institut des Finances Basil Fuleihan, 2020

- Despite its size, Lebanon's public procurement system was outdated and fragmented with considerable capacity and technology gaps, high level of inefficiencies and risks of corruption (AFD; Government of Lebanon; World Bank, 2021). These gaps affected the quality and timely delivery of basic services to citizens. As well, procuring entities failed to get the benefit of wide, active competition and relatively few enterprises were able to successfully use the opportunities.
- In practice, only **52.3%** of the surveyed administrations partially abided by their annual procurement plan and **23.1%** did not prepare a procurement plan at all.
- Only **30.8%** took preventive measures such as emergency and priority purchasing only or in quantities that would ensure business continuity for a limited period of time (e.g. diesel for generators, drugs for the emergency rooms in public hospitals, spare parts for machinery, stationary), increasing safety stocks or tightening controls over the distribution of goods to beneficiaries (e.g. drugs).
- More than **55.3%** of the surveyed administrations faced payment arrears varying between one to 12 months; **6.2%** took between one to three years to pay their suppliers and consultants.
- Stationary, fuel, IT related equipment and maintenance services topped the list of purchases, the prices of which have increased by 300 to 650% over the past year (figures 7 and 8).
- **52.3%** of the administrations have no written stock policy. Only **32.3%** of the surveyed administrations maintain their inventory according to a written stock policy that abide by recognized norms and standards.

Figure 7 | Procurement of goods

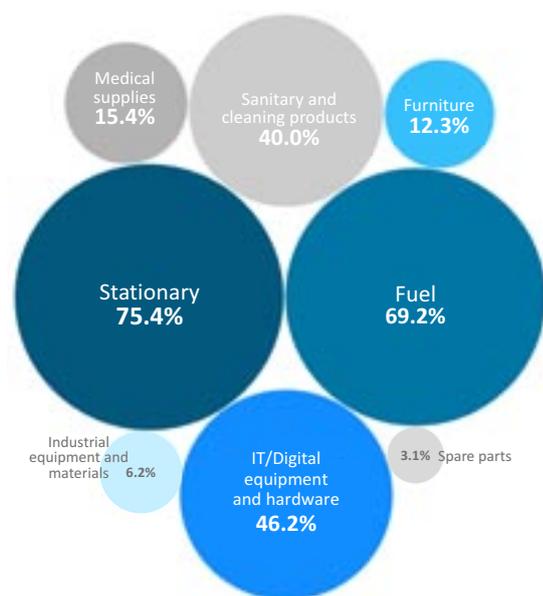
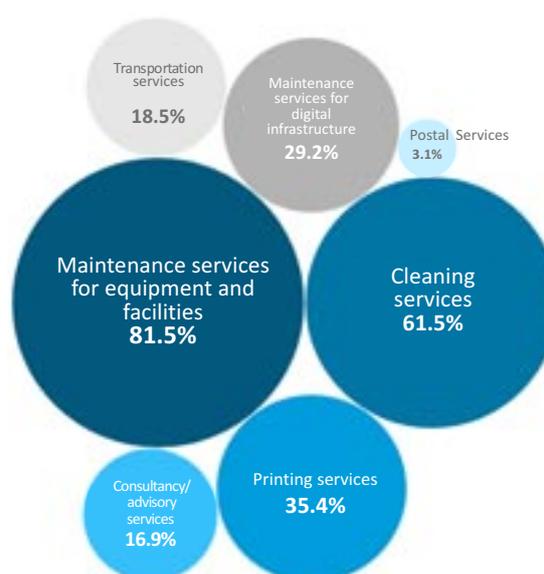


Figure 8 | Procurement of services



Crisis impact assessment

- The collapse of the currency peg has impacted procurement processes in **81.5%** of the cases, followed by severe budget cuts and the scarcity of financial resources (**10.8%**).
- The procurement of goods suffered the most as it composes the largest share of procurement. **67.7%** of public administrations were unable to fill the demand from depleting stocks, paving the way for significant future disruptions (figures 9 and 10).
- In **66.7%** of the cases, suppliers were reluctant to work with the public sector.
- The procurement of works was mostly challenged by contractors' requests to be paid in foreign currencies.

Figure 9 | What are the goods you have most difficulty procuring under current circumstances to run daily operations?

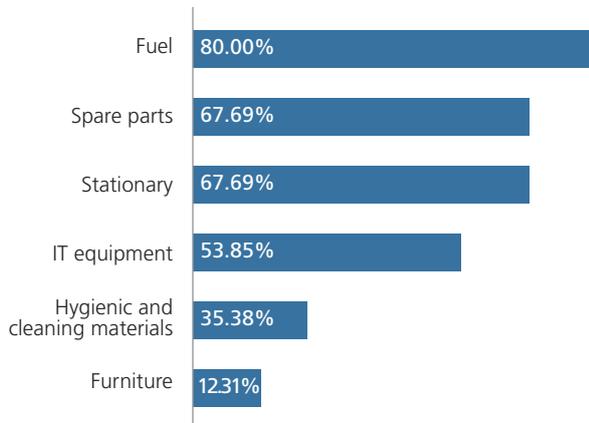
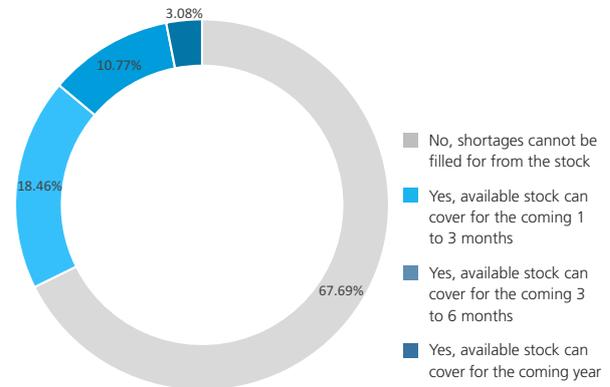
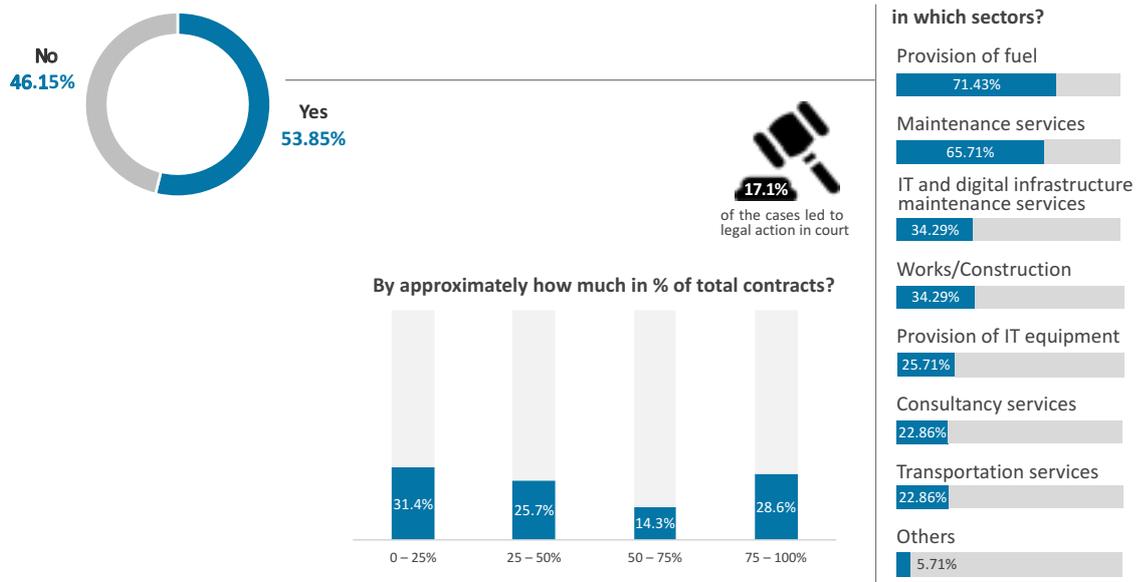


Figure 10 | Is your stock able to cover for the disruption in the procurement of goods?



- 21.5% of the surveyed administrations admitted reverting to direct contracting and mutual agreements (instead of going through market competition) in emergency procurements.
- In 42.9% of the cases, the share of mutual agreements varied between 25 and 50% of the share of total bids. This rise in uncompetitive practices raises concerns as to the efficiency and value-for-money of the procured goods and services.
- The crisis led to breaches, interruptions or suspensions of existing contractual agreements in 53.9% of the administrations. In 42.8% of the cases, breaches concerned more than 50% of total contracts (figure 11).

Figure 11 | Did the crisis lead to breach, interruption, or suspension of existing contractual agreements?



Areas of risks and fragility

- **Pre-crisis structural weaknesses are exacerbated** by the crisis. **The continued deterioration in the exchange rate and the growing uncertainty in international market prices** are expected to further weight upon the institutions' procurement capacity.
- **The increase in non-competitive practices and breaches in rules** heightens risks of corruption. These risks are more elevated in emergency procurement, notably amid the Covid-19 pandemic. As well, the increase in court cases and contract breaching may lead to growing contingent liabilities.
- **The ad-hoc management of inventory and stocks creates both procurement and safety risks.** The mismanagement of inventories, resulting in waste and the inability to replenish depleting stocks, worsens the risks of interruption of basic goods such as drugs and medicines in public hospitals, water and street lighting and entails a faster degradation of public infrastructure that is not being maintained.

Views on the way forward and Recommendations

The **three priority areas of action** identified by surveyed institutions that would help them mitigate the impact of the crisis on their procurement functions were:

1. Stabilizing the official exchange rate **(98.5%)**
2. Automating procurement procedures and creating an e-procurement platform **(61.3%)**
3. Enforcing the new public procurement law 244/2021 **(49.2%)**

Short to medium term recommendations include:

1. **Simplify some procurement requirements, in line with the current legislative framework**, such as exempting suppliers from bid securities (bid bonds) for low value (under LBP 500 million) and low-risk procurement.
2. **Develop and enforce, with competent authorities such as LIBNOR, standards for inventory and stock management.**
3. **Introduce new practices, such as centralized purchasing for most procured goods and framework agreements, that would facilitate procurement and ensure efficiency and value-for-money.**
4. **Support the sound implementation of the new Public Procurement Law no. 244/2021** that introduces important structural changes and obliges all procurement entities to prepare and submit annual procurement plans and to publish tenders and contracts' data.

Main findings in Accounting and Financial Reporting

How are the deficiencies in accounting and financial reporting threatening service provision?

Prior to the crisis, accounting practices were not standardized, and coverage and accuracy were undermined by the absence of integrated financial management information systems. Important financial activities were -and are still- omitted from the Government's accounts. The crisis jeopardized liquidity and cash management, and further impaired financial reporting. The weak monitoring of spending hindered the Ministry of Finance's capacity to accurately forecast the overall Government's financial needs. Unreported spending, which emanates mainly from state-owned enterprises, created significant fiscal risk that in turn threatened the sustainability of service provision. The absence of standardization of accounting and reporting processes led to a significant deterioration in the quality and timeliness of public spending data and weakened the oversight of the Court of Accounts and Parliament.

Recommendations include (1) the standardization of accounting and reporting processes and the gradual integration of all off-budget spending within the budget, (2) the reinforcement of governance rules applied to SOEs, (3) the integration of financial information management systems across spending entities, (4) the creation of internal audit functions within ministries and public institutions and (5) the strengthening of external audits to ensure value-for-money.

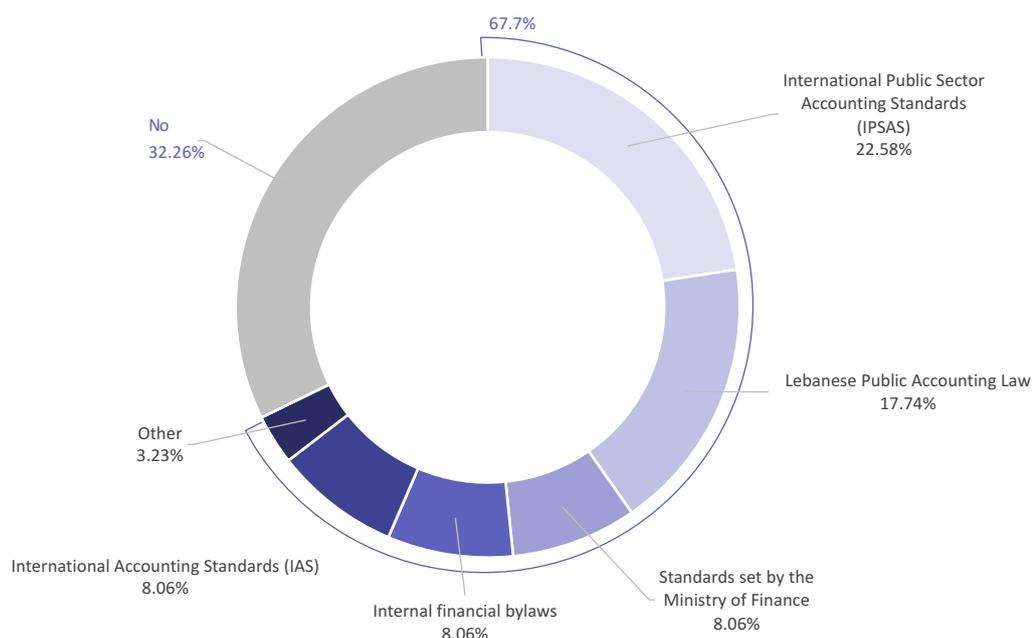
Pre-crisis diagnostic and readiness for the crisis

- Reporting was fragmented and budget monitoring weakened as public entities were falling short to produce timely in-year financial reports.
- Adopted accounting standards did not necessarily comply with the IPSAS². Among ministries that do prepare such reports (and representing 67.9% of the responding sample of ministries), most indicated complying with IPSAS and with the requirements of the Public Accounting Law while public institutions mostly prepare cash basis financial reports in line with Lebanese laws and regulations. State Owned Enterprises follow their own internal financial bylaws or the IAS. 32.2% of the respondents stated that they didn't follow specific standards for financial reporting (figure 12).
- Capacities were weak. Financial functions were often embedded into administrative ones, and therefore many employees lacked the technical skills and competencies to effectively carry on with their functions.

²IPSAS – or the International Public Sector Accounting Standards - are a set of accounting standards for use by public sector entities around the world in the preparation of financial statements.

- The quality and accuracy of financial information were compromised by the absence of standardization and reliance on manual budget execution reports. **16.1%** of surveyed institutions still did not prepare regular financial reports.
- For **51.6%** of the respondents, the absence of integrated accounting and financial information systems was the most important shortcoming that undermined financial management.
- **90.3%** of the surveyed administrations submitted their final accounts to audit. **21.4%** resorted to an external audit by both local and international companies. SOEs were the type of institutions least subject to the audit of the Court of Accounts.

Figure 12 | Are financial reports prepared according to specific standards?



Crisis impact assessment

- For **69.4%** of the institutions, currency depreciation reduced the size of executed public procurement, disrupted accounting operations, and created shortages in liquidity, leading to substantial delays in settling and reporting on financial obligations.
- For **67.7%**, restrictions and remote work imposed by the Covid-19 pandemic created delays in administrative transactions and in settling and reporting on financial dues to beneficiaries.
- **37.1%** faced difficulties in comparing financial statements across the years, mostly due to the variations in exchange rates. Surveyed administrations were obliged to introduce new reporting standards to capture the impact of the crisis on their finances.

Areas of risks and fragility

- The ad-hoc production of financial records hinders the ability to accurately estimate provisions needed to meet the state's financial commitments.
- The lack of technical skills within accounting departments continues weighting on the quality of financial information produced and might, on the long term, impair the Government's ability to manage and reform its PFM system or to meet the reporting requirements of any externally financed bailout plan.
- Risks created by off-budget spending of extra budgetary funds and public enterprises are heightened as the Government would be required to cover for their financial losses by the end of the fiscal year without having budgeted allocations for these. Government's potential default on these payments would push more public administrations and institutions towards total collapse, particularly those delivering on utilities.
- The limited availability of usable and comparable data is delaying efforts to improve fiscal transparency.
- Oversight performed by the Court of Accounts and the Parliament are weakened by the absence of standardized data. Unconsolidated information is leading to delays in audits, misinterpretation, and a total lack of accountability.

Views on the way forward and Recommendations

The three priority areas of action identified by surveyed administrations that would help them mitigate the impact of the crisis on their accounting and financial reporting functions were:

1. Stabilizing the official exchange rate (80.6%)
2. Adopting and integrating financial information systems (56.5%)
3. Training and capacity building (50.0%)

Measures needed to enhance the quality, timeliness, and comprehensiveness of accounting and reporting include:

1. **Standardize accounting and reporting requirements and forms to streamline the system in place.**
New procedures would need to be accompanied by targeted and intensive capacity-building to speed-up appropriation. This is expected to increase the coverage, timeliness, and quality of fiscal data and improve the costing of service delivery.
2. **Strengthen budget coverage by investigating the scale of unreported off-budget spending:** A scalable assessment of extra-budgetary spending would provide the Ministry of Finance with a solid tool to consolidate liabilities, adjust its assessment of fiscal risks and improve treasury management. Continuing to work towards a unified budget framework would assist the government in better controlling its resource management.
3. **Enforce existing laws mandating SOEs to submit their accounts to the Ministry of Finance** and/or issue, over time, additional measures such as the preparation of monthly, quarterly, and annual financial statements to be submitted to the Ministry of Finance and their publication online; as well as the preparation of an annual consolidated report on the assets and liabilities of all SOEs to feed into the fiscal risk analysis.
4. **Maintain the IT system in place operational to avoid the loss of existing data and plan, on the medium to long term, for the deployment of integrated financial information management systems across all spending entities** to help improve the quality and timeliness of budget reports, simplify control processes, and reduce the costs of government transactions.
5. **Reinforce external audits** by strengthening the role and capacity of the Lebanese Court of Accounts in certifying financial records and ensuring value-for-money in financial spending.
6. **Establish a Treasury Single Account and modernize, on the longer term, the Public Accounting Law and create an internal audit function across the public administration.**

Main findings on Information Technology

Are the public sector and service delivery threatened by digital disruption?

Lebanon has been lagging in terms of government digital infrastructure and services. Hardware was seldom updated and only emergency maintenance performed. The presence of data privacy and security protocols in line with Lebanese and international standards was often subject to controversy. The economic and financial crisis have further accelerated the depletion of IT hardware and software and is putting public administrations at risk of having their IT equipment turn obsolete.

Measures that could help the Lebanese Government upgrade or redesign service delivery include (1) upgrading existing hardware at a reasonable cost, (2) leveraging national expertise and talents, (3) enforcing a cyber-security strategy, (4) joining the Open Government Partnership and (5) making use of new technologies in responding to the crisis to improve the efficiency and targeting of services and curb corruption

Pre-crisis diagnostic and readiness for the crisis

- In 2020, Lebanon ranked 127 out of 193 countries on the UN e-government development index.
- Despite a skilled IT workforce, the country consistently underperformed in online service delivery (The Network Readiness Index, 2021). Poor infrastructure and weak governance undermined the development of e-government services.
- **50%** of the public administrations surveyed did not have a dedicated IT department of which 50% had no IT staff on their premises.
- In **57.6%** of the responding administrations, hardware was last upgraded three to five years ago and in **18.2%** of the cases, no upgrade was performed for more than 6 years (figure 13).
- Maintenance checks on IT equipment were performed in majority when an emergency occurred (figure 14).
- In only **12.1%** of the administrations, software was updated in the course of the last year. In most cases, the latest update dated back to 3 years and more (figure 15).
- **13.6%** of the institutions surveyed claimed not having the appropriate technology tools to efficiently deliver their work.
- In terms of automation, the two most automated functions were budget (**62%** of responses) and accounting (**72%** of responses), in ways that facilitated an easy and organized flow of work. The least automated functions were archiving, HR and procurement. Paper archiving poses major challenges in terms of preservation of data and records.
- **84.8%** of the surveyed administrations owned an independent server and **84.8%** claimed that they abided by data privacy and security protocols in line with Lebanese and international standards.

Figure 13 | When was the last time your IT equipment (hardware) upgraded?

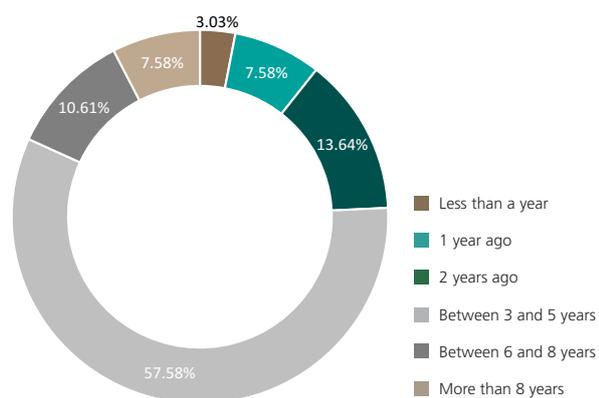


Figure 14 | How often does your ministry/institution conduct a maintenance check on the IT equipment?

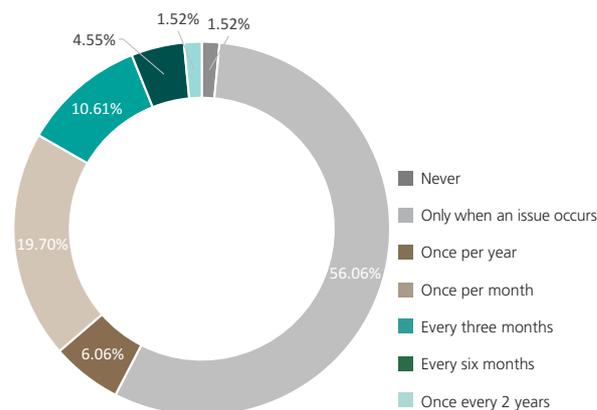
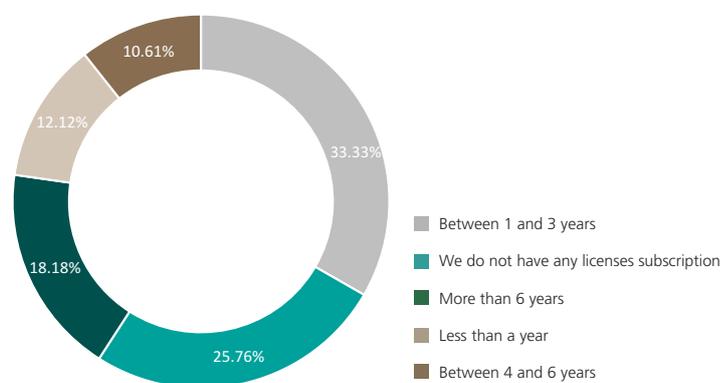


Figure 15 | When was the last time your software licenses updated?



Crisis impact assessment

- Major factors that have severely undermined the administrations' capacities to upgrade their IT equipment were:
 - Currency fluctuations (89.4% of respondents)
 - Budget cuts (68.2% of respondents)
 - Suppliers' reluctance to work with the public sector (45.5% of respondents)
 - Administrative processes (33.3% of respondents)
 - Unavailability of spare parts (16.7% of respondents)
- Only 10.6% of the respondents were able to update their license subscription without any difficulty. Among those who were not able to, only 10.2% looked for local software programs and 8% had to cancel their subscription.
- 12.1% of the respondents had their IT systems subject to cybercrimes and hacking attempts in the forms of malware and ransomware attacks, spam messages to staff, websites hacking and attempts to hack users/clients' databases. It is interesting to note that half of the institutions that were subject to cybercrimes rated their IT's security level as average while 37% of institutions rated it as secured.

- These various IT challenges have prevented the administrations from:
 - Sustaining service delivery (53% of the respondents)
 - Maximizing productivity (53% of the respondents)
 - Working from home (48.5% of the respondents)
 - Ensuring digital security (33.3% of the respondents)

Areas of risks and fragility

- As existing hardware and infrastructure are depleting, software and security licenses are not being renewed. This is putting Lebanon's public administrations at risk of having their IT equipment and setup completely obsolete and of **losing citizens' data related to revenue management** (such as cadastre, customs, tax, etc.) and to the delivery of services (such as social assistance services).
- **Lebanese government agencies are missing out on the possibilities offered by artificial intelligence and big data.** They are not using available data effectively to redesign or upgrade service delivery, to deliver new ones that are needed at times of acute crisis (such as emergency social safety nets to address poverty) or to transform the management of operations.

Views on the way forward and Recommendations

The **three priority areas** of action identified by surveyed institutions to help mitigate the impact of the crisis on their IT functions were:

1. Stabilizing the official exchange rate (87.9%)
2. Training and capacity building (65.2%)
3. Deploying e-government solutions (54.5%)

Mitigating measures that can be deployed in the area of digital technology are:

1. **Upgrade existing hardware at a reasonable cost**, with the use of SSD, extra RAM, etc. that would extend its life cycle for around three years.
2. **Leverage national expertise and talents:** Lebanese SMEs could be called upon to provide technical advice, handle the provision of services when cost allows to, and assist in the design of practical solutions to IT challenges faced by public administrations. Staff within ministries and institutions could upgrade their skills through certification programs.
3. **Embrace the prospects of Open Government** by joining the Open Government Partnership. Open data can be a catalyst for restoring citizens' trust in the public sector.
4. **Enact a cybersecurity strategy, appoint an institution in charge of its enforcement, and provide it with the necessary resources for operations.** These critical issues need to be addressed at both the regulatory (enact a framework) and institutional (with the set-up and operations of a Cyber Incident Response Centre for instance) levels. The Lebanese private sector can also have a substantive input on the matter as local expertise is available on the market and can be harnessed to design context-relevant solutions and protocols.

5. **Consider the prospects offered by new technologies to be utilized in crisis response, to improve efficiency and targeting, and curb corruption.** Emerging technologies can be utilized to address some of the most urgent needs. One example would be the enforcement of a Unique Identification Number (linking all IDs such as NSSF number, TIN, etc.) based on smart coded formats, control digits and Single Lifetime Reference (SLTR).
6. **Invest in smart technologies and IT set-ups to facilitate remote work amid uncertainty.** Assess the feasibility and cost of operating “thin clients³” that offer a range of benefits in terms of reduced costs (notably on licensing), increased security (as data cannot be copied or saved anywhere except on the server) and scalability. Such set-ups also offer interesting solutions for streamlining inter-agency collaboration for public institutions delivering shared services.

³A thin client is a computer that runs from resources stored on a central server instead of a localized hard drive. Thin clients work by connecting remotely to a server-based computing environment where most applications, sensitive data, and memory, are stored.

Main findings on Human Resources

Is the crisis pushing public servants to exit the public sector?

Lebanon's civil service has been historically oversized, costly, and in urgent need of reform, despite a young and diversified workforce that the country could not capitalize on. The unfolding crisis and the pandemic pushed unprepared and unequipped public servants to the frontline of an emergency response while shortages in staff impeded their capacity to cope. Mass exit, increased absenteeism, and loss of purchasing power are today worrying indicators of the capacity of the public sector to survive the crisis.

Recommendations on how to support and retain talents within public administrations include (1) providing support to critical and performing government agencies and engage with them a policy dialogue to keep critical public services from being disrupted, (2) reinforcing accountability schemes and oversight bodies in charge of civil service oversight, (3) engaging on an evidence-based, holistic, consultative and participatory design of public sector reform, (4) preserving the lifeline provided by training schools and leverage it for the re-skilling of public servants and finally (5) modernizing the overall civil service regulatory framework towards a merit-based system.

Pre-crisis diagnostic and readiness for the crisis

- Lebanon's civil service model dates back to 1943 and follows a career-based civil service management system.
- The system could not be efficiently upgraded, resulting in subdued performance, disparate pay scales, disproportionate staffing, rigid hierarchies, lack of transparency in its organizational structure, and a serious shortage in capacities and skills (OECD, 2010, pp. 58-59).
- In 2020, personnel cost reached **50.8%** of total reported expenditures (Ministry of Finance, 2021).
- **45.6%** of the surveyed administrations lacked a proper HR department to manage skills, recruitment and career advancement, and lacked to prepare their employees to cope with conjunctural shocks and manage the impact of structural changes.
- Recruitment practices were scattered, and staff shortages impeded the administrations' capacity to cope with the crisis. **80.9%** of the surveyed administrations recruited through the Civil Service Board or through the direct contracting of service providers in **50.0%** of cases.
- **79.4%** of the surveyed administrations were already facing shortages in staff prior to the crisis (figures 16 and 17).

Figure 16 | Were you facing shortages in staff prior to the crisis?

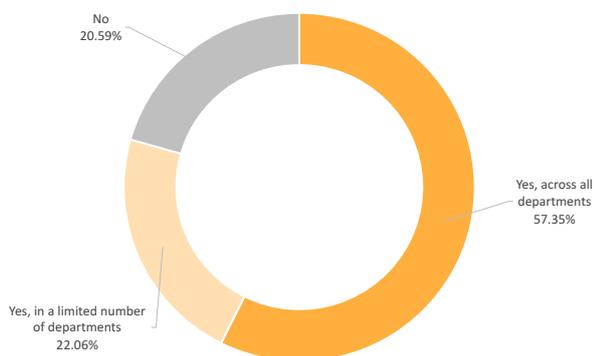
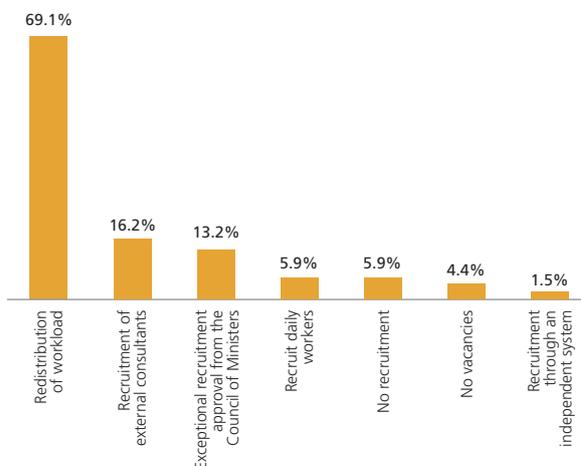


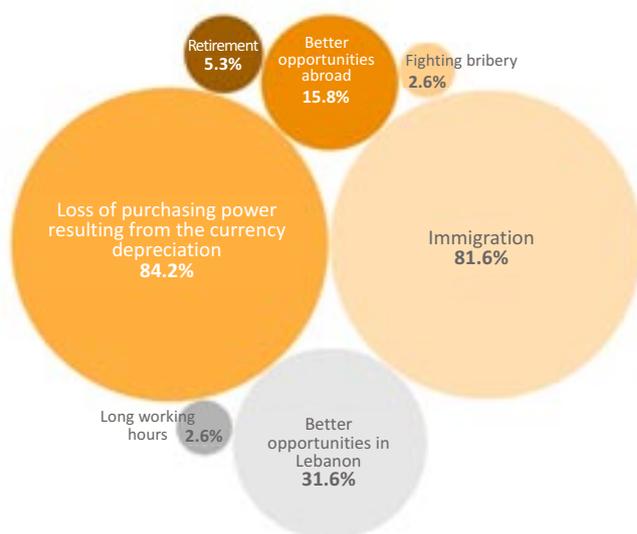
Figure 17 | How are PA filling vacant job positions following the recruitment freeze imposed by Government in 2018?



Crisis impact assessment

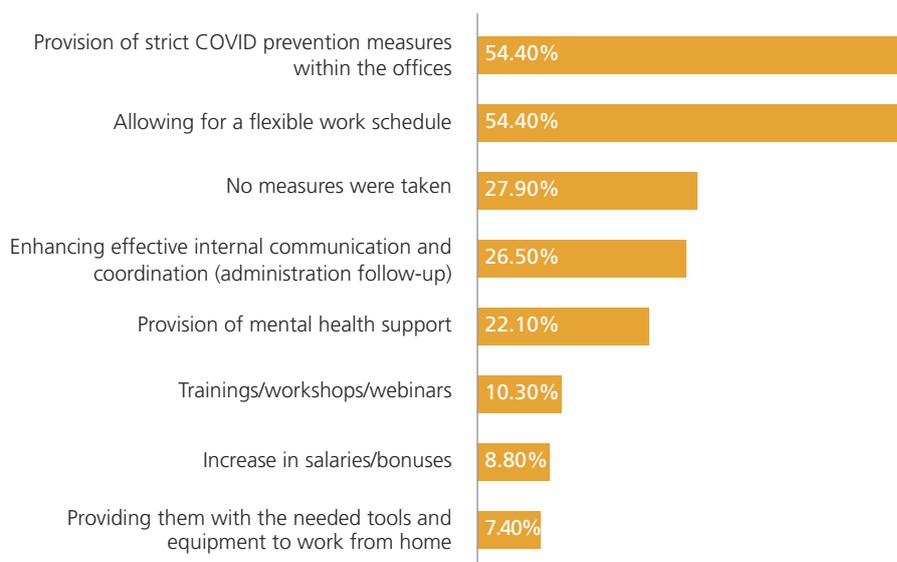
- The public sector is being depleted from its talents. Amid the crisis, **55.8%** of the surveyed administrations registered between 10% to 25% of their workforce request an unpaid leave. Among **21%** of the respondents, the share of requests for unpaid leave reached 25-50% of the workforce. More than half (**57.9%**) of leave requests were made over a period ranging from 1 to 3 months.
- Most requests were submitted by employees in grades 3 and 4 in public administration, that are usually mid-managers, in charge of technical/sectorial service delivery, such as doctors in hospitals, teachers in schools, and engineers in public works and IT departments.
- The massive exit from the public sector was driven by the loss of purchasing power resulting from the currency depreciation, by immigration and by the search of better opportunities in Lebanon, whether in the private sector or in non-governmental organizations (figure 18).

Figure 18 | Main factors that are encouraging public servants to leave their jobs



- For 52% of the respondents, the level of employee satisfaction ranged between low to medium, whereas only 13.43% claimed their staff was overall satisfied. Despite the high level of dissatisfaction, 79.1% estimated that public servants' ongoing strikes will not put enough pressure for change.
- 58.8% of the surveyed administrations claimed that the overall performance of staff had decreased, in particular in the social affairs sector where 80% of institutions say they faced a decrease in employees' performance, compared to 72.7% in the economy and finance sector and 50% in the energy and water sector; three sectors that are core actors and stakeholders of Lebanon's recovery plan.

Figure 19 | Measures taken by the organization to keep employees motivated and increase their productivity



Areas of risks and fragility

- **Mass exit, increased absenteeism, loss of purchasing power and depletion of skills are worrying indicators of the capacity of the public sector to survive the crisis.** Priority needs to be given to how to retain highly qualified staff whose skills and institutional memory are needed to drive the reconstruction and recovery period.
- **Efficient HR management also requires solid forecasts of future needs in terms of competencies and skills,** and among these strategic and financial planning, critical thinking and problem-solving, leadership, agility, innovation, stress tolerance and active learning.
- The need for re-skilling and rapid recruitment once a plan for Lebanon is sealed also creates new risks related to **the adoption and enforcement of ad-hoc public sector restructuring measures or the re-creation of parallel administrations** that do not allow to inject and sustain a new and skilled workforce into the public administration.

Views on the way Forward and Recommendations

- The **three priority areas of action** retained by the respondents to help their ministry/institution mitigate the impact of the crisis on their HR function were:
 1. Increase in salaries **(97.1%)**
 2. Stabilize the official exchange rate **(86.8%)**
 3. Maintain flexible working arrangements **(70.6%)**
- **45%** of the respondents expressed the need for new skills and competencies in the aftermath of the crisis, such as cognitive and emotional intelligence, stress management, resilience and self-motivation, digitization and IT literacy, leadership and crisis management.

Recommendations for short and medium-term actions include:

1. **Provide support to critical and performing government agencies** in retaining talents and help keep critical public services from being disrupted.
2. **Reinforce accountability schemes and oversight bodies in charge of civil service oversight**, such as the Civil Service Board, Central Inspection, Supreme Disciplinary Authority, and others, to enhance the control environment vis-à-vis the implementation of rules and guidelines, improve performance and curb corruption.
3. **Engage in an evidence-based, holistic, consultative and participatory design of the public sector restructuring as part of the Government Recovery Plan** to conduct a reform that is not solely about size or wage bill, but mostly about what citizens expect from the state in terms of role, mission and values.

Prospective measures might include:

- Conduct a mapping and due diligence of public sector organizations to lay the ground for administrative reform;
 - Conduct a staff and competencies gap analysis exercise to support job and organizational redesign as well as the introduction of new areas of operations/service delivery;
 - Allocate financing and aid priorities based on clear programs, action plans, and consultations among all stakeholders to limit discretionary decisions and political interference.
4. **Preserve the lifeline provided by training schools** and leverage their capacities and know-how for the re-skilling of public servants and the creation of long-term training and capacity building frameworks.
 5. **Implement regulatory and legislative reforms**, including the modernization of the overall civil service regulatory framework and move towards a merit-based system with flexible and attractive remuneration schemes.

Main findings on Service Delivery

Is service delivery at risk of total disruption?

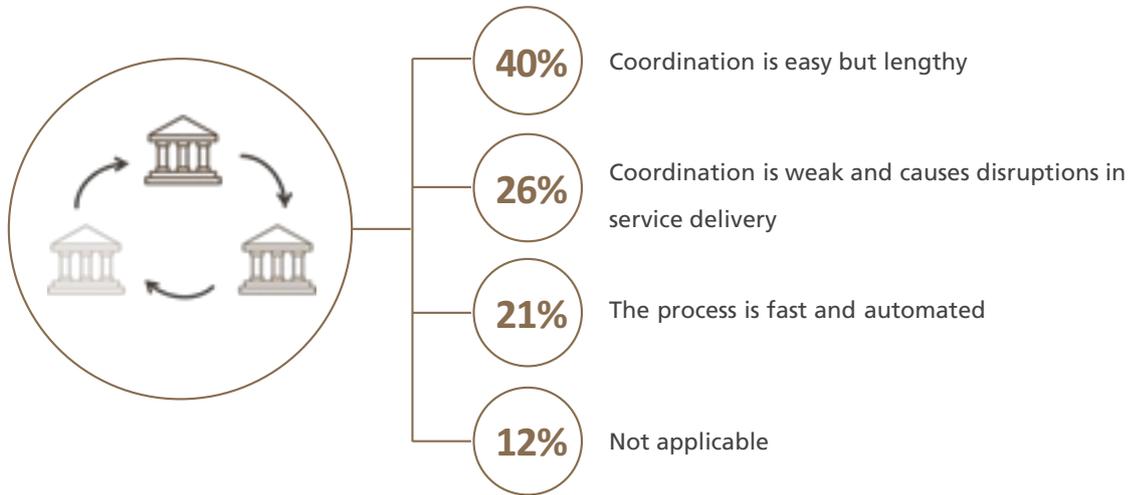
Lebanon's fragile infrastructure and endemic corruption have weakened, over the years, government effectiveness and the quality of public services. Service provision was hindered by bureaucracy, inefficiency, little transparency, and limited digitization. With the crisis, capacity for service delivery deteriorated, leading to partial or total disruption in many cases. Many administrations expressed concerns as to their capacity to sustain service provision for over a year. The poor and unequal access to basic services might lead to mounting frustration, security threats and increased political capture. Recommendations to address looming challenges include (1) improving citizens' information and complaint mechanisms, and strengthening administrations through additional financing, (2) assigning dedicated crisis management focal points, (3) deploying digital government services and (4) further engaging or transferring selected services to municipalities.

Pre-crisis diagnostic and readiness for the crisis

- Lebanon's quality of public services and government effectiveness were low, weakened by infrastructure deficiencies and endemic corruption. The poor quality of services translated into disruptions in the provision of basic services such as electricity, drinking water and waste management.
- **71.9%** of the surveyed administrations confirmed that services were processed across several departments and that a large number of signatures were required to complete a single operation. In only **10.5%** of the cases, the delivery mechanism consisted of a simple one-stop-shop process.
- **40.4%** of the surveyed administrations adopted standardized procedures and **17.5%** had clearly listed all services made available to citizens.
- Only **3.5%** of the administrations publish required steps on their website or operate a call center for information.
- In terms of timeliness, **57.9%** of the respondents confirmed always delivering services on time. Among those, **12%** provide administrative services (such as tax declarations, issuance of IDs, passports, permits, etc.) and **54.5%** provide health and social services (such as hospitalization, medications, education, etc.). **81.8%** of responding institutions in the health sector confirmed having maintained their timely provision of services. This percentage falls to **50%** in the security sector, to **40%** in social protection and to **29%** in the water and energy sector.
- For **26.3%** of the respondents, coordination with other government agencies for service provision was weak and caused disruptions (figure 20).
- In many sectors, service provision was primarily sub-contracted: **54.4%** of the respondents sub-contracted service provision either to the private sector (**58.1%**), or to NGOs (**22.6%**), or to both (**6.5%**), and finally to civic organizations and religious institutions (**3.2%**). This practice was largely recorded in the energy and water sectors and in social affairs.

- Prior to the uprising of October 2019, around half the respondents (52.63%) believed that citizens trusted the public administration; 29.8% considered that the trust was already seriously damaged, and 5.3% found it to be already completely broken.

Figure 20 | Assessment of inter-agency collaboration (between your and other ministries/institutions) for the provision of goods and services to citizens



Crisis impact assessment

- 33.3% of the surveyed institutions registered a sharp increase in the demand for public services (figures 21 and 22), in particular in the health sector, where 6 out of 10 institutions (60.0%) claimed that demand has increased.

Figure 21 | Evolution of the demand for services provided by PA during the crisis

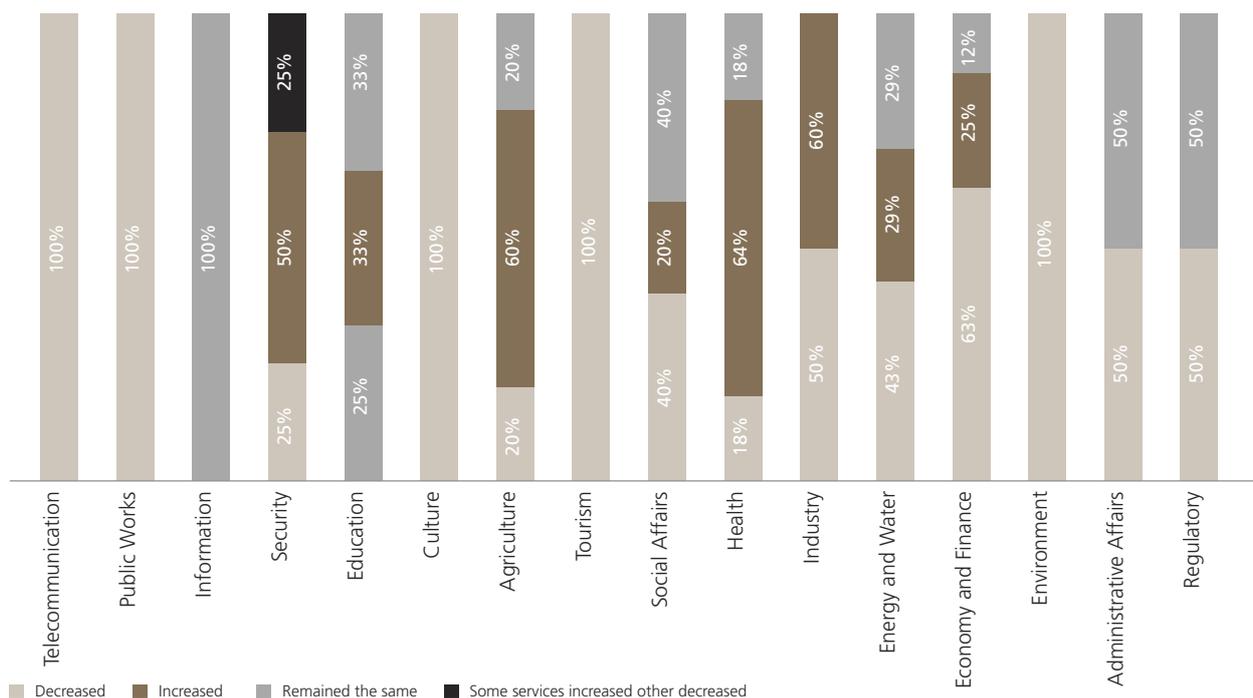


Figure 22 | Examples of types of services for which demand increased and decreased

Sector	Demand increased for services such as	Demand increased for services such as
Health	<ul style="list-style-type: none"> ■ Hospitalization (mainly due to Covid-19 and the inability of patients to cover the cost of hospitalization in private hospitals) ■ Primary care ■ Vaccination 	
Water and Energy	<ul style="list-style-type: none"> ■ Consultancy on the use of solar and other alternative sources of energy ■ Water provision 	<ul style="list-style-type: none"> ■ Administrative work such as the transfer or cancellation of an existing water subscription, requests for new water subscription or the amendment of the number of water meters ■ Handling of complaints
Agriculture	<ul style="list-style-type: none"> ■ Provision of flour and diesel for bakeries and mills ■ Control of smuggling ■ Flour and bread prices' adjustment ■ Set of quotas and the control of quantities of wheat distributed to bakeries ■ Land reclamations ■ Applications for the establishment of agricultural cooperatives 	<ul style="list-style-type: none"> ■ Laboratory tests
Social Protection	<ul style="list-style-type: none"> ■ Social assistance services ■ Elderly care 	<ul style="list-style-type: none"> ■ Requests by the displaced to receive compensations for the rehabilitation or reconstruction of their properties
Security	<ul style="list-style-type: none"> ■ Safety and public order (fighting of small crimes such as robberies, managing demonstrations, assault on state property etc.) ■ Prevention ■ Enforcement of anti-monopoly decisions and measures ■ Investigations and prosecution work ■ Judicial police ■ Passports' issuance ■ Cooperation with other institutions to ensure food security 	<ul style="list-style-type: none"> ■ Entry visas ■ Residence cards
Economy, Finance and Industry	<ul style="list-style-type: none"> ■ Issuance of industrial certificates ■ Issuance of imports and exports licenses ■ Storage ■ Trademark registration ■ Monitoring of prices and pricing policies 	<ul style="list-style-type: none"> ■ Provision of industrial research and testing to confirm the quality of products according to Lebanese specifications ■ Foreign workers' employment permits
Others	<ul style="list-style-type: none"> ■ Requests for the rehabilitation of facilities and buildings damaged by the Beirut explosion 	<ul style="list-style-type: none"> ■ Licenses for tourism establishments and festivals ■ Development/Infrastructure projects ■ Road maintenance, construction, rehabilitation, and maintenance of government buildings

- However, overall capacity for service provision deteriorated as expressed by **63.2%** of the respondents. **61.4%** had designed a crisis management or contingency plan, that was fully implemented in **33.3%** of the cases and partially implemented in **28.1%** of cases.
- According to the respondents, **64.9%** believe that the economic and monetary crisis had the most powerful impact on their capacity to sustain service provision to citizens, followed by fiscal constraints that took the form of budget cuts and austerity measures imposed by the Ministry of Finance.
- In **59.7%** of the administrations, service provision took longer than the usual, notably in the energy sector, social affairs and security. Almost one third of institutions were able to maintain a timely delivery, in particular in the health sector where **54.5%** of institutions responded that services were still delivered on time.
- In **52.6%** of the surveyed administrations, at least one line of services was discontinued as the survey was conducted (figure 23). Around **40%** stated being able to sustain service provision for over a year, **15.8%** for 6 to 12 months, **17.5%** for 3 to 6 months and **21.1%** for even less (figure 24).
The sectors most at risk were the water and energy and social protection while respondents in the security and agriculture sectors estimated their institutions would be more resilient and able to sustain service provision for over a year under current circumstances (figure 25).

Figure 23 | Examples of services being discontinued

Sector	Service being discontinued
Health	<ul style="list-style-type: none"> ■ Closure of medical sections ■ Closure of HR departments ■ Shutting down medical machinery
Infrastructure and Works	<ul style="list-style-type: none"> ■ Regular maintenance of roads and buildings
Agriculture	<ul style="list-style-type: none"> ■ Training and field visits ■ Land development, lakes, and mountain roads
Water and Energy	<ul style="list-style-type: none"> ■ Water and power supply shortages
Culture	<ul style="list-style-type: none"> ■ Support to the organization of cultural events and exhibitions

Figure 24 | Period-limit to sustain service delivery to citizens

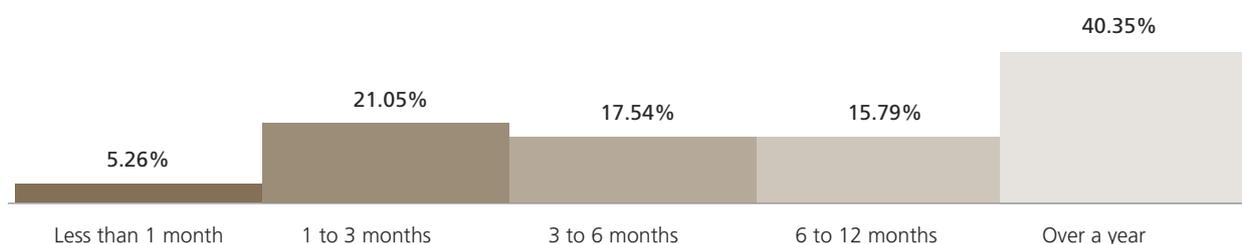
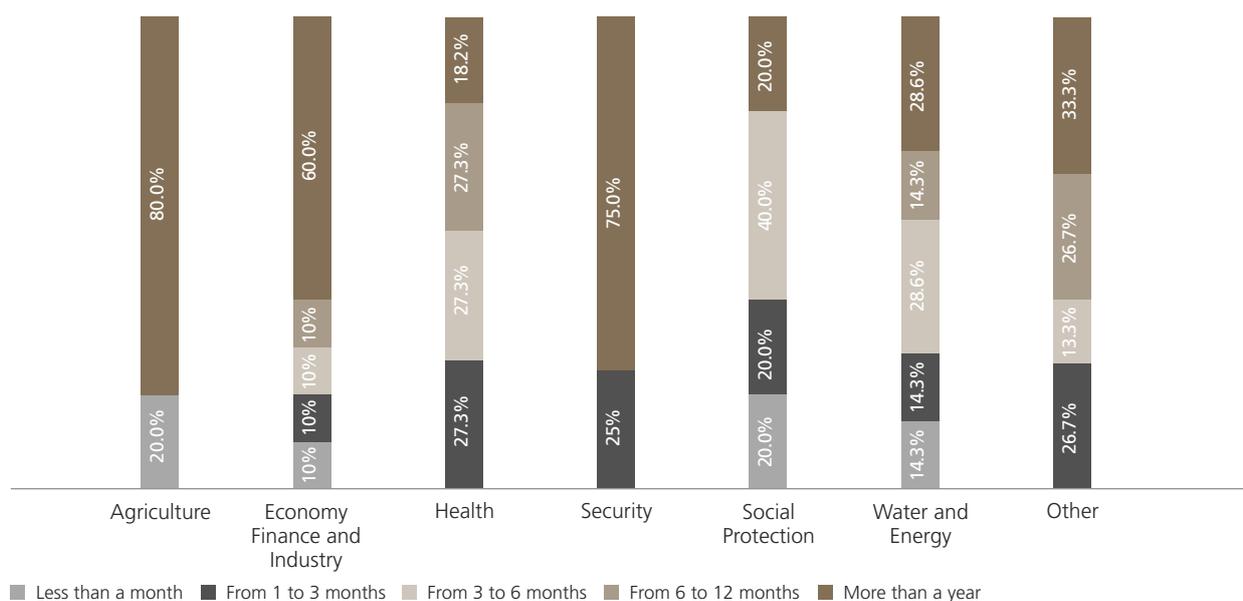


Figure 25 | For how long will PA be able to sustain service provision? (by sector)



- **71.9%** of the surveyed administrations registered a significant increase in complaints after the crisis, especially in security (all surveyed administrations have faced an increase in citizen’s complaints), health (81.8% of the surveyed administrations), social protection (60% of the surveyed administrations), water and energy (71.3% of the surveyed administrations) and agriculture (80% of the surveyed administrations) sectors.
- **33.3%** of the surveyed institutions implemented additional services to face the crisis (figure 26).
- More than half of the surveyed institutions (**54.4%**) also took concrete actions to maintain or to recover the quality of service, notably in the health, security and agricultural sectors.
- When asked about potential measures that could have been implemented to maintain service provision, surveyed administrations proposed the adjustment of salaries, the provision of fuel to employees, the renovation or reconstruction of damaged infrastructure, the allocation of more credits for maintenance and operational costs, and the move towards e-government whenever applicable.

Figure 26 | Examples of additional services implemented by PA to face the crisis

Sector	New services
Health	<ul style="list-style-type: none"> ■ Setting-up new departments to face COVID-19 ■ Conducting national vaccination campaigns ■ Raising awareness ■ Helping secure financial aid for patients
Security	<ul style="list-style-type: none"> ■ Raiding gas stations to control distribution and prices ■ Coordinating with the judiciary, security forces and public administrations to control monopolies and price manipulation
Water and Energy	<ul style="list-style-type: none"> ■ Installing solar street lighting systems in the areas affected by the Beirut Port explosion ■ Working with international agencies to design financing mechanisms for renewable energy projects ■ Proposing draft laws to encourage renewable energy and energy efficiency ■ Conducting consultations with citizens, non-governmental organizations and public administrations for the installation of solar energy systems

Areas of risks and fragility

- **Disruptions in service provision are an alarming indicator as to the State's capacity to maintain social cohesion and access to basic services** such as health and social protection, putting the lives of the most vulnerable at risk. It could lead to a significant drop in livelihoods especially for those living on the frontline of poverty. It may also be a precursor to social distress and rising inequalities in access to basic services.

Views on the way forward and Recommendations

- The **priority areas of action** to help ministries and public institutions mitigate the impact of the crisis on service delivery are:
 1. Increasing financing (**91.2%**)
 2. Transition towards e-government (**52.6%**). In fact, 69.64% of institutions considered digital government where applicable as a viable alternative moving forward.
 3. Skilled public servants (**43.9%**)
- For **40.4%** of the respondents, the situation in Lebanon is complex and the way forward unpredictable.

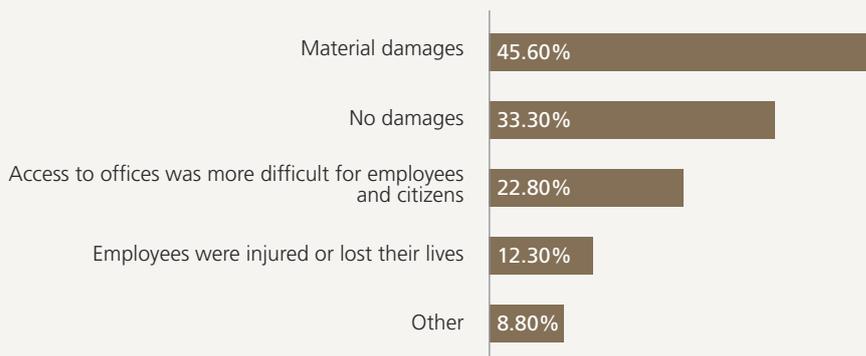
Sustaining service provision to citizens while waiting for policymakers to put in place drastic policy measures destined to help the country move past the crisis can be achieved through:

1. **Enhancing citizens' information**, especially when special conditions or exceptional measures are put into place under the crisis mode.
2. **Putting in place complaint procedures that are easy to invoke** and enforcing corrective measures to help limit the use of discretionary decisions. These are even more critical in sectors where public services are delivered by subcontracted private organizations and where the State is called up to play a monitoring or regulating role (Brewer, 2007).
3. **Assigning a crisis management focal point or team within each public administration and institution** to streamline procedures, improve inter-organizational coordination between government departments and optimize service delivery.
4. **Decentralizing selected services to municipalities** - notably well established and organized ones - and work towards the mobilization of external financing to finance these services. However, they will be expected to upgrade their human capacities to be able to respond to donor's requirements and to handle the additional workload.
5. **Mobilizing external financing to help the State maintain its provision of basic services** alongside the reallocation of government internal resources for more efficient spending. This would allow maintaining the lifeline provided by institutions on the frontline of the crisis or that are struggling to maintain strong state institutions.
6. **Gradually moving towards the simplification and automation of procedures** to improve the timeliness and efficiency and to democratize access to services. Automation will also be paramount in collecting relevant data that can inform service design and delivery and improve performance measurement.
7. **Moving towards citizen-centric service delivery on the longer term**: this would entail government agencies to undergo reforms that allow them to provide better, faster and more services, to ensure fairness and inclusivity, and to respond to evolving needs that are relevant to circumstances. Technology and training will be the two main catalysts and enablers for such changes.

Box 1 | Impact of the Beirut Port explosion on service provision and key PFM underlying functions

- **Service provision:** After the Beirut Port explosion, service provision was impacted in **45.6%** of the cases because of material damages and in **22.8%** by the constrained access of citizens and employees to the facilities.

How did the Beirut Port explosion impact service delivery?



- **Budget process:** **58.6%** of them were able to finance reconstruction from their own annual budget in LBP. **82.8%** secured financing through grants and donations from the private sector or from international organizations and donors. Only **10.3%** received funding from other local public entities. However, **23.1%** of the respondents could not mobilize any financing for reconstruction because of the scarcity of funds from within the LBP budget and due to suppliers' reluctance to work with the state institutions.
- **Public procurement:** **20%** of the surveyed administrations were able to conduct works and procure goods to fully repair damages caused by the explosion. **35.4%** partially repaired their facilities and **15.4%** did not have the means to fix the damages.
- **Accounting and financial reporting:** Only **8.1%** of responding institutions lost financial documents in the Beirut Port explosion, and **48.4%** incurred emergency expenses to cover the losses resulting from the blast.
- **IT and data:** **57.6%** of surveyed administrations did not lose any equipment in the explosion and **78.8%** did not lose any data. Among those who had their equipment damaged, **34.8%** lost computers, **25.8%** printers, and another **22.7%** lost projectors or big screen TVs. Of the **21.2%** that lost data, **64.3%** were able to recover all lost data, of which **73.3%** was recovered from an offline backup system.

Box 2 | Impact of the Covid-19 pandemic on service provision and key PFM underlying functions

- **Service provision:** The measures enforced by the Government to contain and limit the spread of the Covid-19 pandemic restrained service delivery capacity in only **54.3%** of the cases, while **42.1%** of the administrations claimed that service provision was sustained normally.
- **Accounting and financial reporting:** For around **50%** of the responding institutions, remote work and lockdown measures created important delays in finalizing accounting and financial reporting. It created delays in administrative transactions and in settling and reporting on financial dues to beneficiaries (**67.7%** of respondents).
- **IT and data:** When asked about their institution's IT readiness to work from home to respect lockdown measures, **59.1%** of the surveyed administrations responded that the job performed required their presence on site and that confinement measures did not include them. However, in **22.7%** of the cases, administrations were not IT ready to implement remote work. Among the difficulties faced in implementing remote work, respondent cited internet cuts (**54.4%** of cases), disruptions in electricity provision (**48.5%** of cases) and shortages in IT equipment (laptops, etc.) (**47.1%** of cases).
Only **18.2%** of the administrations claimed being prepared for remote work. Among the main measures that facilitated this process, public administrations highlighted:
 - Availability of personal VPN devices
 - The presence of an integrated system that provides remote access to working files and documents (80.0%).
 - Availability of equipment such as laptops.
 - Good connectivity and internet connexion.



Sectorial --- Analysis

Impact of the crisis on the Healthcare Sector⁴

- The shift in the number of patients from private to public healthcare facilities was estimated to exceed 50%.
- In 45% of responding institutions, the transfer rate reached 50% to 75% (figure 27). Patients were only heading to the hospital when faced with severe or advanced stages of illness, which heightened the cost of treatment.
- Support from the Ministry of Public Health remained marginal, despite an increase of the ministry’s coverage of hospital fees from 1% to 3.5%.
- There was an increase as well among outpatients for laboratory services and pharmacy.
- In Primary Healthcare Centers, demand increased by 5 to 6 times, depending on the region and area. Around 50% of people heading to the PHC were from the Lebanese nationality, outlining a shift in the nationality in comparison to the pre-crisis period.
- Shortages were significant among essential and life-saving medicines (e.g. dopamine, adrenaline, etc.) that were disrupted in both their generic and brand forms. In 60% of responding public hospitals, up to 25% of patients were asked to secure their own drugs and surgical supplies in public hospitals in 2021 (figure 28).
- Some suppliers were requesting to be paid in cash USD and imposed lengthy procedures for the purchase of lifesaving drugs. Some were also imposing on public hospitals the purchases of mandatory bundles of medical equipment and drugs.
- Finally, the massive departure of doctors and nurses had a heavy impact on the capacity of public hospitals to respond to the growing demand. One third of responding public hospitals estimated that more than 30% of doctors had left since the beginning of the crisis (figure 30).

Figure 27 | What is the percentage of increase that resulted from the shift from private to public healthcare?

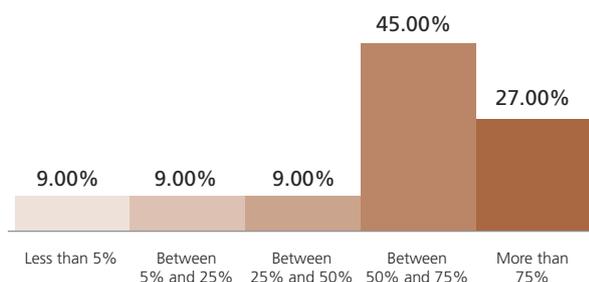
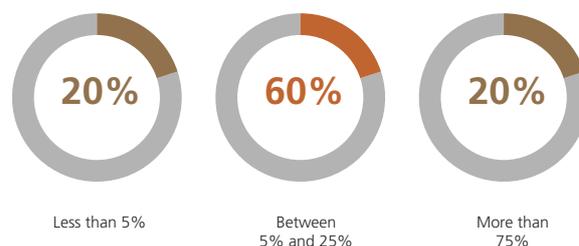


Figure 28 | Percentage of patients who were asked to secure their own drugs and surgical supplies in 2021



⁴Information for this “In focus” section was collected during a focus-group held in January 2022 that gathered 25 participants from 18 public healthcare institutions among which the Ministry of Public Health, the National Social Security Fund, the Civil Service Cooperative, Governmental Hospitals and Primary Health Care Centers.

Figure 29 | Share of drugs or medical equipment received through donations or aid in 2021

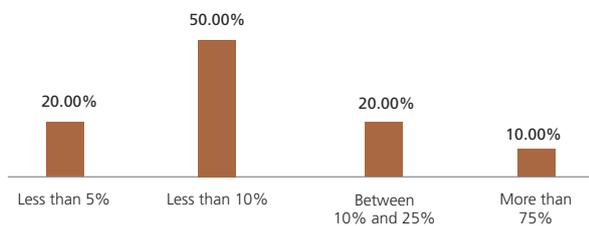
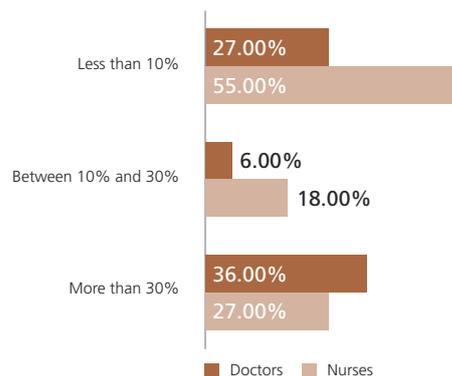


Figure 30 | Percentage of physicians and nurses who have left the service



Recommendations

Capacity / Operations related measures

- Reallocate MoPH's subventions, for a limited period of time, from private hospitals (that charge patients at real cost) to public hospitals.
- Amend the current threshold for the procurement of medical supplies and regularly update it to cater for inflation.
- Aggregate and publish the list of needs from all public hospitals to inform and steer grants and donations and enhance transparency.
- Give priority to the maintenance and upgrade of current medical equipment (v/s the acquisition of new equipment) to sustain the provision of healthcare services.
- Prioritize the hospital's employees' salaries payment and regularize it, in cooperation with the Ministry of Finance, to avoid any delays in the payment of employees' dues.

Regulatory measures

- Put in place a central purchasing unit among all public hospitals specially for the purchase of O2, life-saving drugs and medical equipment.
- Expand the "Prosthesis" regulation by which the Ministry of Public Health requests from the suppliers the certificate of origin (to control quality) and sets the margin of profit (to control pricing), and apply it to all medical and paramedical supplies.
- Adjust healthcare workers' salaries and increase their healthcare assistance coverage.
- Finalize the appointment of the administrative boards of all public hospitals to consolidate their efficiency and independence.
- Improve the coverage provided by social security institutions such as the NSSF and the Civil Service Cooperative.

Impact of the crisis on the Agriculture Sector⁵

Impact on Farmers

- Many agricultural lands were left uncultivated due to the high cost of production which was estimated to have increased by 100 to 500%, driven by the rising prices of fuel, seeds, etc. and the disruption in access to water (figure 31).
- To help farmers manage their crops, the export of locally produced wheat was permitted. Lebanese farmers also generally prioritized exportations of their agricultural products (seeking revenues in foreign currencies) rather than meeting the needs of the local market.
- The increase in the price of agricultural products is assessed to have benefited less to farmers and mostly to distributors (figure 32).
- A number of services usually made available to farmers were either disrupted or reduced such as the organization of annual exhibitions to promote local products or the distribution of in-kind and financial aid and training.
- The Directorate General of Cooperatives at the Ministry of Agriculture pointed out to a significant increase in the demand to establish cooperatives.
- The demand for land reclamation was noted as well as for the opening of agricultural roads and artificial lakes.

Impact on Public Administrations and Institutions

- While consultancy services to farmers were provided free of charge by the Lebanese Agricultural Research Institute (LARI), others were interrupted due to the lack of logistics or equipment needed, and some seized to be demanded by the farmers as their cost increased: i.e. soil testing became ten times more expensive than it was before the crisis (fees raised from 20,000 LBP to 200,000 LBP).
- The participation of local enterprises to business contracts for local agricultural projects priced in LBP significantly dropped. Suppliers, landowners and farmers lost their trust in government agencies.
- The sector also suffered from workforce shortage, in terms of daily workers, that receive a compensation of LBP 20,000 per 6 hours of work and that are critical to the survival and continuity of the agricultural sector; and of skilled practitioners such as engineers, IT technicians, etc. In 38% of responding institutions, between 10 and 30% of engineers and technicians exited the sector since the beginning of the crisis (figure 34).

⁵Information for this “In focus” section was collected during a focus-group held in February 2022 that gathered 12 participants from 6 public institutions among which the Ministry of Agriculture, the General Directorate of Cooperatives, the Green Plan, the Lebanese Agricultural Research Institute, and the Directorate General of Grains and Sugar Beetroot.

Figure 31 | What factors had the most significant impact on the increase of production costs?

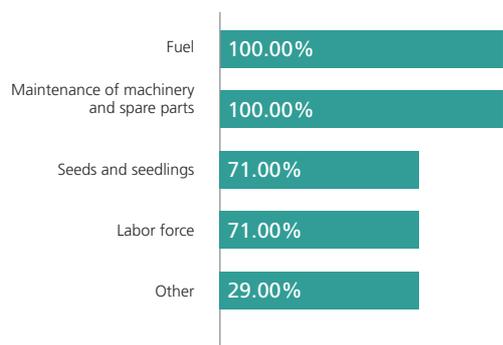


Figure 32 | How did the increase in the prices of agricultural products affect the income of farmers?

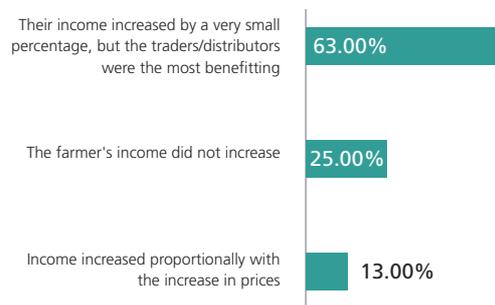


Figure 33 | What measures were taken to improve the farmers' livelihoods?

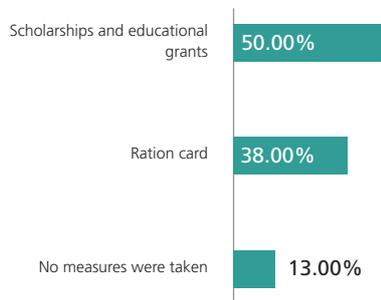
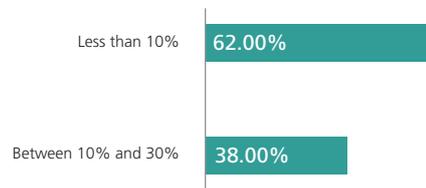


Figure 34 | What is the percentage of engineers and technicians who left your institution or requested unpaid leave?



Recommendations

Capacity / Operations related measures

- Introduce innovative technologies to farmers to improve cultivation and production by reducing costs such as the use of organic fertilizers that can be prepared by the farmers themselves.
- Optimize the role of newly established cooperatives and guide them in ways that can help address food security concerns.
- Increase procurement ceilings of calls for proposals and allow for cash payments to suppliers.
- Adjust the salaries of daily workers.
- Enforce, at the Ministry of Finance, a prioritization mechanism to help speed-up payment transfers to critical institutions to cover for their operational costs.

Regulatory measures

- Strengthen border protection and ensure market compliance with the relevant legislations and standards, in a way that protects the fair exportation of local production.
- Reinforce the role of agricultural cooperatives and unify prices.
- Restructure the public sector based on competencies and experience.
- Adjust the salaries of public servants to retain experts and experienced practitioners.

Impact of the crisis on the Water Sector⁶

Impact on the Provision of water services

- Water services were sustained but reduced to minimal capacity, as water authorities faced difficulties in the provision of water to households. Both the production and distribution of water were affected by the crisis. 80% of the institutions mentioned that the most challenging obstacle they had to overcome in 2021 was their inability to procure for the needed goods and supplies given the sharp and rapid depreciation of the exchange rate (figure 35).
- The demand for new subscriptions increased amid talks of an upcoming tariff adjustment. There was also a significant increase in the demand for new services that were not previously made available by water authorities, such as the subscription for half a meter or irrigation networks mainly used for agricultural purposes. However, water establishments were not able to provide these services as they required new equipment that could not be purchased with the currency devaluation.
- Only services provided on a seasonal basis registered a drop in demand.
- Call centers were set-up in South, North and Bekaa water establishments to help resolve complaints and improve service delivery. As such, many citizens were therefore incentivized to regularize their situation. Other improvements included the launch of mobile applications, enhancing interaction of social media outlets and developing customer portals to improve service delivery and start providing e-services.
- The quality-of-service provision dropped as maintenance was provided ad-hoc and several regions were deprived from their usual supply in drinking water.
- An increase in complaints was registered principally emanating from delays in maintenance services (figure 36).
- Suppliers were increasingly reluctant to work with the public sectors due to long delays in payments.

Impact on Financial Management

- Water authorities are public establishments that used to be financially autonomous as they generated revenues. Since the unfolding of the crisis, they became reliant on budget allocations from the budget reserves and donor support that provided mostly for the direct financing of operating and capital expenditure
- Few donors and partners (such as UNICEF, USAID and others) provided a substantive source of external support amid the crisis.
- The water sector suffered as well from massive departures. In 60% of responding institutions, the number of technicians and engineers that left or asked for unpaid leaves reached up to 30% (figure 37). 80% of them had to put in place a rotation system between departments to ensure the continuity and effectiveness of the workflow (figure 38).

⁶Information for this “in Focus” session was collected during a focus-group held in February 2022 that gathered 11 participants from 6 public institutions among which the Ministry of Energy and Water, various Water Establishments, Electricité du Liban and the Lebanese Petroleum Authority.

Figure 35 | What is the most challenging obstacle that you had to overcome in 2021 at the level of service provision?

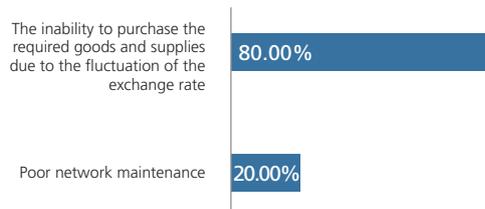


Figure 36 | What was the delay period compared to normal deadlines?

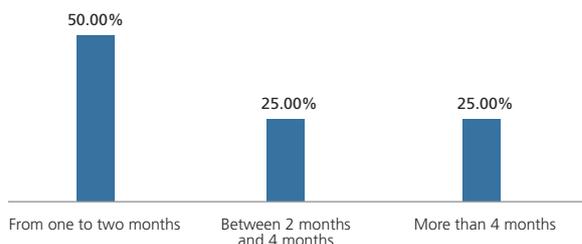


Figure 37 | What is the percentage of engineers and technicians who left their jobs or ask for unpaid leaves?

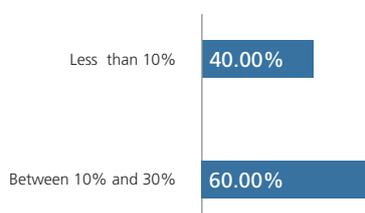
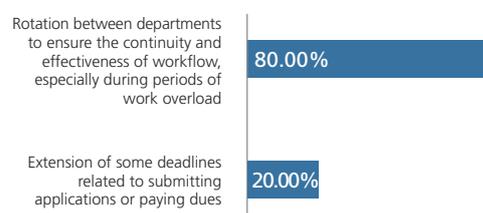


Figure 38 | What alternative measures have you put in place to maintain service provision?



Recommendations

Capacity / Operations related measures

- Provide public servants with support and minimal financial incentives to help them reach their working stations.
- Maintain donors' assistance in the short and medium term for sustainability, especially in terms of in-kind donations of material and equipment.
- Update existing e-portals and underlying infrastructure and reinforce cyber security to promote e-services and payments.
- Sustain a good level of communication with citizens (through the call centers, websites and social media).
- Train and develop the capacities of public institutions towards auditing their budget by external auditors to enhance transparency and the quality of financial reporting and open opportunities for new financing mechanisms with donors or the private sector.

Regulatory measures

- Adjust tariffs (new tariff was estimated at 3 to 5 times the current one) to maintain water supply and distribution at good quality. However, this measure carries the risk of seeing collection drop and informality rise.
- Consolidate an active inspection and an efficient collection of dues, remove transgressions to the legal networks and reduce technical losses.
- Amend existing legislation to facilitate the operations of e-portals and allow for the online authentication of official documentation.
- Introduce flexibility to the collection scheme by allowing payments on a monthly basis v/s the current scheme that requires payment once per year but allows for quarterly installments.

Impact of the crisis on Social Affairs and Welfare services⁷

Impact on the Demand for services

- In SDCs, some services were halted, such as patients' consultations with doctors and the provision of drugs, at a time when such services should have been supported, increased and sustained.
 - Elderly care centers were subject to a significant increase in demand for their shelter services, as well as services provided to people with disabilities such as diapers for kids and adults, services of physiotherapy, speech therapists, etc.
 - SDCs also registered increases in demand for:
 - Drugs and hospitalization
 - Food vouchers
 - Poverty vouchers/cards
 - Support to pay rent
- This points out to a substantive shift in needs from the individual to the household level.
- A sizeable increase in gender-based violence and demand for assistance was reported as well.

Impact on Social welfare associations

- Service delivery through associations was reduced to the provision of basic needs. Recreational and community-based activities for kids were cancelled.
- Associations also shifted the way in which services to children were delivered towards more cost-efficient services. For instance, instead of sheltering, food boxes or laptops for distant learning were provided to children. High transportation cost prevented individuals, notably children, from reaching the shelters and associations' centers.
- Social workers' weekly visits to families decreased due to the rise in transportation fees and were replaced by remote work and online meetings.

Impact on the Operations' capacity of the Ministry of Social Affairs

- SDC's staff were unable to perform the home or family vetting visits needed to approve the requests for services submitted by citizens. Electricity shortages, internet problems, and the lack of stationary, along with the high cost of transportation, were preventing staff from fulfilling their habitual tasks.

⁷Information for this "In Focus" section was collected during a focus-group held in February 2022 that gathered 4 heads of departments from the Ministry of Social Affairs.

- Financial constraints have impacted the intake of new cases and the capacity to follow-up on the existing ones at the level of SDCs.
- The rising number of resignations and requests for leaves without pay increased the share of vacancy in the Ministry of Social Affairs (which was already high prior to the crisis) and further unbalanced the existing distribution of workload.
- The lack of trust in public institutions disrupted the relationship with suppliers. All tendering processes failed and suppliers requested to be paid in USD.

Recommendations

Capacity / Operations related measures

- Conduct needs assessment surveys to reprioritize services provided by MOSA and redirect existing financial support.
- Reorganize social workers' visits schedules and locations and support workers' transportation fees.
- Provide frontliners with the equipment, drugs, etc. essential for service delivery.
- Set-up a solar power system financed on donor support.
- Launch the existing mobile application for social services.
- Conduct a capacity building assessment and accordingly organize workshops and training sessions for MOSA's staff.

Regulatory measures

- Make new administrative appointments to key positions and reorganize the distribution of exiting staff.
- Finalize and enact the new Social Protection Strategy and mobilize needed financing for its roll-out.



Appendix

Overview of methodology

Study design and survey instruments

The rapid diagnostic collected qualitative and quantitative data from ministries, public institutions and municipalities based on six thematic survey questionnaires, targeting six core functions:

1. Budget and planning
2. Procurement
3. Accounting and Financial Reporting
4. Information Technology
5. Human Resources
6. Service Delivery

The first five functions were analyzed as inputs that feed into the analysis of the impact of the crisis on service delivery to citizens.

In the absence of relevant data that could be used as baseline to accurately assess the impact of the crisis, questionnaires were divided into two sections:

1. The **“Pre-crisis situation”** section included a set of questions aimed at understanding the characteristics and challenges of the pre-crisis period and identify structural deficiencies.
2. The **“Impact assessment”** section drew on a set of questions that aimed to diagnose the impact of three crises combined, namely the economic/financial/monetary crisis, the Covid-19 pandemic and the Port of Beirut explosion on the 4th of August 2020.

Survey questionnaires were made available in the Arabic and English languages and tested with a pilot of five public administrations and institutions, namely the Directorate General of Cooperatives at the Ministry of Agriculture, the Rafic Hariri University Hospital, the Institut des Finances Basil Fuleihan, the Directorate General of General Security and the Ministry of Education and Higher Education.

Data collection and description of the sample of respondents

One hundred and forty-one (141) public administrations and institutions were officially solicited to fill in the questionnaires, of which seventy responded or, equivalent to a 50% response rate. In addition, 11 municipalities filled in the online surveys, allowing to draw trends and highlights from local development actors.

Four institutions refused to take part to the diagnostic, namely the Lebanese Armed Forces, the Middle East Airlines, the North Water Establishment, and the Bekaa Water Establishment.

Tables 1 and 2 provide information on the responding sample of institutions and show its disaggregation by sector as well as the response rates to the various surveys.

Figure 39 | Average time to fill the surveys in minutes

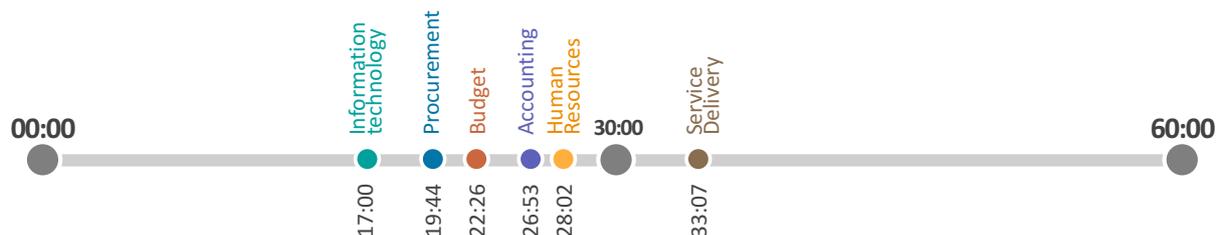


Table 1 | Disaggregation of the responding sample by type of institution

445 surveys filled

Share of institutions that filled the

Type of institution	Total number of institutions	Budget	Procurement	Accounting	Service Delivery	HR	IT
Public Administration	35	97%	89%	89%	77%	94%	94%
Public Institution	21	81%	95%	81%	86%	100%	90%
Governmental hospital	11	100%	100%	100%	91%	100%	100%
Fund	1	100%	100%	100%	100%	100%	100%
Council	1	100%	100%	100%	100%	100%	100%
State owned enterprise	1	100%	100%	100%	0%	100%	100%
Municipality	11	100%	100%	91%	82%	91%	100%

Table 2 | Disaggregation of the responding sample by sector

Sector	Total number of institutions	Number of institutions that filled the					
		Budget	Procurement	Accounting	Service Delivery	HR	IT
Economy and Finance	10	9	10	8	8	10	8
Agriculture	6	6	5	6	5	6	6
Energy and Water	8	8	8	7	7	8	8
Social Affairs	5	5	5	5	5	5	5
Education	3	2	3	3	3	3	3
Health	14	12	13	12	11	14	13
Security	4	4	4	4	4	4	4
Regulatory	5	4	4	4	2	4	5
Administrative Affairs	3	3	3	3	2	3	2

Sector	Total number of institutions	Number of institutions that filled the					
		Budget	Procurement	Accounting	Service Delivery	HR	IT
Telecommunication	1	1	1	1	1	1	1
Information	2	2	1	1	1	1	2
Industry	2	2	2	2	2	2	2
Infrastructure	2	2	2	1	2	2	2
Culture	2	2	2	2	2	2	2
Tourism	1	1	0	1	1	1	1
Justice	1	1	1	1	0	1	1
Environment	1	1	1	1	1	1	1
Municipalities	11	11	11	10	9	10	11
Total (incl. municipalities)	81	76	76	72	66	78	77

Limitations

Unlike conventional face to face survey methodology, online surveys come with some limitations, especially that data collection was conducted at a time of massive power cuts and internet disruptions across Lebanon. It was also conducted as public institutions were following hybrid schedules and registering high levels of absenteeism. This, and the demotivation of public servants resulting from the crisis, both undermined the achievement of a higher response rate.

Other limitations came by design: Since responses to the survey were made on a voluntary basis, the sample of respondents was not representative of the Lebanese public sector as a whole. It came for instance with over-representation of specific groups, such as in our case, the health sector.

Data analysis

Results were grouped as follows:

- All central government respondents' results were grouped and analyzed by function. Findings were reviewed by subject-matter experts that provided inputs on analysis and recommendations.
- Answers provided by municipalities were looked at separately and included for an indicative purpose only. Given the small size of the sample of municipalities, it is to note that the responses they provided cannot lead to definite conclusions, and are highly dependent on the municipality's size, geographical location, assets, etc.
- Four thematic sectors were selected for in-focus analysis, namely the (1) health, (2) water, (3) agriculture and (4) social affairs sectors. Focus groups were held with the respective representatives of these sectors allowing for a more in-depth discussion around challenges faced and the way forward. The Ministry of Education and Higher Education did not respond nor disseminate the questionnaire to public schools, which did not allow analysis for the crisis impact on the education sector that was initially selected as a priority area of focus.

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