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المالي والاقتصادي  
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# Rapid Impact Assessment of the Crisis on Lebanese State Institutions

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This report strives to document and analyze the impact of the on-going compound crisis on Lebanon’s public institutions' capacity to provide and offer public services; a crisis that has plunged millions of people in poverty, disrupted equal access to basic services, and paved the way for the collapse of many institutions. The present report aims to capture and analyze:

- The level of readiness prior to the crisis;
- Its impact on selected areas (budget, public procurement, accounting and financial reporting, information technology, human resources and service delivery);
- Response measures taken by institutions to maintain services provision, and
- Priority areas of action on short and medium terms as declared by the persons in charge.

Beyond reporting and data analysis, this report hopes to transmit the voice of public administrators and public servants who are fighting amid dismal conditions to save what is left of welfare state thereof, and to provide hands-on recommendations that chart a way past the crisis. We wish to thank all public officials who took part in the survey for helping us complete this challenging work at a time when they were themselves enduring, professionally and personally, while holding-on bravely to their sense of mission and to the values of public service. We sincerely hope that their voice will not remain unheard.

A full list of institutions and public servants who contributed to the survey, to in-depth interviews and focus groups is provided in Annex 1.

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The report is based on the results of 445 surveys completed by 71 public administrations and institutions and 11 municipalities from across the Lebanese public sector, and on consultations with more than 52 experts and practitioners in dedicated focus groups.

## Executive Summary

Decades of economic and monetary policy mismanagement have triggered one of Lebanon's most devastating crises that led, among others, to a disruption in the provision of vital public services (electricity, water, access to health and education, social protection, etc.). Two years into the abyss, service-providing public institutions and infrastructure are strained to the breaking point.

The low preparedness and quasi-absence of a crisis management plan in line with global standards were significantly detrimental to the offset of the fast-developing and complex crisis. The risk of seeing prospects for recovery and development totally wiped out is increasing and paving the way for a prolonged hardship in the absence of political and economic reforms.

Increased poverty has made a sizable share of the Lebanese population dependent on public services, which is adding pressure on the operation and investment costs needed for service provision and straining further the financial viability of the State.

An effective policy response can only be informed by a vigilant and deep understanding of the challenges currently faced by public institutions and threatening their existence.

The report provides, through a rapid impact assessment, an evidence-based description of the crisis impact on Lebanon's governmental institutions and their capacity to sustain public service delivery to citizens, to help identify inherent risks and inform the design of the policy response. The survey gauges 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 identifies as well, targeted immediate actions and strongpoints that can support institutions in sustaining delivery thereof of vital services on the short and medium term, thus, until the initiation of additional comprehensive solutions. Focus is provided on 4 sectors, namely Health, Water, Agriculture and Social Services.

### Key findings

Results confirm the significant degradation in the quality of services and expanding inequality in the access to basic services, while more than one third of the sectors (33.8% of respondents) reported a sharp increase in the demand for public services such as in the health, water, agriculture and social services sectors; a demand that could rarely be met. Around 60% of the institutions expressed their concerns regarding the deterioration of their service delivery capacity, despite the fact that they had designed a crisis management plan at the beginning of the crisis. In 52.6% of surveyed administrations, at least one line of services was discontinued as the survey was conducted. Around 40% stated being able to sustain service delivery for citizens for over a year, 15.8% for 6 to 12 months, 17.5% for 3 to 6 months and 21.1% for even less.

Even when they tried to anticipate or palliate to the repercussions of the crisis and prevent the interruption of public services, pre-crisis structural weaknesses were exacerbated and undermined both their response capacity and agility.

Disruptions to service provision were therefore growing and paving the way for further social distress. The extent to which disruption was linked to the malfunctioning of key Public Finance Management Functions shall be analyzed through the below findings:

1. Structural weaknesses in **budget preparation**, limited guidance provided by the Ministry of Finance, budget cuts and loss in nominal value significantly reduced the public administrations' capacity to cope with the repercussions of the crisis. As this report is being written, public administrations are still operating based on the twelve provisional of the 2020 Budget Law (no budget laws were voted in 2021 and 2022), while the national currency has lost more than 90% of its value and the inflation rate reached 240% in January 2022. While few institutions were able to mobilize external financing, the majority either relied on downsizing operations and reducing operational costs, or on drastically reducing and reprioritizing their annual budget and action plans. The majority encountered significant reductions of their annual budget, estimated between 10 to 20% in most cases, and exceeding 20% in almost half (48%) of responding institutions. These allocations were needed to finance daily operations. Budget execution was disrupted by delays in administrative processes and payments and by contracts' suspension.

On the side of revenues, the downward trend in real revenues was expected to continue, driven by the economic recession and the co-existence of multiple exchange rates on the market, and therefore depriving the state from valuable resources needed to improve its cash management, mitigate the impact of the crisis on livelihoods and support economic recovery.

Limited guidance and instructions provided by the Ministry of Finance weighted upon planning and spending decisions and the lack of budget comprehensiveness increased fiscal risks, carrying forward important challenges for the continuity of public service delivery.

2. Low planning capacity and preparedness, liquidity shortages and mismanagement, payment arrears and ad-hoc inventory management undermined **procurement** capacity and led to severe shortages in the availability of goods that could not be replenished from depleting stocks and prevented priority needs such as fuel, spare parts and IT equipment to be met. The crisis also led to a growing number of breaches, interruption, or suspension of existing contractual agreements, notably in the provision of fuel, maintenance services, works and construction as well as IT and digital infrastructure. It induced a rise in non-competitive procurement practices with 21.5% of surveyed administrations reverting increasingly to direct contracting and mutual agreements, especially for emergency procurement (medical equipment, drugs, etc.).
3. At the level of **accounting and financial reporting**, important financial activities were – and are still-omitted from the Government's accounts. The weak monitoring of spending hindered the Ministry of Finance's capacity to accurately forecast the overall Government's spending needs or make realistic forecasts for budget preparation. Weak technical skills within accounting departments, mentioned by 29% of respondents, affected the quality of available financial information. Internal controls and external audit were not systematic. The crisis jeopardized further liquidity and cash management, and undermined financial reporting. Unreported spending, that emanated mainly from State-Owned Enterprises providing utilities, created major fiscal risks. Strained liquidity and unreported dues are increasingly threatening the sustainability of service provision. Finally, the absence of standardized data weakened the oversight of the Court of Accounts and Parliament, resulting in a total lack of accountability.

As well, disruptions were largely linked to degrading institutional capacity notably in terms of human and digital capacity.

1. The economic and financial crisis has accelerated further the depletion of IT hardware and software that were already lagging prior to the crisis. It prevented administrations from sustaining service delivery (for 53% of respondents), working from home (for 48.5% of respondents) and maximizing productivity (for 53% of respondents). It also put them at risk of losing citizens' data. Around 6.1% of institutions estimated their IT system to be very secure, while 12.1% of respondents were 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.

At the same time, the Lebanese government was not able to maximize the prospects offered by artificial intelligence and big data to adapt, upgrade or redesign service delivery, to deliver new services that are needed at times of acute crisis, or to transform the management of operations, therefore keeping in place practices of high waste amid drained resources.

2. Finally, the crisis pushed unprepared and unequipped public servants to the frontline of an emergency response: **Human resources** were asked to do more with less, while their salaries were eroded by hyperinflation. But amid the crisis, public administrations mostly had to deal with the loss of talents. 55.8% of surveyed administrations claimed that their employees requested unpaid leaves, in particular among categories of staff in charge of technical and sectoral service delivery, such as doctors in hospitals, teachers in schools, and engineers in public works and IT departments. Mass exit, increased absenteeism due to fuel shortages and loss of purchasing power, and the depletion of skills were worrying indicators as to the capacity of the public sector to survive the crisis.

### Areas of risks and fragility

The analysis of key PFM functions confirmed that spending and fiscal monitoring remained in disarray. The limited guidance and instructions provided by the Ministry of Finance were restrictive to fiscal discipline. Existing malpractices, lack of clarity on spending decisions and of transparency on actual implementation across the administration are expected to heightened existing contingent liabilities and fiscal deficits, weaken oversight, and contribute to further eroding accountability and trust.

Extra-budgetary entities and public enterprises that do not report major financial transactions in the budget and the resulting non-disclosure of the overall public sector's financial activities carry significant fiscal implications on the country. The Government's potential default on these payments would push more public administrations and institutions, particularly those providing utilities, towards total collapse.

The low quality and fragmentation of existing financial information might also impair, on the long term, the Government's ability to manage and reform its PFM system, to accurately estimate its financing needs or to meet donors' financial requirements of any externally financed bailout plan.

In procurement, in particular, the ad-hoc management of inventory and stocks poses both procurement and safety risks.

Like financial management, efficient HR management requires planning, consolidation and the optimization of available resources. As they are faced by a sharp drop in their living conditions, priority needs to be given

to preserve talents, especially highly qualified staff who have been groomed and trained throughout the years to deliver quality work and whose skills and institutional memory are needed to drive the reconstruction and recovery period. Otherwise, the post-crisis administration will be lacking both staff and underlying infrastructure to respond citizens' needs.

Finally, the needs for reskilling and the recruitment of new skills fast once a plan for Lebanon is sealed also create new risks related to the adoption and enforcement of ad-hoc public sector restructuring measures, solely based on cost considerations and not on a deep rethinking of the missions and organization of the State and existing social contract.

### **Recommendations on the way forward**

Responding institutions unanimously expressed their urgent need for institutional reinforcement and support, notably to retain competencies and talents and to upgrade their information systems to preserve and capitalize existing institutional and administrative memory.

Short to medium term recommendations were formulated and included **a mix of measures aiming to enhance the administrations' capacities to sustain operations, along with legislative amendments to improve the regulatory framework.**

Among the most important **capacity enhancement measures** mentioned by responding institutions:

- Consolidate the role of the Ministry of Finance in crisis management to issue clear guidelines to frame planning and spending, consolidate public sector's financial operations, and reinforce its monitoring of fiscal risks towards further macro-fiscal analysis and sound policymaking.
- Assign a crisis management focal point or team within each public administration and institution.
- Strengthen budget institutions, notably those in charge of scrutiny and oversight such as the Court of Accounts and Parliament.
- Introduce new practices such as Centralized Purchasing and Framework Agreements, that would facilitate procurement and ensure efficiency and value-for-money.
- Standardize accounting and reporting requirements and forms and deploy integrated financial information management systems across all spending entities to improve budget coverage and comprehensiveness.
- Upgrade existing IT hardware at a reasonable cost.
- Enact a cybersecurity strategy, appoint the institution in charge of its enforcement and provide it with the necessary resources for operations.
- Provide support to critical and performing government agencies in retaining talents.

As for the set of **legislative and regulatory measures**:

- Modernize the fiscal and PFM framework and progressively move towards program budgeting and medium-term planning, to ultimately reach the ratification of an organic budget law.
- Pave the way for the efficient and timely entry into force of the new Public Procurement Law 244/2021 scheduled for July 2022 that overhauls the procurement system and introduce transparency, competition and efficiency requirements.
- Issue and enforce new governance rules to be applied to State Owned Enterprises.

- Reinforce external audits.
- Modernize the Public Accounting Law and create internal audits function across the public administration.
- Embrace the prospects of Open Government.
- Engage on an evidence-based, consultative and participatory design of the public sector restructuring.
- Decentralize selected services to municipalities while providing necessary capacity.
- Gradually move towards the simplification and automation of procedures.

Though it has been difficult to isolate PFM's impact on service delivery from broader institutional and public sector management issues, there is a wide consensus that PFM functions have impacts on service outcomes. All stages of the PFM cycle are essential for efficient and effective service delivery, especially the processes of resource allocations and execution which allow to understand failings of policymaking.

In Lebanon, the scrutiny of three PFM functions, which are: budget, procurement, and reporting, as well as HR and IT functions has allowed to understand the impact of their shortcomings on service delivery and identify potential remedies.

However, the success of short- and medium-term solutions remains conditioned by the political will to reform and the adoption of a transformative approach to public sector and PFM governance.

The transformative path shall start with a nation-led initiative that would chart the State's type, the Lebanese aspire for in terms of form, mission and organization. This exercise would be paramount to state-rebuilding, fiscal adjustment, and revamping the way service provision is designed and delivered to citizens and evaluated.

## List of Acronyms

|        |  |
|--------|--|
| AFD    | Agence Française de Développement                                    |
| CAPEX  | Capital Expenditures   |
| ESCWA  | Economic and Social Commission for Western Asia                      |
| GDP    | Growth Domestic Product  |
| IMPACT | Inter-Ministerial Platform for Assessment, Coordination and Tracking |
| IPSAS  | International Public Sector Accounting Standards                     |
| IT     | Information Technology   |
| LARI   | Lebanese Agricultural Research Institute                             |
| MoF    | Ministry of Finance  |
| MoPH   | Ministry of Public Health  |
| MoSA   | Ministry of Social Affairs   |
| NGO    | Non-Governmental Organization  |
| NSSF   | National Social Security Fund  |
| OPEX   | Operating Expenses   |
| PA     | Public Administration(s)   |
| PFM    | Public Financial Management  |
| Pp     | Percentage point   |
| SDC    | Social Development Center  |
| SOEs   | State-Owned Enterprises  |
| TIN    | Tax Identification Number  |
| UNICEF | United Nations Children's Fund                                       |
| USAID  | United States Agency for International Development                   |
| WASH   | Water, Sanitation and Hygiene  |
| WB     | World Bank   |
| YoY    | Year-over-year   |

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# Introductory Chapter

## Lebanon in crisis

### Underlying factors

**Structural deficiencies, fragility and governance failures were precursors to an unprecedented crisis.**

Lebanon's multifold crisis, ranked among the top three most severe crisis episodes globally since the mid-nineteenth century (World Bank , Spring 2021), has destroyed the livelihood of a large share of the Lebanese population. Poverty rates increased to more than double in a year and multidimensional deprivation reached 82% of the Lebanese population in September 2021 (ESCWA, 2021). Extreme poverty is expected to further increase in the outcome of the disorderly removal of subsidies on fuel and essential products while existing social safety nets remain limited in coverage and benefits<sup>1</sup>.

Many factors contributed to this downward helix, among which geopolitical fragility, conflict and violence, the fallout of neighboring Syria, the weight of refugees representing 40% of Lebanon's population, and more recently, the Covid-19 pandemic and the Port of Beirut Explosion on August 4, 2020.

However, Lebanon's crisis did not happen overnight. Its foundations were decades of economic policy mismanagement leading to twin deficits: an artificially overvalued currency, and an unsustainable level of public debt, as well as entrenched state capture, and a lack of sound policies that have driven institutions towards a potential collapse. Successive governments were repeatedly incapable of conducting overdue reform, despite substantial donor financing.

In 2019, the country was ranked as the 44th most fragile state in the world on the Fragile States Index, out of 178 countries and labelled as "high warning country" (Fund for Peace, 2019). In 2020, indicators of fragility including economic, social, cohesion and political dimensions further degraded<sup>2</sup>, pointing out to increased fragility that stemmed for longstanding structural deficiencies and governance failures.

The economic and monetary crisis and erosion of financial capital, exacerbated by imposed lockdowns to counter the spread of Covid-19 and the Port of Beirut explosion, destroyed the purchasing power of Lebanese citizens, abolished the middle class, deepened existing inequalities, triggered mass emigration and undermined prospects for recovery.

With the fallout of the combined crisis, disruptions of vital public services, such as extended electricity blackouts, fuel and energy crisis, water shortages, internet cuts, public hospitals running low on medical supplies, social security quasi-bankrupt, etc. made day-to-day news headlines. The sharp deterioration in the provision of basic public services had serious repercussions on security and stability and is expected to undermine long-term development gains. Furthermore, according to the World Bank, "*mass migration, loss of learning, poor health outcomes and lack of adequate safety nets, among other consequences, would lead to a human capital catastrophe, from which recovery would be long and very difficult*" (World Bank , Spring 2021).

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<sup>1</sup> As the report is being written, applicable social safety nets programs include the [National Poverty Targeting Program](#) and the [Emergency Crisis and Covid-19 Response Social Safety Net](#) (ESSN) project.

<sup>2</sup> Fragile States Index, URL : <https://fragilestatesindex.org/country-data/>

Weak and disorganized policy response by the Government has damaged any remaining trust in its capacity to mitigate the impact of the crisis and to put the country on a sustainable recovery path.

### Government Response to the Crisis

**To date, the Lebanese Government has not succeeded neither in preventing nor in mitigating the crisis.**

Global practice shows that coping with a crisis of this magnitude requires a crisis management framework including preparation and prevention (through risk assessment, planning, political willingness and administrative capacities), response (coordination for better adaptation), and recovery (University of Texas, 2009).

Readiness comes with flexibility and capacity, allowing civil servants to cope with distress and design a response based on robust leadership and network communication. Capacity is not only defined in terms of finances, but also in terms of skills, authority, and administration, and is reinforced by the availability of guidelines and procedures. (OECD, 2013).

Effective crisis management requires a quick understanding of the rapidly changing events, creative, coherent and agile leadership, collection of solid and reliable data, preservation of a clearly organized command structure, and political learning for future prevention (University of Texas, 2009). It relies on a productive relationship between the executive arm of Government and the public administration (European Commission, 2020).

Ideally, trade-offs between centralization and decentralization should help in organizing the response and provide local governments with the opportunity to have their own crisis management systems, in order to decrease the pressure on the central government.

A closer look at the Lebanese case and the management of the multifold crisis points to dispersed measures that were not able to contain the dire repercussions of the economic and financial crisis and prevent hardship. Apart from the Financial Recovery Plan that was prepared by the Government of Hassan Diab in April 2020 to serve as baseline for the negotiation of a support program with the IMF and that failed to be availed amid political disharmony, the response to the **economic and financial crisis** included a set of ad-hoc financial regulations issued through decrees by the Central Bank of Lebanon that also failed to stabilize the exchange rate and restore confidence in the economy.

On the **social** front and after several months of discussions, the Government and Parliament adopted a Social Assistance Program that consists of a broad-based cash transfers. Citizens were called upon to register on a digital platform – IMPACT - to benefit from the program. Aid disbursement started in March 2022, funded under the World Bank Emergency Social Safety Net Project, and reaching not more than 63,000 beneficiaries<sup>3</sup> by July 2022.

The Government's response to the **Covid-19 pandemic** was more successful. It included close coordination among key ministries such as Public Health, Interior and Municipalities, Defense, Finance, Public Transportation, and others. A National Coronavirus Response Plan (Ministry of Public Health , 2020) was set up, and strict measures for security agencies and governmental administrations were enforced as of

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<sup>3</sup> Data on payments was retrieved from the [IMPACT Open Data](#) platform on July 28, 2022, under the DAEM program.

March 2020 (Ministry of Interior and Municipalities , 2020). During lockdowns, tax collection was suspended, and internet providers reduced prices (Decree No. 6254) (JO, 2020). Lockdown and other preventive measures were clearly communicated. The Government response also included the National Social Solidarity Program which provided LBP 400,000 per month over a period of six months to vulnerable individuals (including parents with children in public schools, Persons with Disabilities, victims of land mines, taxi drivers, etc.)

The roll-out of the policy response was supported with the establishment of an e-government platform led by the Central Inspection: The Inter-Ministerial Platform for Assessment, Coordination and Tracking (IMPACT) through which the health policy response was monitored and the national vaccine strategy rolled-out.

Through the e-platform in place, municipalities were handed a central role in law enforcement and the implementation of governmental decisions, despite their lack of resources. Memoranda and circulars were issued to regulate their role and scope of work (Center for Global Constitutionalism , 2021). They were mobilized to monitor quarantine cases, inform decision-making by allowing to track the spread of the virus and take adequate measures per region (The Public Source , 2020).

However, on the social front, results were more mitigated. The Government's social response did not match the severity of the crisis. Several aid programs were announced but never implemented. The distribution of either monthly cash assistance or baskets of subsidized goods was ad-hoc, unorganized and not properly monitored, making provision for clientelism.

Schools and universities had to switch to online learning based on the decision of the Ministry of Education and Higher Education; however, many, notably public schools, were not capable to adapt to distance learning. This had dire repercussions on learning outcomes. At least 1.2 million children across Lebanon are estimated to have had their education disrupted for more than one year, with many having last attended school in October 2019 (Save the Children, 2021). This affected particularly children from low-income households. 25% of families reported to UNICEF being unable to afford the tools needed to pursue distance learning (UNICEF, 2021).

The Government's response to the **Beirut port explosion** was also highly criticized. Most of the immediate relief and reconstruction was provided by CSOs, and financed by the international and donor community, being thereby an alternative to the failing State. Progressively, the State, that had endowed the Lebanese Army with the coordination of relief and security, was excluded from the post-disaster recovery process. In October 2020, the Government allocated LBP 100 billion (under Council of Minister's decision 137/2020 dated October 19, 2020) to compensate only 16.5% of the damaged households.

On the other hand, and although CSOs tried to establish coordination platforms, collaboration, information-sharing and synergy-building remained fragile. Poor coordination and ad-hoc financing hampered the establishment of an inclusive reconstruction and recovery model, inspired from the principles of "Building Back Better". *"The delegation of the recovery to activist movements, nongovernmental organizations (NGOs), and international nongovernmental organizations (INGOs) within a discourse of sidelining the State should be a cause of alert "* (Fawaz & Harb, 2020). Later, the World Bank, in cooperation with the United Nations and the European Union, conducted a Rapid Damage and Needs Assessment, issued the Reform, Recovery and Reconstruction Framework (3RF) to guide the rehabilitation process and established the Financing Facility that was approved by the government (World Bank Group , 2021).

Despite large financial support mobilized by the International Community to assist Lebanon, only USD 34.7 million was disbursed by the donor community through 3RF related mechanisms, while total reconstruction and recovery costs are estimated at about USD 2.58 billion (Sewell, 2021).

The low readiness and quasi-absence of a crisis management plan in line with global standards described above, were significantly detrimental to the offset of the fast-developing and multifaceted crisis. The risk of seeing prospects for recovery and development totally wiped out is increasing, in addition to multiple risks threatening short- and medium-term perspectives.

### Risks on the short and medium term

#### **Two years into the crisis, service-providing public institutions and infrastructure are strained to the breaking point.**

Weak governance and the lack of clear leadership are both root causes and major impediments to the effective management of today's crises and pave the way for prolonged hardship. They also undermine the mobilization of financial assistance needed to exit the crisis, in the absence of the political will to reform. Indeed, donors are careful in not perpetrating the model in place that led to the crisis.

On the short term, risks of a humanitarian disaster are looming if the provision of basic public services is disrupted. Increased poverty has made a larger share of the Lebanese population dependent on public services, which in turn, is adding pressure on operating and investment costs needed for service provision and further straining the financial viability of the State.

In addition, the quasi-unregulated environment in which private sector substitutes operate, often used to palliate for deficient public service provision – such as private generators, private water distributors, fuel importers and others – is ground to uncompetitive practices and high increase in prices. Households' impoverishment and social grievances reinforce the risk of seeing clientelism networks and political capture take over the provisioning of these services, especially as legislative, municipal and presidential elections are set to take place in 2022 and 2023.

On the medium term, if an ambitious and bold restructuring of the financial sector is not done, if no large amounts of foreign financing and investment are mobilized to restore the provision of essential public services such as electricity and water, and transparency and accountability schemes are not strengthened, confidence will not be restored in the system to support economic recovery and growth.

As well, mass migration is driving away talents needed to deliver and provide services, design and implement reforms, and initiate transformation.

Failing to address the on-going crisis risks carries threats to an already fragile social cohesion, amid highly volatile political and social situations characterized by chronic political deadlocks preventing the roll-out of emergency solutions, and leading to mounting anger and frustration among citizens.

Therefore, an effective policy response needs to be informed by a careful and in-depth understanding of the challenges these institutions are currently facing and that are threatening their existence.

## Scope and Objectives of the impact assessment

The present report aims to provide, through a rapid impact assessment, an evidence-based description of the crisis impact on Lebanon's state institutions and their capacity to sustain public service delivery to citizens, to identify inherent risks and inform the design of the policy response.

By evaluating the level of readiness of State institutions prior to the crisis, and their current capacity to maintain the roll-out of the six selected financial and administrative functions, the report identifies targeted immediate actions and strongpoints that can support institutions in sustaining their delivery of vital services on the short and medium term, until more comprehensive solutions are found.

This exercise is also expected to inform policy makers, the media, and donor community on the categories and level of risks that institutional collapse beholds, and to document and voice the public administration's concerns as to their capacity to pursue their mission.

## 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 (Survey questionnaires are available in Annexes 2 to 7).

1. **Budget and planning:** What kind of challenges institutions face in planning their work and producing realistic budgets? How is this situation impacting the delivery of public services? How are they solving their problems?
2. **Procurement:** How are institutions procuring basic goods, services and works? What are the risks of corruption? How are they dealing with suppliers and the market? How is this situation impacting the delivery of public services? How are they solving their problems?
3. **Accounting and Financial Reporting:** What kind of challenges are they facing in paying the bills, maintaining a cashflow? Did arrears grow? Are standards being respected? Are they undertaking regular financial reporting?
4. **Information Technology:** Are they having problems paying their licenses, maintaining their equipment? How are they retaining IT personnel? Are they able to outsource? Do they have a crisis management plan? How is this impacting the delivery of public services? How are they solving their problems?
5. **Human Resources:** To what extent are institutions affected by the loss of talent? How are they filling the gaps? How is this situation impacting the delivery of public services? How are they solving their problems?
6. **Service delivery:** To what extent service delivery has been affected? Which functions/categories of beneficiaries/geographic regions/etc. suffered the most? Are there special measures foreseen to cater most vulnerable groups? Was a crisis management plan designed/implemented?

The first five functions were analyzed as inputs that have an impact on one specific output, that is 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 draw 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 4<sup>th</sup> of August 2020.

Survey questionnaires were made available in Arabic and English languages and reviewed by UNICEF’s representatives 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. Seventy responded, equivalent to a response rate of 50%.** 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 0.1: Average time to fill the surveys

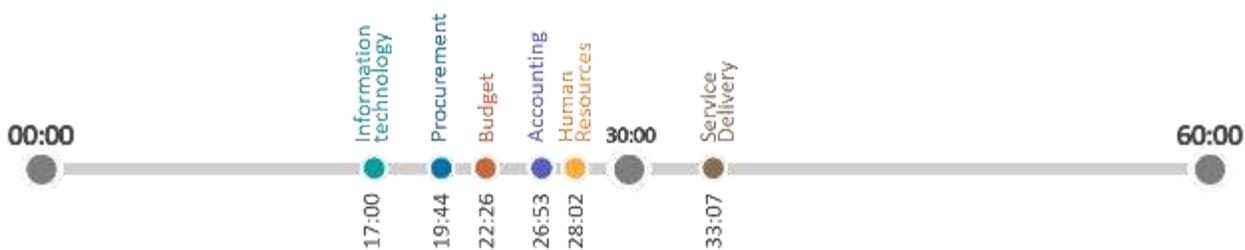


Table 0.1: Disaggregation of the responding sample by type of institution

Number of surveys filled:  
**445** surveys filled

| 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 0.2: Disaggregation of the responding sample by sector and response rate by type of survey

| Sector                              | Total Number of institutions | Number of institutions that filled the questionnaire: |             |            |                  |           |           |
|-------------------------------------|------------------------------|---|-------------|------------|------------------|-----------|-----------|
|                                     |                              | Budget  | Procurement | Accounting | Service Delivery | HR        | IT        |
| <b>Total (excl. municipalities)</b> | <b>70</b>                    | <b>65</b>   | <b>65</b>   | <b>62</b>  | <b>57</b>        | <b>68</b> | <b>66</b> |
| 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         |
| 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         |

|                                     |           |           |           |           |           |           |           |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Environment</b>                  | <b>1</b>  | 1         | 1         | 1         | 1         | 1         | 1         |
| <b>Municipalities</b>               | <b>11</b> | 11        | 11        | 10        | 9         | 10        | 11        |
| <b>Total (incl. municipalities)</b> | <b>81</b> | <b>76</b> | <b>76</b> | <b>72</b> | <b>66</b> | <b>78</b> | <b>77</b> |

The list of participating institutions is available in Annex 1.

## 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 civil 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 the in-focus analysis, namely: (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 faced challenges and future resolutions. The Ministry of Education and Higher Education did not respond nor disseminate the questionnaire to public schools, excluding thereby the analysis of the crisis impact on the education sector that was initially selected as a priority area of focus.

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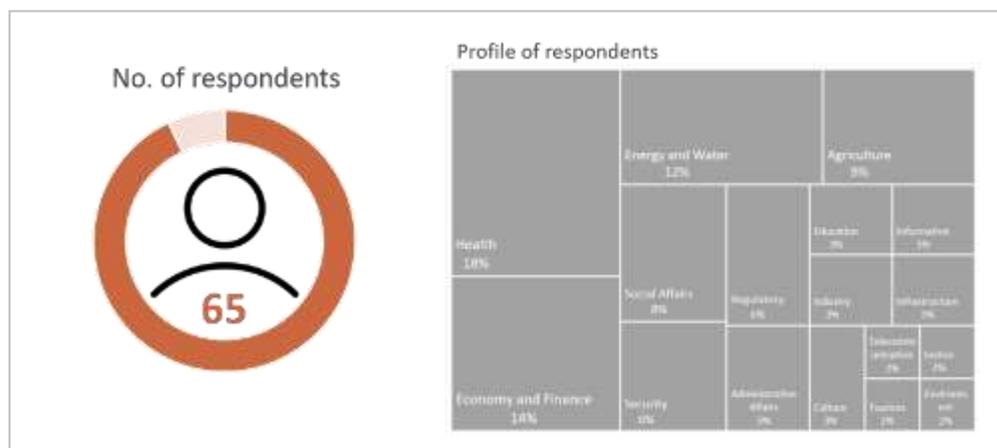
# Chapter 2 :

## Function 1 - Budget and planning

### Impact of a disrupted budget process on 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 reduced the public administrations' capacity to cope with the repercussions of the crisis. As this report is being written, public administrations are operating based on the one twelfth rule of the 2020 Budget law. While some institutions were able to mobilize external financing, the majority faced a significant reduction of their annual budget, notably in allocations needed to finance operations. Coping mechanisms included relying on existing stocks to cover their needs or reducing the use of equipment to save on fuel and maintenance. Budget execution was disrupted by delays in controls and payments and by contracts' suspension. Service provision, notably targeting and impact, was further undermined by the budget's line-item structure that does not allow any performance assessment.

As the vote of the 2022 Budget Law is an utmost priority, and the preparation of the 2023 budget is about to start, other short to medium term recommendations include (1) consolidating the role of the Ministry of Finance in its crisis management role through the introduction of fiscal rules, mandatory ceilings per spending unit, fiscal risk statement<sup>4</sup>, and the tightening of controls over budget approval and execution; (2) enhancing spending units' planning capacities; (3) strengthening budget institutions, notably the Ministry of Finance, Court of Account and Parliament and (4) progressively move towards program budgeting and medium-term planning.



<sup>4</sup> A fiscal risk statement is a statement issued by the Government listing the risks to which public finances are exposed, including both explicit contingent liabilities and implicit contingent liabilities, especially those arising from SOEs, subnational governments, and the financial sector. It typically discloses the size of the potential liability, but not its likelihood of materializing. It can be published as part of the budget.

# Pre-crisis diagnostic and Readiness for the Crisis

## Budget inefficiencies undermine fiscal adjustment plans and the realization of policy objectives

Prior to the crisis, the budget process was geared towards the achievement of sustainable fiscal discipline, even though the country had been struggling with mounting fiscal deficits that reached 10.2% of GDP in 2019. Priorities shifted with the crisis and with Lebanon’s default on its foreign debt payment. Achieving fiscal adjustment was totally undermined by the absence of a budget law in 2021 and , the lack of access to financial markets and a sharp drop in revenues, which were estimated to have reached 11.5% of GDP in 2020, down by 9.1 pp of GDP from 2019. Direct taxes like VAT and custom revenues were estimated to have dropped respectively by 49.7% (YoY) and 34.5% (YoY) over the first 8 months of 2020. As well, telecom revenues were down by 56.5% (YoY) over the same period (World Bank, 2021).

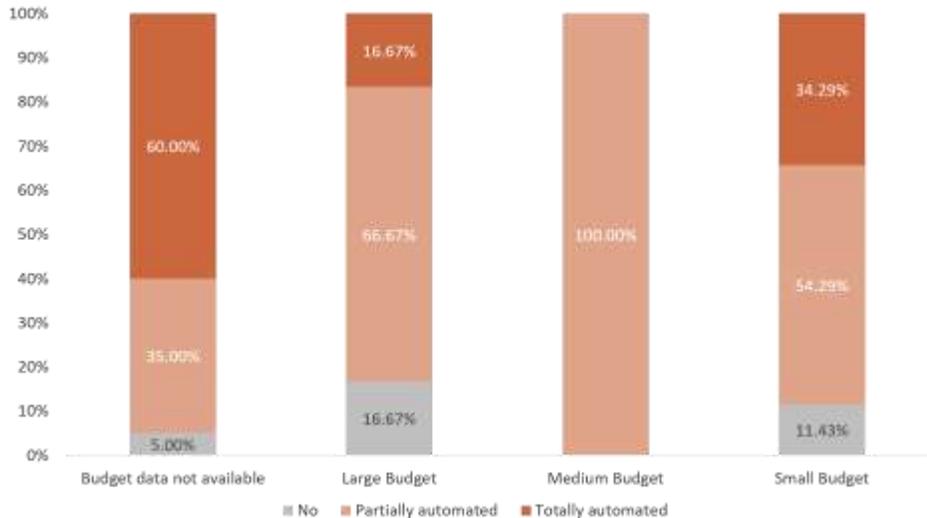
Other challenges crippled the administrations’ capacity and readiness to face such a crisis , such as: (i) the lack of strategic and policy planning in part due to the obsolete line-item structure of the budget, (ii) the absence of an integrated and unified system for budget planning and preparation, and (iii) the lack of cross-governmental coordination.

Prior to the crisis, budget irregularities and mismanagement had already increased the country’s exposure to fiscal risks and put it on an unsustainable fiscal path. Sectoral policies were not translated into programs and policy objectives through the budget. The existing process did not allow for an effective and efficient service delivery. Yet, most respondents considered that major challenges to the budget preparation process were external to their institutional capacities and systems.

## Budget preparation crippled by the lack of strategic planning, automation and guidance

More than 90% asserted that the budget planning process, including the estimation of expenditures and revenues when applicable, was at least partially automated. However, systems were neither unified nor integrated with that of the Budget Directorate, which compromised the benefits of automation within these institutions.

Figure 0.1: Automation of the Budget process according to the budget size



Note: Institutions whose budget is included in the 2020 budget law were classified according to their budget size:

- Small Budget: Institutions with a budget between [0;50] billions of LBP (53.8% of surveyed institutions)
- Medium budget: Institutions with a budget between [50; 200] billions of LBP (6.2% of surveyed institutions)
- Large budget: Institutions with a budget above 200 billion of LBP (9.2% of surveyed institutions)

30.8% of surveyed institutions didn't have their budget included in the State budget law.

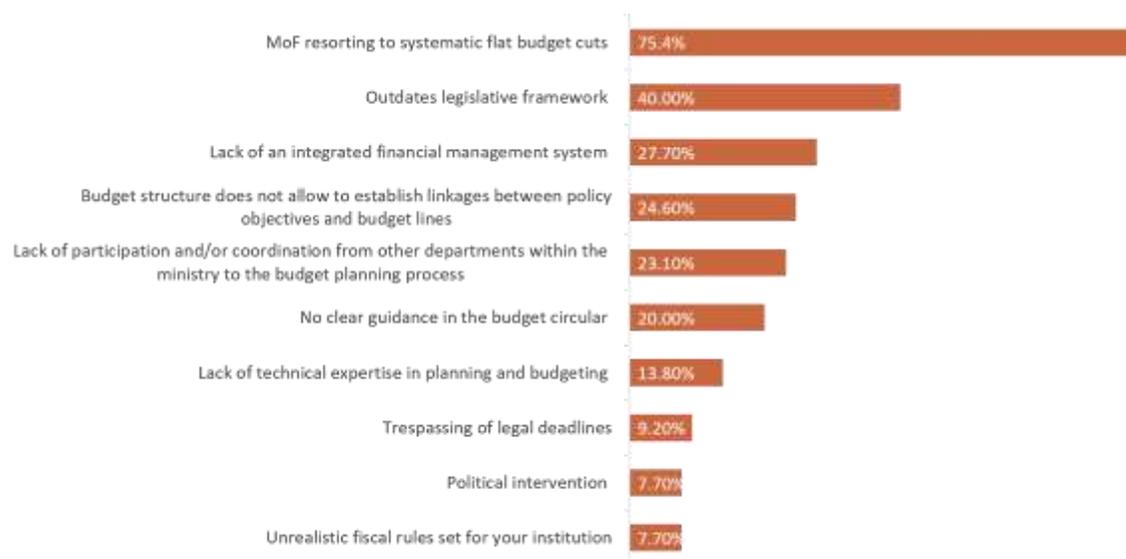
84.6% of the respondents abided by the legal deadlines, implying that political deadlock and the late issuance of the budget circular are the major reasons behind recurrent delays.

Among the main weaknesses hindering the budget preparation process, surveyed administrations listed the following: the Ministry of Finance resorting to systematic flat budget cuts (75.4% of respondents), the outdated legislative framework (40.0% of respondents), and the lack of an integrated financial management system (27.7% of respondents). All of these factors are external to the institutions.

The only internal weakness stated was the lack of participation and/or coordination within the organization in the budget planning process, which is a common dysfunction across most spending entities. The budget process is not a participative and strategic planning process. It is a compilation of budget estimations made on the departments' level, and not framed by a discussion on policy objectives and performance indicators.

The budget preparation follows a bottom-up approach, with minor guidance provided on ceilings (only indicative ceilings are mentioned in the yearly budget circular based on past year's appropriations) and no mandatory spending envelop is 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.

Figure 0.2: Main weaknesses in the budget preparation process

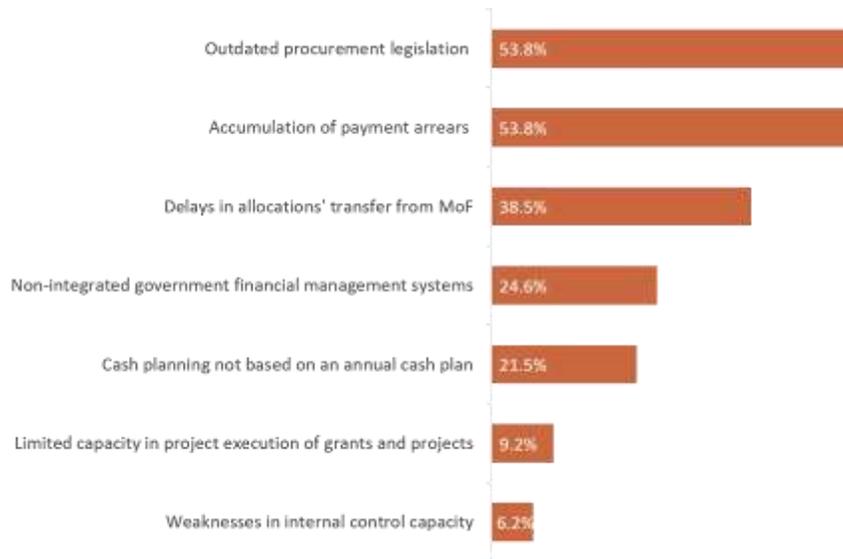


### Budget execution suffers from an outdated legislation and irregular allocations' transfer

The outdated legal framework was also stated among the top challenges hindering budget execution (53.8%), followed by the Ministry of Finance's delays (i) between spending commitments and effective

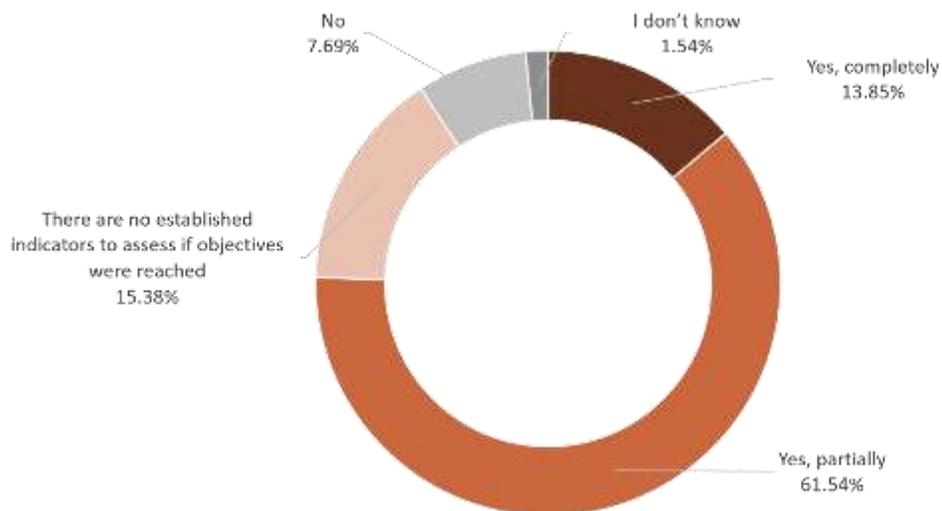
payments leading to an accumulation of payment arrears (53.8% of cases), and (ii) in transferring approved allocations to the concerned ministry (38.5%).

Figure 0.3: Main challenges facing budget execution



Despite these challenges, only 7.7% of respondents stated that they were not able to meet/realize their policies and programs objectives, while the majority 75.4% confirmed meeting at least partially their policy objectives. However, these figures put forth a perception bias or weak understanding of the policy perspective of the budget instrument. For instance, among the institutions considering that the budget structure does not allow to establish linkages between policy objectives and budget lines, 56.2% still stated they were able to partially realize their policies and program objectives.

Figure 0.4: Prior to the crisis, was your organization able to meet/realize its policies and programs objectives?



On a parallel note, 38.5% of the respondents had not anticipated the upcoming crisis and consequently did not take any preventive measure.



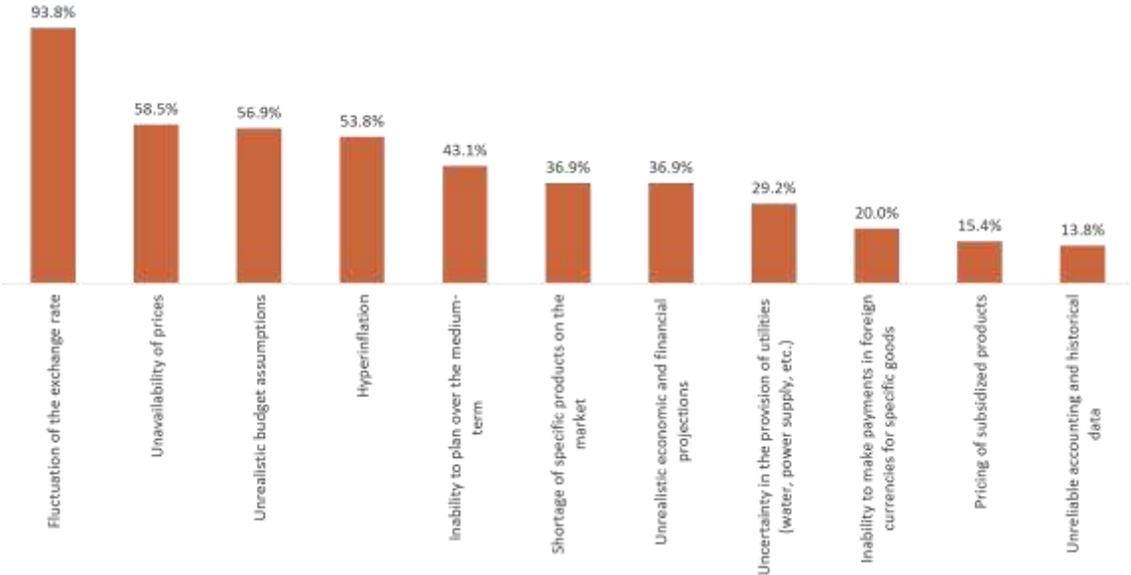
In municipalities, most of the respondents anticipated a crisis (81.82%) but did not realize repercussions thereof.

## Crisis impact assessment

### Budget cuts and loss in nominal value as well as limited external financing substantively reduced the administrations’ margin of operations to cope with the crisis

Many of the respondents (93.8%) identified the monetary crisis as one of the main challenges that restrained their capacity to properly plan and budget. The ongoing fluctuation of the exchange rate in a market highly relying on imports rendered the planning exercise very complex as prices were either unavailable (suppliers refused to submit price offers in LBP) or unpredictable while hyperinflation was soaring.

Figure 0.5: With the unfolding crisis, what are the main challenges faced by your organization during the planning and budgeting process?



Despite difficult financial conditions and the scarcity of resources, some institutions succeeded in mobilizing alternative sources of financing, mainly provided by the private sector and philanthropic associations (52.9% of cases) and by donors (70.6% of cases). But the majority of the received aid was in LBP. Only 21.0% of these administrations actually received financing in foreign currency. Those were managed mainly through the ministry/institution’s account at BDL or in direct payments to beneficiaries.

The majority of other institutions either relied on rescaling operations and reducing operational costs, or on drastically reducing and reprioritizing their annual budget and action plans.

 30% of surveyed municipalities resorted to other sources of financing mainly from associations or individual aid from residents. All direct aid received by municipalities was in LBP.

Figure 0.6: Share of the budget financed by external parties during the crisis

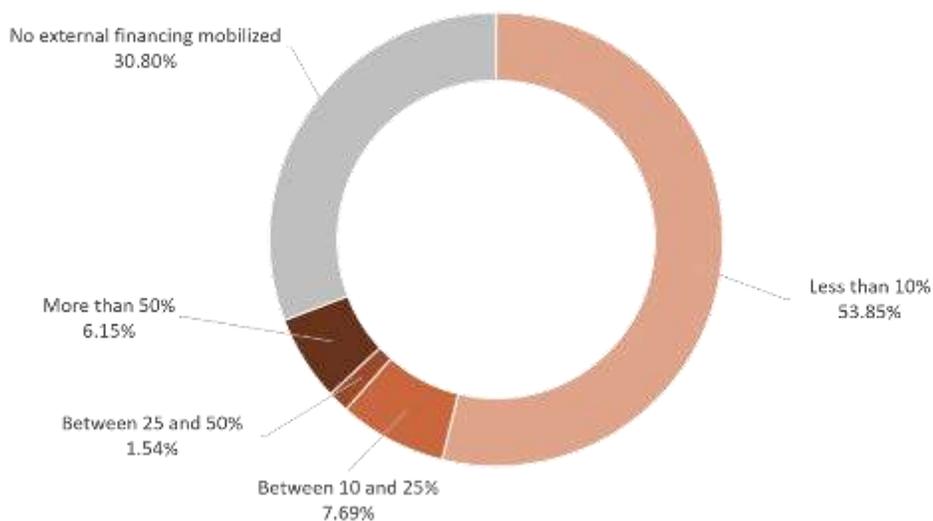


Figure 0.7: Examples of measures undertaken by various sectors

|   | Health                              | Energy and Water                    | Economy and Finance                 | Social Affairs                      | Agriculture                         | Security                            |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Used the previous year plan as a baseline and applied a flat increase           | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |                                     | <input checked="" type="checkbox"/> |
| Drastically downsized and reprioritized the annual plan                         | <input checked="" type="checkbox"/> |
| Sought alternative sources of financing (donors, private sector, etc.)          | <input checked="" type="checkbox"/> |                                     |
| Rescaled operations and reduced operational costs                               | <input checked="" type="checkbox"/> |
| Tried to identify alternative cheaper goods and services                        | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |                                     |                                     |
| Increased the budget knowing that the Ministry of Finance will apply a flat cut | <input checked="" type="checkbox"/> |                                     |

During the fiscal year, only 16.9% of responding administrations were able to adjust their work plan and put in place alternative measures to sustain normal operations. 41.5% tried to apply an alternative plan but

were constrained by fast-changing conditions and weak adaptive capacity. Finally, 30.8% stated that the applicable legal framework did not allow them to introduce any change.

Figure 0.8: Were PA able to adjust your work plan during the year to sustain your organization's normal operations?

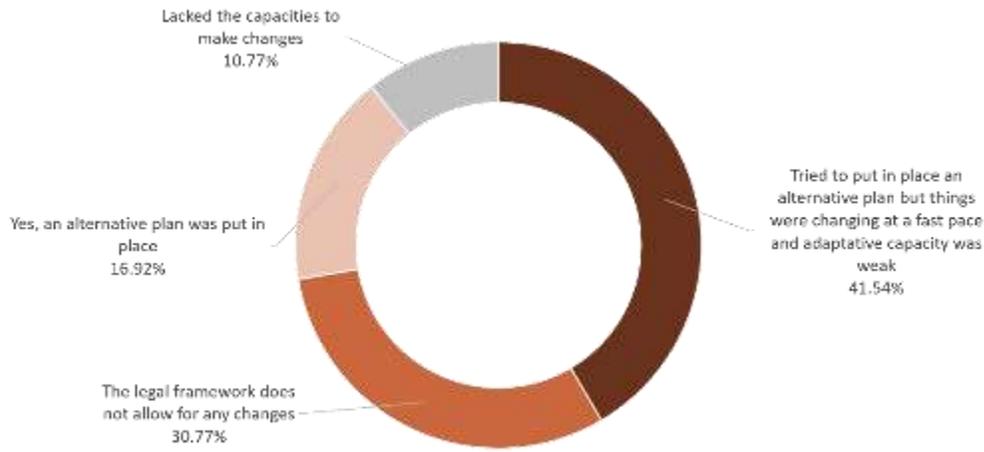


Figure 0.9: Frequency of monitoring and revision of annual budgets

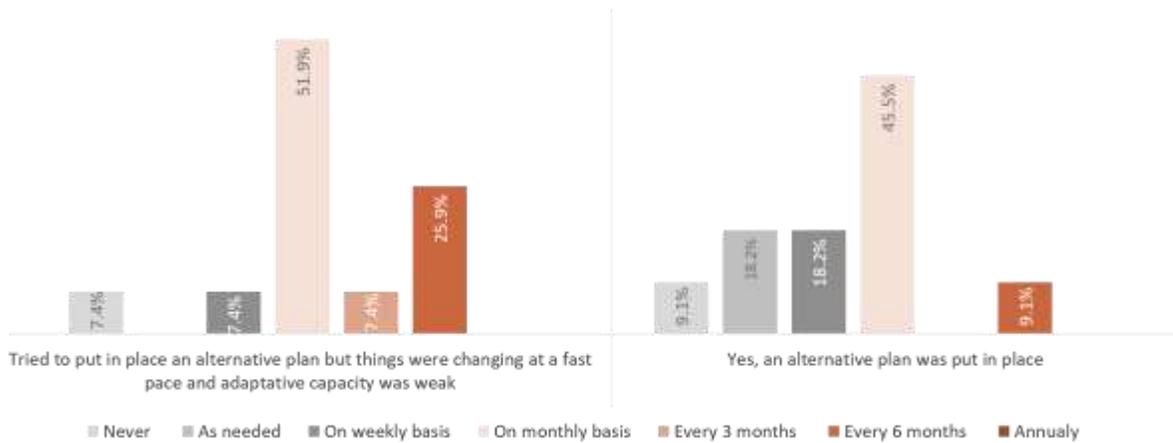
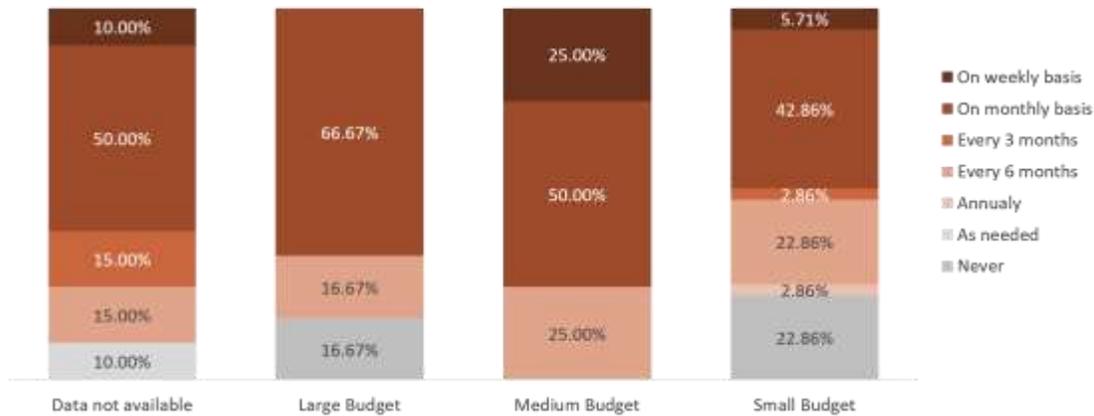


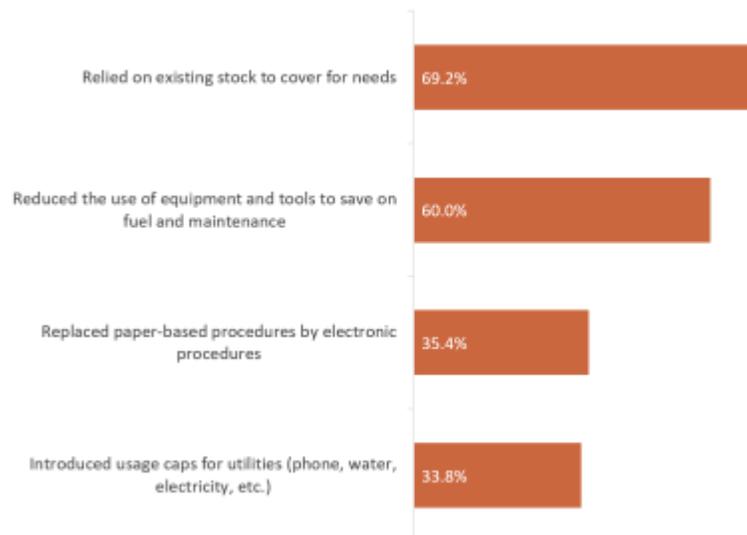
Figure 0.10: Frequency of budget revision according to budget size



Diving further into the budget, 53.8% of the administrations were subject to 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, the cut exceeded 20%.

To cope with the cut in expenditures, 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.

Figure 0.11: How did PA managed to reduce expenditures?



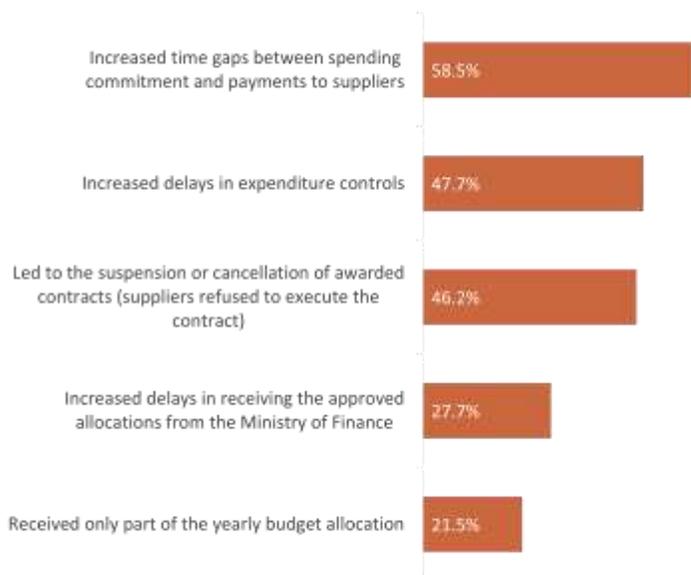
Among revenue-generating entities, 35.9% witnessed a reduction of more than 30% in nominal revenue collection.

 This percentage reached 63.64% in responding municipalities.

### The crisis has altered an orderly budget process and budget execution was largely disrupted by delays in controls and payments and by the suspension of contracts

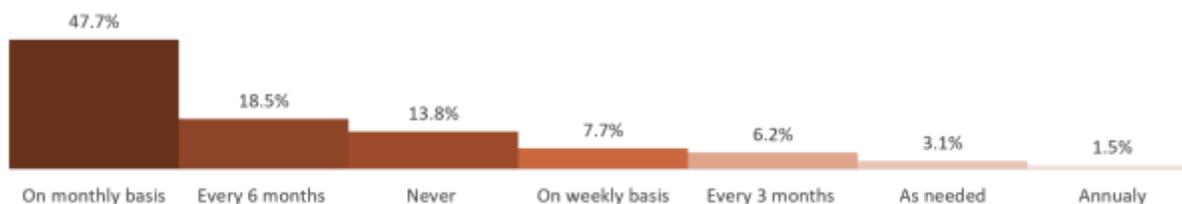
On another note, the budget execution process was also disrupted by the crisis, and this was reflected in three areas: an increase in the time span between spending commitment and payments to suppliers (58.5% of respondents), followed by increased delays in expenditure controls (47.7% of respondents) and by a suspension or cancellation of awarded contracts (with suppliers refusing to execute contracts). These will be further developed in the procurement section.

Figure 0.12: How did the crisis disrupt the budget execution process?



Despite all uncertainties and financial gaps, only 55.4% of the respondents claimed having resorted to the regular and frequent monitoring of their budget execution (on monthly or weekly basis) while others were less pro-active. On a parallel note, the majority of respondents (30.8%) lacked access – or only in minor percentage (less than 10%) – to the financial aid of donors or external parties.

Figure 0.13: How often do you monitor and review your executed budget?



### Impact of the Beirut Port explosion on the Budget process

44.6% of the surveyed administrations were totally or partially damaged by the Beirut Port explosion; 58.6% of which were able to budget for reconstruction from their own annual budget is in LBP. 82.8% were able to secure financing through grants and donations from the private sector or international organizations and donors. Only 10.3% received funding from other local public entities. However, the quarter of the respondents (23.1%) were not able to mobilize financing for reconstruction because of the scarcity of funds from within the LBP budget and suppliers' reluctance to work with the state institutions.



The majority of responding municipalities were not able to secure any external financing after the crisis. Only 36% succeeded in securing less than 10% of their budget.

## Areas of risks and fragility

**The budget's regulatory framework is outdated.** It abides by a line-item structure solely focused on spending inputs with no linkages to policy objectives. This substantively **weakens the efficiency and effectiveness of service delivery** and does not allow to conduct any performance analysis, with the objectives of improving their targeting or enhancing their 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. This **undermines the Government's ability to plan and finance its recovery program** as long as the annual budget is not used as one of the most important policy instrument.

In addition, **the limited coverage<sup>5</sup> of the budget (characterized dozens of central government entities that operate off-budget) increases existing fiscal risks and carries important risks for the continuity of public service delivery.** The perpetuation of off-budget spending at times of acute crisis is a malpractice that will lead to growing contingent liabilities and fiscal deficits, weakening oversight, and contribute to further eroding accountability and trust.

**The limited guidance and instructions provided by the Ministry of Finance is being restrictive to fiscal discipline.** In times of economic and financial crisis, Ministries of Finance are pushed to the forefront of the policy response. They are called upon to reinforce their monitoring of fiscal risks and to consolidate public sector operations. To meet those critical objectives, it is essential for the Ministry of Finance to sharpen its policy and regulatory role by shifting emphasis from controlling inputs to managing outputs and outcomes, and further towards macro-fiscal analysis and bold policymaking (IMF, 2015). Otherwise, spending will remain in disarray, with no clarity on spending decision and transparency on actual implementation; spending units will not be supported in consolidating their financial management practices and the country will miss on the opportunity to engage on a sustainable fiscal path going forward.

Finally, **the decrease in revenues collected or generated by public institutions**, resulting from the combined economic recession, limited tax collection and from tax evasion, has been exacerbated by the coexistence of multiple exchanged rates on the market, and **is depriving the state from valuable resources needed to meet its obligations, mitigate the impact of the crisis on livelihoods and support economic recovery.**

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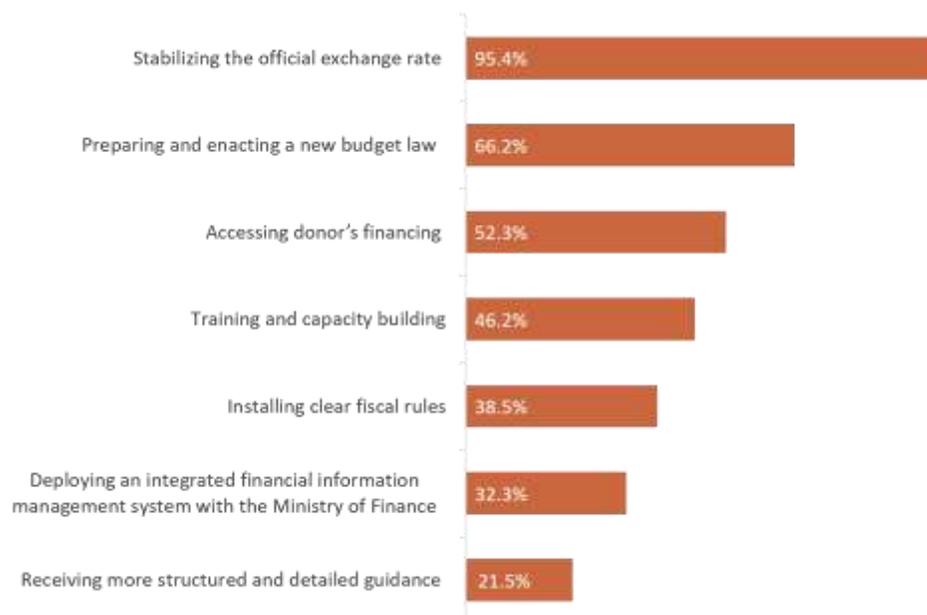
<sup>5</sup> Budget coverage or comprehensiveness is a budget principle that calls for the budget to cover all government agencies and other institutions undertaking government operations, so that it presents a consolidated picture of these operations and is voted on, as a whole, in the parliament.

## 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%)

Figure 0.14: Priority areas of action to help your PA mitigate the impact of the crisis on its budget function



Short to medium term recommendations include:

### 1. Support the Ministry of Finance in consolidating 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 through the introduction of robust guidance tools such as fiscal rules based on enhanced forecasting, mandatory ceilings per spending unit, fiscal risk statement, prioritization of expenditure to ensure a minimum level of service provision in key vital sectors, etc. Measures shall also be enforced to systemize and tighten controls over budget approval and execution, notably through the streamlining and possible integration of financial information management systems in place.

### 2. Enhance spending units' capacities for planning

This would include capacity development programs tackling strategic planning for budgeting, cost estimates and budget outturn, revenue mobilization, cost pricing and analysis under multiple exchange rates, cash planning, public investment management, etc.

Enhancing capacity is a milestone as experience showed that countries with stronger planning institutions have generally been quicker in formulating and adopting comprehensive fiscal adjustment plans (IMF, 2014). Enhanced capacity is also capable of helping achieve a more effective organization across the public sector and within each spending entity.

### 3. Strengthen budget institutions, notably the Ministry of Finance, Court of Accounts and Parliament

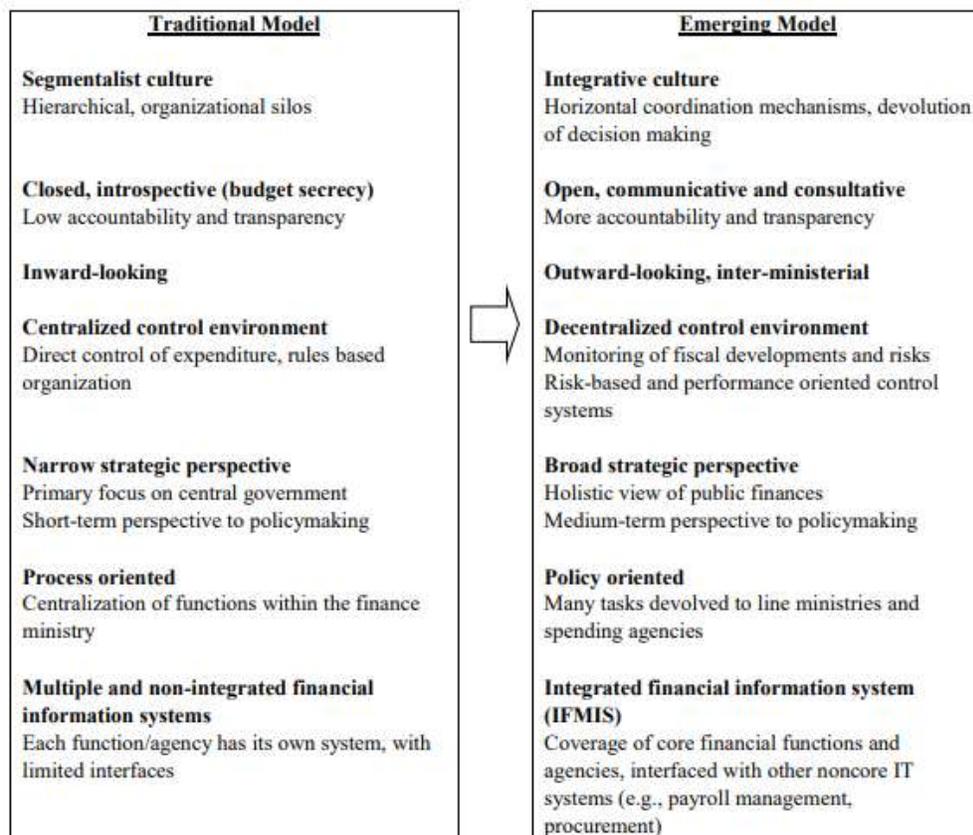
Conduct institutional capacity assessments, identify priority institutional reforms and design action plans aimed at developing and consolidating these institutions' capacities and systems, in order to improve planning, execution and oversight. In addition to enhancing performance, improving surveillance and scrutiny shall be considered as a critical component for improving accountability and restoring citizens' trust in State institutions.

This shall support as well on the longer run, and in particular the Ministry of Finance, an evolution of its traditional model and segmented culture towards a modern organization and integrative culture (Figure 2.14).

### 4. Progressively move towards program budgeting and medium-term planning, and ultimately towards a new organic budget law.

This would allow to better 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 0.15: Emerging Role and Culture of Finance Ministries



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

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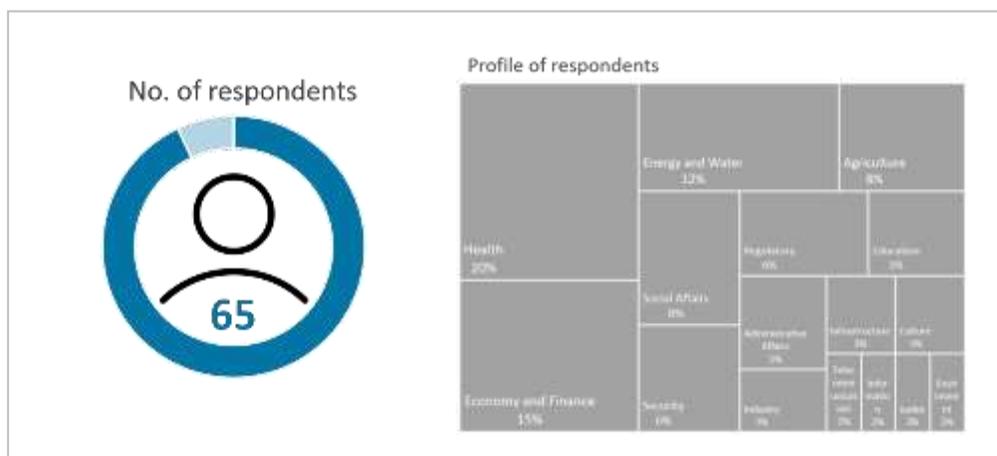
# Chapter 3 :

## Function 2 – Public Procurement

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

The crisis prompted severe disruptions mainly in the procurement of goods and 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 such as fuel, spare parts and IT equipment to be met. The crisis also led to a growing number of breaches, interruption, or suspension of existing contractual agreements, notably in the provision of fuel, maintenance services, works and construction as well as in IT and digital infrastructure. It induced a rise in non-competitive procurement practices with public administrations reverting increasingly to direct contracting and mutual agreements, especially for emergency procurement (medical equipment, drugs, etc.). To mitigate for the impact of the crisis, few administrations tried to implement practical solutions among which the set-up of short-term planning frameworks, diversification of sourcing and suppliers and payment on cash-basis.

The shortages of goods and the fast deterioration of public infrastructure and facilities due to the lack of maintenance can be addressed by short-term actions such as immediate simplification of procurement requirements, the development and enforcement of standards for inventory and stock management that would put forth safety and efficiency, the introduction of new practices such as Centralized Purchasing and Framework Agreements and on the medium-term the effective entry-into-force of the new Public Procurement Law 244/2021 foreseen for August 2022.



# Pre-crisis Diagnostic and Readiness for the crisis

## Public procurement weights upon service delivery

Public procurement in Lebanon was estimated to account for 20% of central government expenditures and 6.5% of GDP over the period between 2010 and 2020 (Institut des Finances Basil Fuleihan, 2020). Despite its size, Lebanon’s 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). Even before the crisis, these gaps affected the quality and timely delivery of basic services to citizens.

Figure 3.1: Total estimated size of public procurement in Lebanon (2010-2020)



Source: (Institut des Finances Basil Fuleihan, 2020)

## A challenging pre-crisis situation characterized by low to medium planning capacity and weak crisis prevention measures, that prompted low readiness

The survey results pointed out to a worrying pre-crisis situation characterized by low to medium planning capacity as only 52.3% of surveyed administrations partially abided by their annual procurement plan and 23.1% did not prepare a procurement plan at all. Surprisingly, 69.2% of administrations did not take preventive measures related to their procurement procedures in anticipation of the crisis. Among the 30.8% remaining that did take preventive measures, administrations mentioned implementing practices such as:

- Emergency and priority purchasing only or in quantities that would ensure business continuity and for a limited period of time (e.g. diesel for generators, drugs for the emergency rooms in public hospitals, spare parts for machinery, stationary, etc.);
- Rationing of publications, stationery, and office equipment to prevent disruption and limit purchasing;
- Tighter control over the distribution of goods to beneficiaries (e.g. drugs);

- Increasing safety stocks, especially for raw materials;
- Purchasing spare parts to prevent work disruption and the continuation of the public facility;
- Asking suppliers to deliver equipment and purchased materials immediately upon contract signature and in return of a down payment, while full payment would be done at a later stage;
- Paying suppliers in cash, based on budget advances.

Figure 3.2: Examples of preventive measures according to sectors

| Sector                     | Measures  |
|----------------------------|---|
| <b>Health</b>              | <ul style="list-style-type: none"> <li>▪ Emergency and priority procurement</li> <li>▪ Purchase of drugs in sufficient quantities for a limited period of time</li> <li>▪ Tighter control over the distribution of drugs to beneficiaries</li> <li>▪ Tighter planning in the procurement process (stationary, fuel, etc.)</li> <li>▪ Reduction of purchasing and elimination of selected materials</li> </ul> |
| <b>Security</b>            | <ul style="list-style-type: none"> <li>▪ Priority procurement</li> <li>▪ Use of budget advances (permanent and contingent) to pay suppliers in cash.</li> </ul>   |
| <b>Industry</b>            | <ul style="list-style-type: none"> <li>▪ Increase of safety stocks, especially for raw materials needed for national industry.</li> <li>▪ Priority procurement</li> <li>▪ Purchase in sufficient quantities of fuel, chemicals, stationary and other materials to secure operations in the medium term.</li> </ul>  |
| <b>Economy and Finance</b> | <ul style="list-style-type: none"> <li>▪ Purchase of spare parts to prevent work interruption and guarantee the continuation of the public facility</li> <li>▪ Request from suppliers to deliver stationary and technical equipment immediately upon contract signature in return of a down payment.</li> </ul>   |

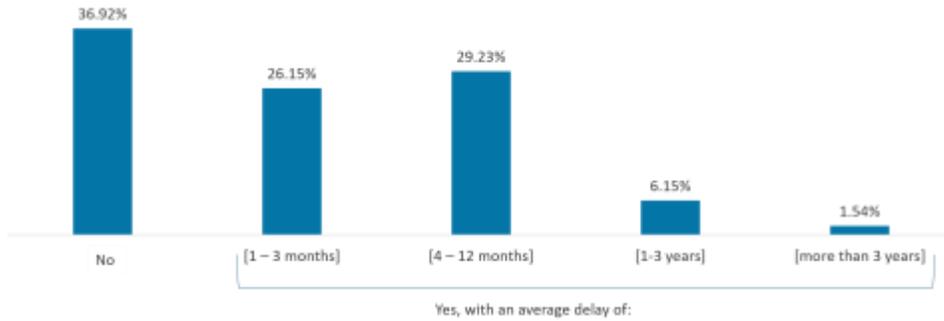
### Substantive liquidity shortages and payment arrears

The pre-crisis situation was also characterized by liquidity shortages as more than 55.3% of the surveyed administrations faced payment arrears varying between one to twelve months; 6.2% of the administrations took between 1 to 3 years to pay their suppliers and consultants.

The results were in coherence with the findings of the MAPS survey 2020 report (AFD; Government of Lebanon; World Bank , 2021) that pointed out to inadequate procurement planning (procurement plans are not systematically prepared and published) and weak integration with financial management (lengthy payment procedures) as well as to fragmented operations and shortcomings at all stages of the procurement cycle (AFD; Government of Lebanon; World Bank , 2021).

In the pre-crisis situation, procuring entities failed to get the benefit of wide and active competition, while relatively few enterprises were able to successfully use the opportunities in the public procurement market. These weaknesses were expected to further strain procurement outcomes amid the economic, financial and currency crisis.

Figure 3.3: Does your ministry/institution face payments arrears in settling the dues to its suppliers, contractors, and consultants?



**Stationary, fuel, IT related equipment and maintenance services figured on the top list of purchases**

At the operational level, and to run properly, administrations used to mostly buy stationary, fuel and IT equipment; the prices of which have increased by 300 to 650% over the past year.

In terms of services, they also used to primarily procure maintenance services, followed by cleaning and printing services.

Figure 3.5: Procurement of goods

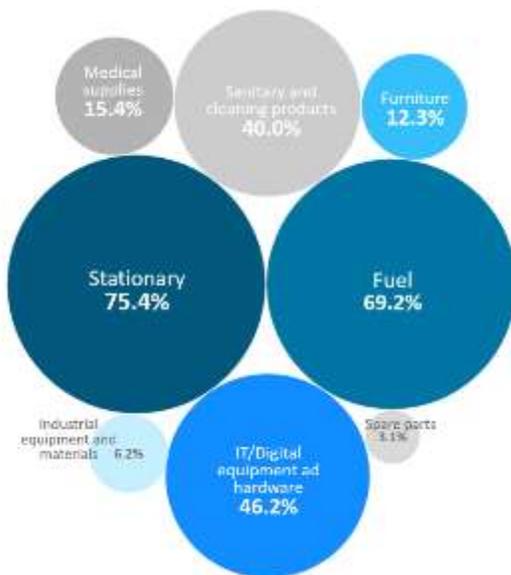
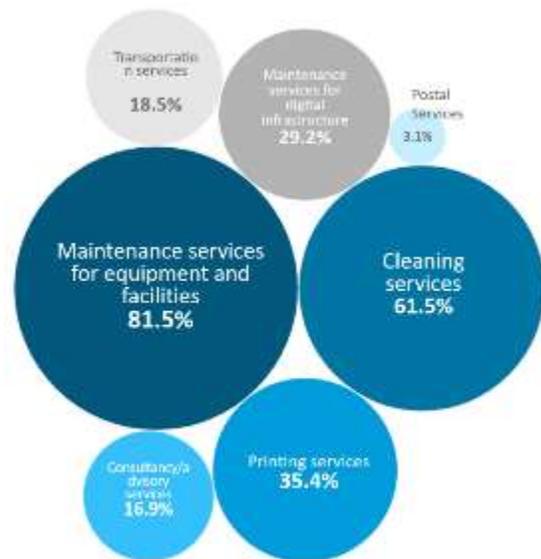
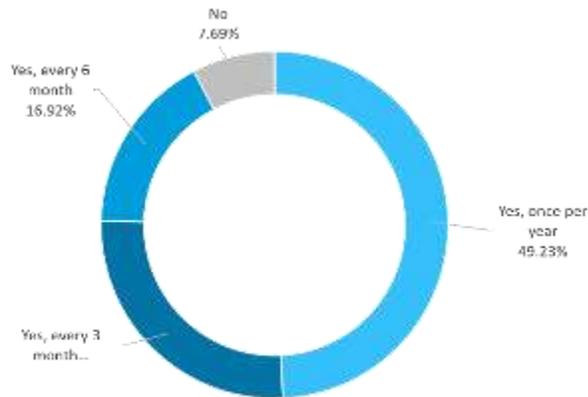


Figure 3.4: Procurement of services



In terms of **stock management**, most of the surveyed administrations conducted their stock inventory once per year. Only 16.9% kept a regular stock management, performing thereby a monthly inventory.

Figure 3.6: Do you keep a regular inventory of your stock?



In only 32.3% of the cases, inventory was maintained according to a written stock policy that abided by norms and standards. In 52.3% of the administrations, it was maintained with no written stock policy.

It is worth noting that good stock and inventory management (storage and record keeping) in line with public accounting norms and standards is essential to avoid waste, optimize procurement costs, sustain the provision of goods or operations and inform forecasting for the next procurement plan.

## Crisis Impact Assessment

### Inflation and budget cuts: double strike to both public administrations and market

Procurement processes have been the most impacted by the collapse of the currency peg (in 81.5% of the cases), followed by severe budget cuts and scarcity of financial resources (10.8%). **Procurement of goods** suffered the most as it composes the largest share of procurement.

Figure 3.7: What type of procurement was mostly affected by the crisis?



Indeed, in 93.9% of the cases, the increase in prices in LBP and exchange rate's fluctuations undermined the administrations' capacities to procure goods. In 66.7% of the cases, it was due to the suppliers' reluctance to work with the public sector. In 60.3% of the cases, it was the suppliers' payments

requirements (immediately and in cash) that were sometimes contradictory with the Public Accounting Law that undermined purchasing. And in 66.2% of the cases, it was the suppliers' requests to be paid in foreign currencies.

Similarly, the **procurement of works** was mostly challenged by the increase in prices in LBP and exchange rate's fluctuations (86.2% of responses), followed by the contractors' requests to be paid in foreign currencies (63.51%), the contractors' reluctance to work with the public sector (56.9%), payments requirements that were sometimes contradictory with the Public Accounting Law (50.8%) and shortages in financing (58.5%).

For the **procurement of services**, the consultants and service providers' requirements to be paid in foreign currencies (44.6%) and other requirements that were sometimes contradictory with the Public Accounting Law (40.0%) had the most significant impact on the process across all responding administrations.

### The banking crisis is affecting the flow of supplies

According to surveyed administrations, contractors and suppliers' inability to provide required official and financial documentation such as bank guarantees (bid and performance) were mentioned occasionally as challenges to the procurement process. However, according to interviewed suppliers and contractors, the banking crisis has significantly affected their ability to participate to public tenders due to difficulties faced in obtaining required official and financial documentation such as bank guarantees (bid and performance). This divergence in points of view reflect the limited dialogue between private and public actors.

Payment delays and arrears on the procurement of goods and works was not significant. It had, however, a more significant impact on the procurement of services.

Figure 3.8: Challenges that had a negative impact on the procurement of goods

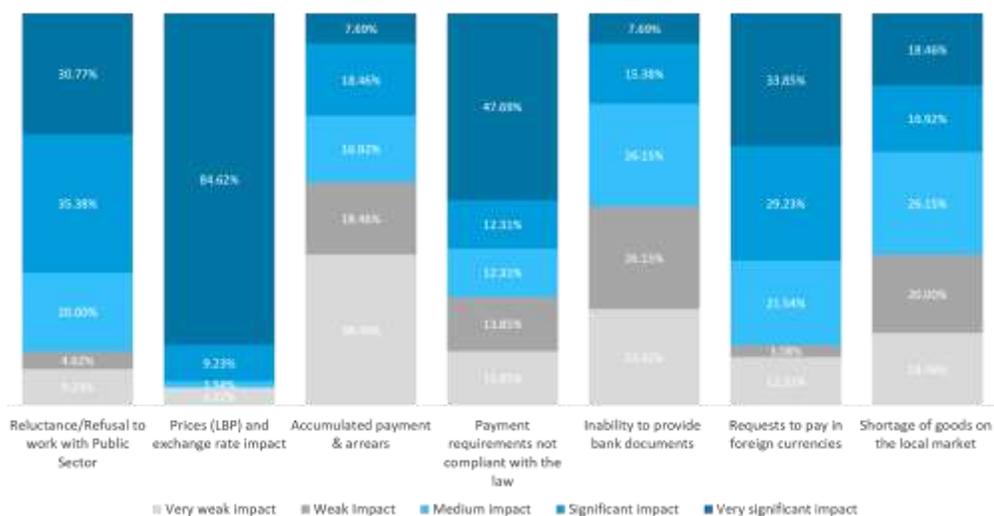


Figure 3.9: Challenges that had a negative impact on the procurement of works

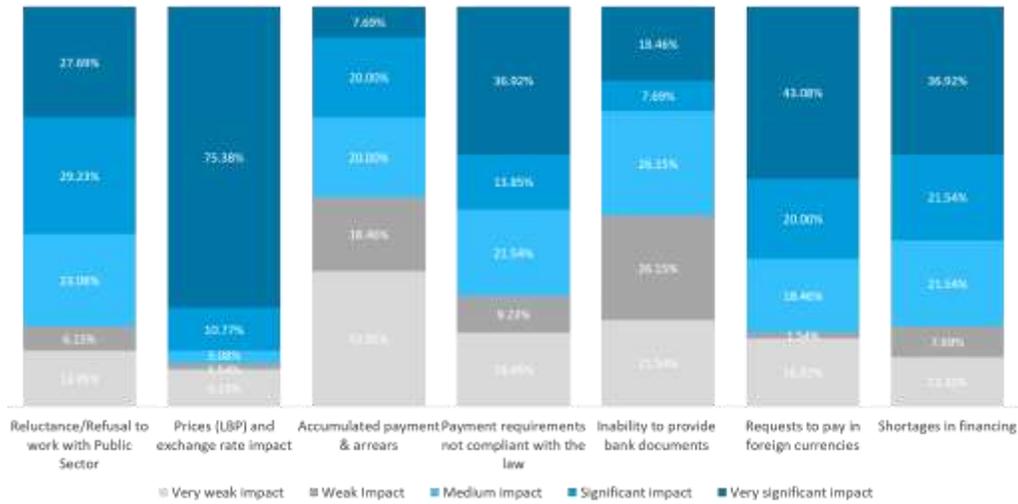
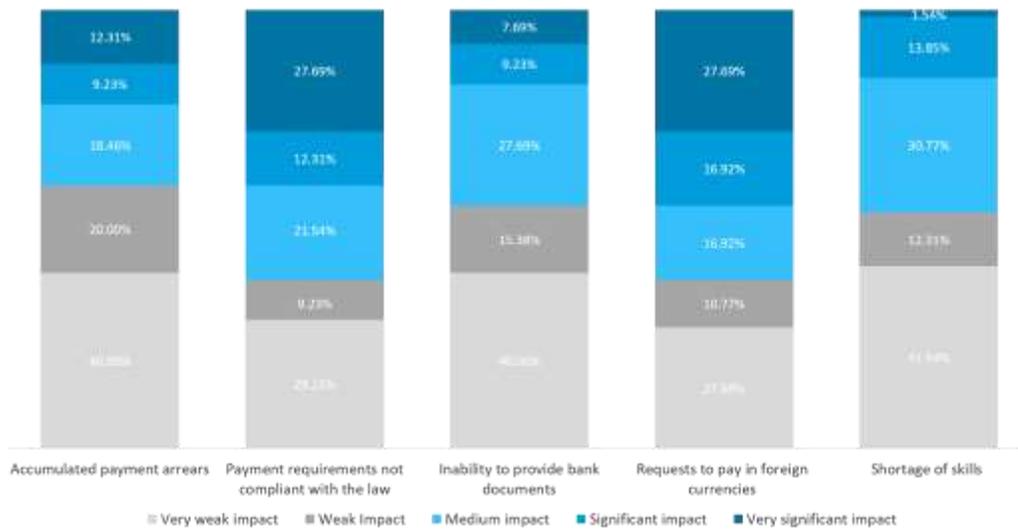


Figure 3.10: Challenges that had a negative impact on the procurement of services



### The failure to meet priority needs led to severe disruptions

The analysis by type of procurement revealed that:

- In terms of **goods**, surveyed administrations faced difficulties in procuring fuel, spare parts, stationery, and IT equipment. In 67.7% of the cases, administrations were not able to fill the demand from draining stocks, which might lead to significant future disruptions.

Figure 3.11: What are the goods you have most difficulty procuring under current circumstances to run daily operations?

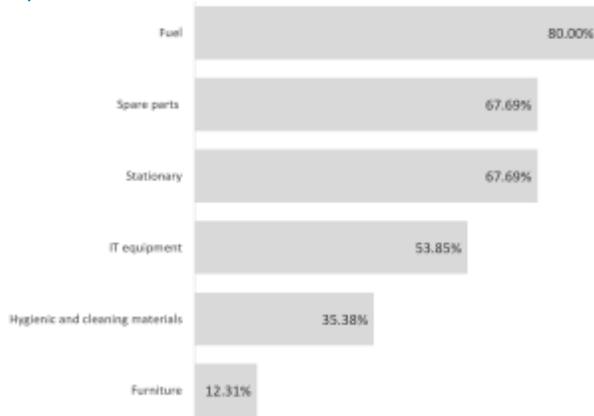
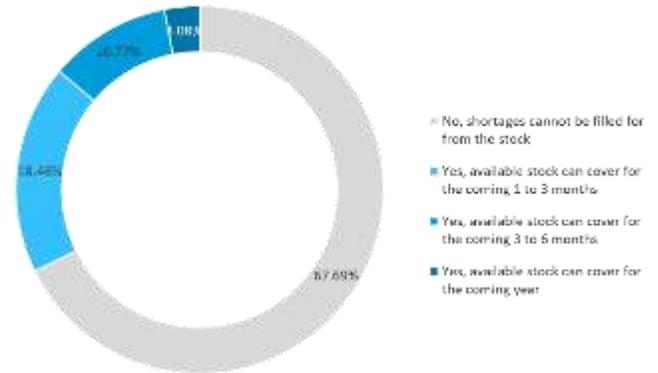


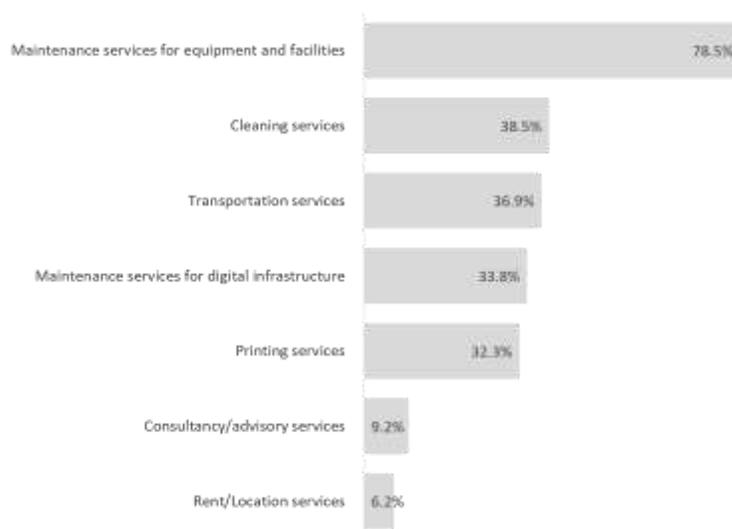
Figure 3.12: Is your stock able to cover for the disruption in the procurement of goods?



- In terms of **services**, the procurement of maintenance, transportation, and cleaning services as well as digital infrastructure were listed among the top challenges. These had a direct impact on the administrations' ability to ensure proper maintenance of offices and facilities, adequate working conditions for their employees and proper welcoming edifices for citizens.

These findings also raised questions concerning the status of digital infrastructure and equipment as well as to the capacity of the Lebanese public administration to keep running existing information systems and protect existing digital data. Function 4 addressing the impact of the crisis on Information Technology provides further insights on this topic.

Figure 3.13: What are the services you have most difficulty procuring under current circumstances?



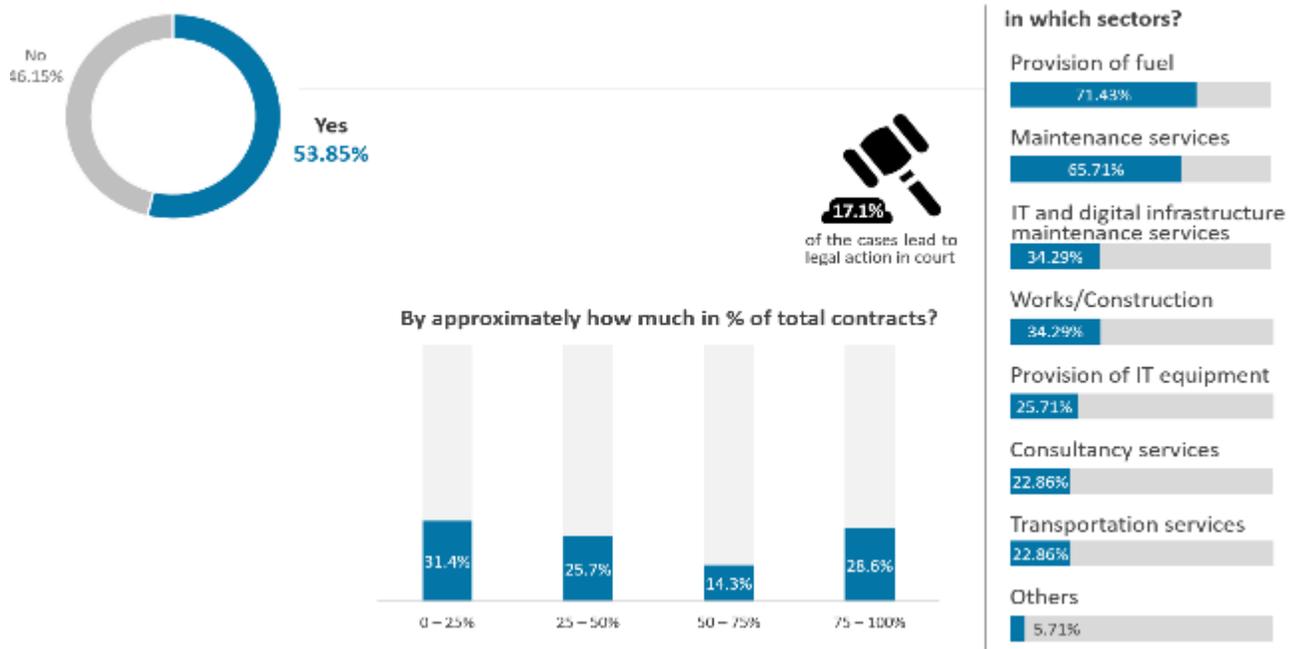
### The crisis is promoting non-competitive procurement practices

In terms of **contracting and relations with suppliers and contractors**, 21.5% of surveyed administrations admitted reverting increasingly to direct contracting and mutual agreements (instead of going through market competition) since the beginning of year 2020, especially in what concerns emergency procurement (medical equipment, drugs, etc.). In 42.9% of the cases, the share of mutual agreements (i.e. contracts that did not follow a competitive procure process) varied between 25 and 50% of the share of total bids. The rise in uncompetitive practices raises concerns as to the efficiency and value-for-money of the procured goods and services.

### Breach, interruption or suspension of existing contractual agreements are prevailing

It was noted that in 53.9% of the cases, the crisis led to breach, interruption or suspension of existing contractual agreements, notably in the provision of fuel, maintenance services, works and construction as well as IT and digital infrastructure maintenance services. In 42.8% of the cases, breaches affected more than 50% of total contracts.

Figure 3.14: Did the crisis lead to breach, interruption, or suspension of existing contractual agreements?



However, in 82.9% of the cases, it did not lead to legal actions in courts.

### *Recovery from Beirut Port explosion is far from being achieved*

Looking at the consequences of the Beirut Port explosion, only 20.0% of the surveyed administrations were able to fully repair damages caused by the disaster. 35.4% of them partially repaired their facilities and 15.4% did not have the means to fix the damages.

For the ones undertaking full repair, works were financed primarily from the state budget in LBP (38.5%). 23.1% of administrations were able to mobilize grants and donations and 23.1% other funded the works through external financing, notably international aid.

For administrations that conducted partial repair, 60.9% financed works from the state budget in LBP, 34.8% mobilized grants and donations and 17.4% funded the works through external financing, notably international aid.

### Administrations tried to install practical solutions to face disruptions

In response to the crisis, only 18.5% of the surveyed administrations were able to implement practical **solutions** to the disruptions faced across the procurement cycle such as:

- The set-up of short-term planning frameworks (e.g. quarterly) and daily follow-up with suppliers. This was possible notably with suppliers with whom the administrations have trustworthy and longstanding working relations.
- The diversification of sourcing and suppliers, regardless existing contracts.
- Payment in foreign currencies or at market rates in LBP.
- New propositions to amend the financial procedures in force.
- Request budgetary advances to pay suppliers and contractors in cash.
- Reliance on institutional revenues and constantly monitoring revenues against expenditures based on simple accounting programs recently applicable.



**Municipalities and adaptive capacity:** All responding municipalities were neither able to modify their advertisement practices for procurement opportunities, nor to put in place innovative solutions to the disruptions faced in their procurement cycle, shedding the light on their weak adaptive capacity to the current circumstances.

### Areas of risks and fragility

Even if administrations tried to anticipate or palliate to the repercussions of the crisis and prevent the interruption of public services, pre-crisis structural weaknesses were exacerbated by the compounded crisis and risks of disruption were heightened. As well, **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.

Furthermore, the increase in non-competitive practices and breaches in rules has a direct incidence on corruption, notably in public procurement where distortion of competition, limited market access and reduced business appetite are all catalysts of corruption. These risks are more elevated in emergency procurement that was noted on the rise, notably amid the Covid-19 pandemic. As well, the increase in court cases and contract breaching may lead to growing contingent liabilities.

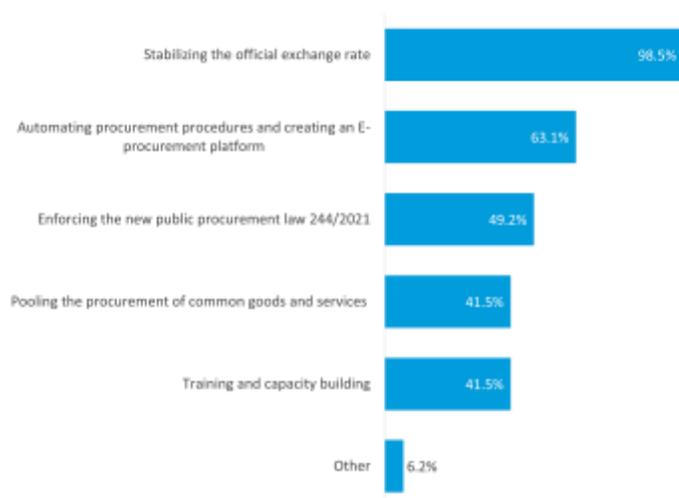
Finally, the ad-hoc management of inventory and stocks create both procurement and safety risk. The mismanagement of inventories, resulting waste and inability to replenish depleting stocks increase the risks of interruption of basic goods such as drugs and medicines in public hospitals, water, street lighting and others, 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
2. Automating procurement procedures and creating an E-procurement platform
3. Enforcing the new public procurement law no. 244/2021

Figure 3.15: priority areas of action to help PA mitigate the impact of the crisis on its procurement function?



Should no actions be implemented to sustain procurement, service delivery is at risk of facing major disruptions caused by the shortages of goods and the fast deterioration of public infrastructure and facilities due to the lack of maintenance. Actions on the short term would include:

1. Simplify some procurement requirements, in line with the current legislative framework

Operational measures would include:

- Exempt suppliers from bid securities (bid bonds) for low value (under 500 million LBP) and for low-risk procurement. Indeed, for contracts of small value, bid securities add a burden on the bidder and on the purchasing entity, especially amidst the current banking crisis.
- Use existing standards bidding documents made available by the “Institut des Finances Basil Fuleihan” to facilitate the procurement process on both suppliers and public administrations.

**2. Develop and enforce, with competent authorities such as LIBNOR, standards for inventory and stock management.**

This would help enforce both efficiency and safety measures in the management of inventory, reduce waste and ensure efficient use of available goods.

**3. Introduce new practices, such as Centralized Purchasing and Framework Agreements, that would facilitate procurement and ensure efficiency and value-for-money.**

- Aggregate the needs of the various administrations and conduct centralized procurement, especially for most procured goods (stationary, fuel, spare parts, IT equipment) and services (maintenance, cleaning and printing services). This recommendation was also voiced by public hospitals specially for the purchasing of O2, life-saving drugs and medical equipment, to enhance their negotiation power and provide them with access to supplies and equipment at standardized prices.
- Revert to Framework Agreements to avoid stock disruption and decrease the cost of stock management.

Both actions should be supported with targeted capacity building.

**4. Support the comprehensive implementation of the new Public Procurement Law no. 244/2021**

The new Public Procurement law set to enter into force in August 2022, paves the ground for comprehensive financial governance and sets the foundation for a coherent financial management system (Abdul Khalek & Moubayed, 2021). It introduces important structural changes as it obliges all procurement entities to prepare and submit annual procurement plans based on standardized forms and procedures that will be published by the regulator on a central electronic platform. It will limit recourse to mutual agreements through clear, integrated, and standardized procedures.

Beyond legislation, and given the potential of this new law in improving competitiveness and curbing corrupted practices, quick actions are needed to be implemented to ensure the efficient and appropriate entry into force of the law such as:

- Issuing the necessary secondary legislation needed to organize and structure the regulatory body and the complaint management entity.
- Developing and disseminating working tools and standards for practitioners.
- Conducting across-the-board capacity-building.
- Developing e-procurement through the implementation of the central electronic platform.

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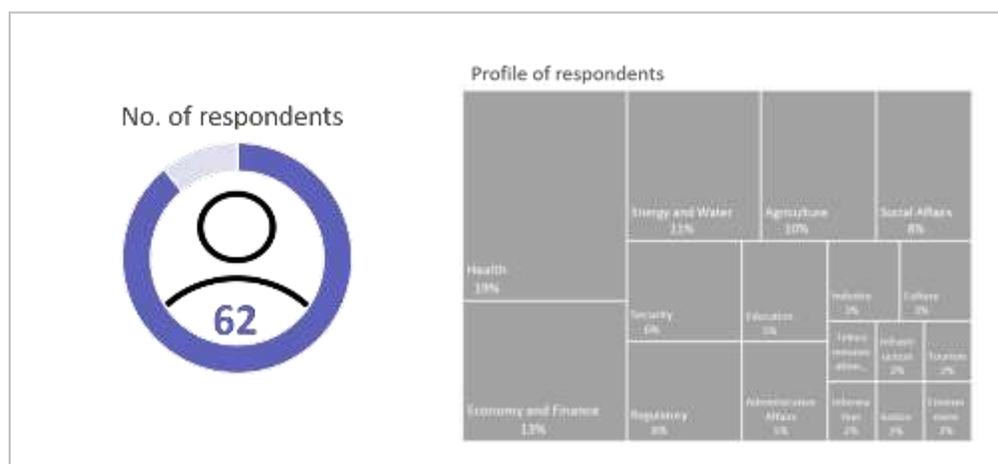
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# Chapter 4 :

## Function 3 – Accounting and Financial Reporting

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

Spending entities were facing challenges and inconsistencies in accounting and financial reporting long before the crisis. Important financial activities were – and are still- omitted from the Government’s accounts. Practices were not standardized, and coverage and accuracy undermined by the absence of integrated financial management information systems. The crisis jeopardized liquidity and cash management, and further impaired financial reporting. The weak monitoring of spending slowed down the MoF’s capacity to accurately forecast the overall Government’s financial needs and thus meet the requirements of any bailout plan needed for recovery. The scattering of accounts and its direct repercussions on cash management strained procurement capacity, as presented in the previous chapter. Unreported spending, that emanates mainly from State-Owned Enterprises (SOEs) providing utilities, created significant fiscal risk. Both these factors are increasingly threatening the sustainability of service provision. Finally, the absence of standardized data weakened the oversight of the Court of Accounts and Parliament, leading to a total lack of accountability. Measures needed to enhance the quality, timeliness and comprehensiveness of accounting and reporting in ways that would strengthen service delivery 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 deployment of integrated financial information management systems across all 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

### Important financial activities are still omitted to date from the Government's accounts

Lebanon's scattered fiscal accounts and fiscal risks generated by public institutions operating off-budget have driven financial management in disarray and drove the country to default for the first time in its history on debt repayment in March 2020 (Transparency International, 2021). The failure to produce and communicate comprehensive and reliable financial information, as well as shortages in verifying the recording practices of public accountants have weakened transparency, deterred creditors, and further hindered weakened oversight bodies, notably legislative and supreme audit institution's scrutiny.

Long before the crisis, public administrations and institutions were already facing significant challenges in terms of accounting and financial reporting, among which: (i) the adoption of accounting standards that did not necessarily comply with the IPSAS<sup>6</sup>; (ii) the fragmented reporting requirements with public entities falling short to produce timely in-year financial reports that would help improve and consolidate budget monitoring; and (iii) the lack of qualified personnel. Financial functions were often embedded into administrative ones, and therefore a large number of employees in charge of financial operations lacked the technical skills and competencies to effectively carry on with their functions. Back in 2005, the World Bank had already assessed financial capacity deficits as representing a significant fiduciary risk to the Government (World Bank, 2005).

Despite these challenges, 87.1% of the respondents confirmed that, prior to the crisis, accounting procedures were followed within their organization in line with the requirements of the Public Accounting Law of 1963, and around 96.7% stated that their administrations used fully or partially automated accounting procedures. 75% of responding SOEs affirmed having their accounting and financial systems fully automated while 60.7% of ministries and 46.7% public institutions surveyed acknowledged only partial automation of their systems.

However, the overall accounting function remained far from being optimized in the absence of comprehensive standardization across all spending units and full system integration with the Ministry of Finance. This led the Ministry to manually compile annual budget execution reports, which compromised the quality and accuracy of financial information and weakened its role in monitoring budget performance and in taking timely corrective measures, whenever necessary.

### Financial reporting is not standardized

When it comes to financial reporting, 83.9% of the surveyed institutions prepared financial reports on a regular basis, among which 57.7% do so on a quarterly basis. However, 16.1% did not prepare regular financial reports.

Adopted accounting standards did not necessarily comply with the IPSAS. 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.

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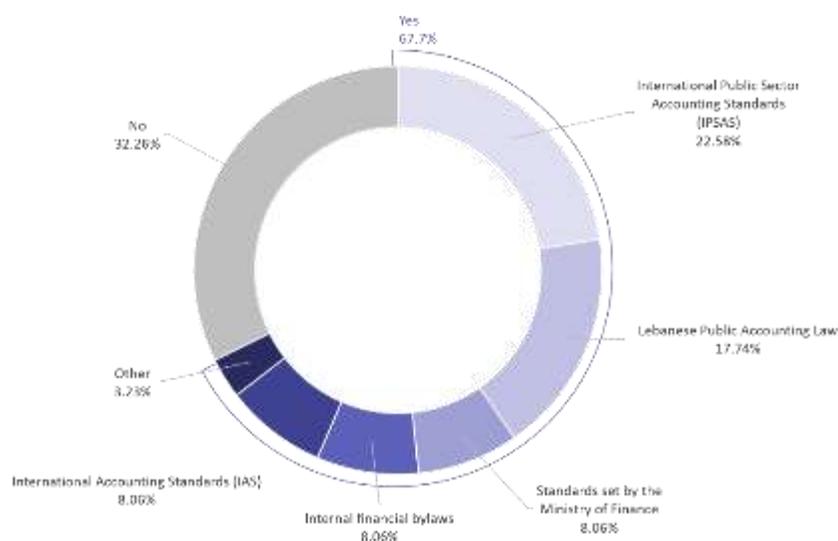
<sup>6</sup> IPSAS – or the International Public Sector Accounting Standards - are a set of accounting standards for use by public sector entities around the world in the preparation of financial statements.

Although there is no legal requirement for the Government to follow specific international standards for accounting, reporting, or auditing, few public entities have started implementing international standards, namely IPSAS (cash basis) and International Accounting Standards (IAS) which would, on the longer term, facilitate the migration from cash to accrual accounting, allow to extend the scope of reporting and strengthen budget monitoring and fiscal transparency.

Controversially, almost one third of the respondents stated that they don't follow specific standards for financial reporting.

Overall, inconsistency in accounting practices and standards across the public sector rendered the Ministry of Finance's efforts to improve expenditure management ineffective and consequently limited its forecasting capacity.

Figure 4.1: Are financial reports prepared according to specific standards?

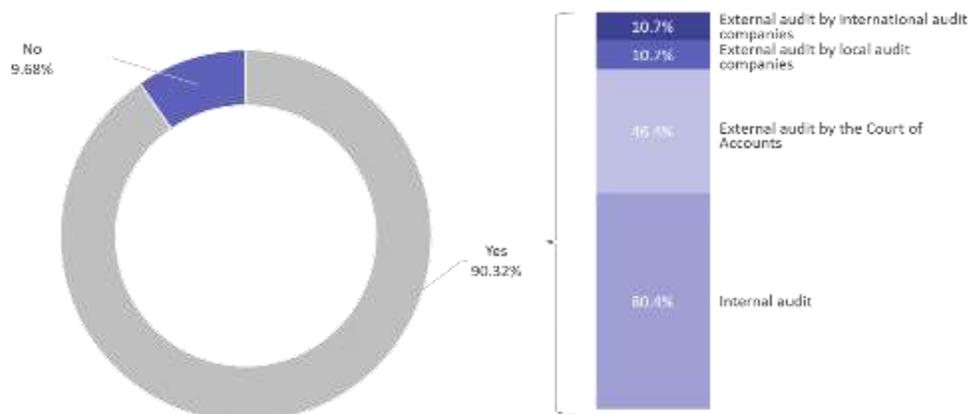


### Internal controls and external audit are not systematic

90.3% of surveyed administrations submitted their final accounts to audit. In 80.4% of the cases, audit consisted of internal controls conducted by internal administrative and financial departments. In 46.4% of the cases, audit was performed by the Court of Accounts. And around 21.4% of institutions were subject to both internal controls and the external audit of the Court of Accounts. SOEs were the type of institutions least subject to the audit of the Court of Accounts.

It is remarkable that 21.4% of the surveyed institutions resorted to external audit by local and international audit companies.

Figure 4.2: Are final accounts audited regularly?



### Challenges are multifold, however most agencies suffer from lack of financial information systems

When asked about the main challenges facing their accounting and financial reporting procedures prior to the crisis, surveyed administrations pointed out to:

- The absence of integrated accounting/financial information systems (51.6% of the respondents)
- The absence of clear accounting and reporting mechanisms and procedures (33.9% of the respondents)
- The lack of technical skills (29.0% of the respondents)
- Difficulty in communicating with the various concerned stakeholders such as the Ministry of Finance, Court of Accounts, and others (29.0% of the respondents).

And in the majority of the cases (90.3%), no preventive measures related to the accounting and reporting procedures were taken in anticipation of the crisis.

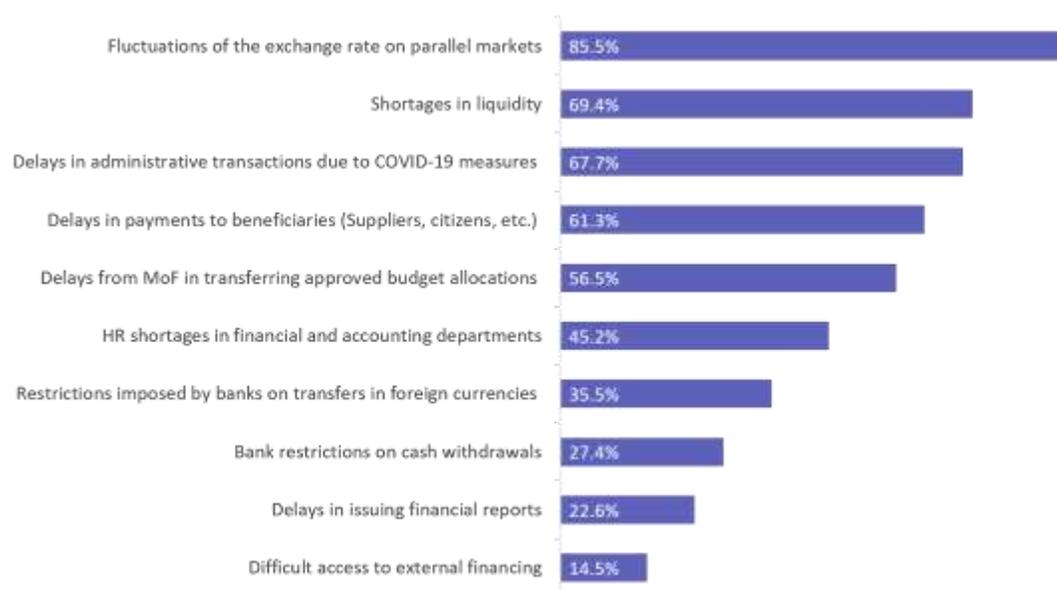
## Crisis impact assessment

### Overlapping crisis affects negatively liquidity and disbursements

The ongoing crisis has further exacerbated existing deficiencies and weaknesses along accounting and financial reporting lines. Among the most impactful challenges that have weighted upon these functions are the fluctuations of the exchange rate in parallel markets (85.5% of the respondents):

- Currency depreciation reduced the size of executed public procurement, disrupted accounting operations and created shortages in liquidity (69.4%), creating substantial delays in settling and reporting on financial obligations. Repercussions on several ministries were dramatic, specifically on those in charge of direct or indirect service provision, putting at risk major state functions such as health, education and social protection.
- Restrictions and remote work (67.7%) imposed by the Covid-19 pandemic created delays in administrative transactions and in settling and reporting on financial dues to beneficiaries.

Figure 4.3: With the financial crisis exacerbating since 2020, what are the additional challenges that have arisen?



Diving further into the impact of the financial crisis on the accounting procedures and financial statements, more than half of the respondents (56.5%) stated that they were not impacted in the preparation of their financial reports. However, 37.1% faced difficulties in comparing financial statements across the years, mostly due to the variations in exchange rates. Consequently, surveyed administrations were obliged to introduce new reporting standards to capture the impact of the crisis on their finances.

14.5% of the respondents claimed that their relationship with the NSSF and the Ministry of Finance was adversely impacted, mainly through delays in tax payments due to the MoF (77.8%) and settling contributions to the NSSF (55.6%). Another 43.5% considered that delays existed prior to the crisis and 41.9% stated that all dues were set on time amid the crisis.

#### *Accounting and financial reporting delayed by the Covid-19 pandemic*

When asked about the impact of Covid-19 on their accounting and financial reporting procedures, in around 50% of the cases, remote work and lockdowns measures created important delays in finalizing accounting and financial reporting.

## Areas of risks and fragility

Risks created by the structural deficiencies of the accounting and financial reporting function and aggravated by the impact of the crisis are various:

- **The weak monitoring of expenditures and the ad-hoc production of financial records hinders the Ministry of Finance's capacity to accurately estimate provisions needed to meet the State's**

**financial commitments** for the current fiscal year and to make realistic forecasts for the preparation of the next fiscal year's budget.

- **The lack of technical skills within accounting departments will continue weighting on the quality of financial information produced** and will, 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.
- **Extra-budgetary funds and public enterprises make major financial transactions that remain unreported in the budget.** This limited coverage of financial reporting and the non-disclosure of the overall public sector's financial activities might have significant fiscal implications on the country. Risks created by off-budget spending are heightened as the Government would be required to cover for all financial losses by the end of the fiscal year without having budgeted therefor. Government's potential default on these payments would push more public administrations and institutions towards total collapse, particularly those delivering on utilities.
- **The scattering of accounts is undermining cash and liquidity management**, further straining procurement capacity, and discouraging suppliers from participating to Government's bids and tenders, therefore creating major risks of disruption on public goods and service delivery.
- **Efforts targeted at improving fiscal transparency and moving towards open data are delayed by the limited availability of usable and comparable data.** Data is not available in standardized formats and requires lengthy transformation processes for simplification and publication and for re-use by the public (Institut des Finances Basil Fuleihan, 2021).
- **Oversight performed by the Court of Accounts and the Parliament is weakened by the absence of standardized data.** Financial records require more time for analysis and audit and unconsolidated information leads to misinterpretation or to the inaccurate assessment of immediate and upcoming financial and fiscal risks. This also undermines the Court of Accounts' capacity to issue a formal audit opinion on the fairness of the Government's annual financial reports and the Parliament to validate the official closing of accounts, resulting in a total lack of accountability and posing significant fiduciary risk to the Government.

## 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 integrating financial information systems (56.5%)
3. Training and capacity building (50.0%)

Figure 4.4: Priority areas of action to help PA mitigate the impact of the crisis on its accounting and financial reporting functions?



Measures needed to enhance the quality, timeliness and comprehensiveness of accounting and reporting in ways that would contribute to enhanced fiscal policymaking and reduced risks include:

### 1. Standardize accounting and reporting requirements and forms

The various budget institutions, i.e. the Ministry of Finance, Court of Accounts and Parliament, need to enforce accounting and financial reporting standards across the overall public sector to unify reporting and streamline the system in place at the Ministry of Finance. New procedures would need to be accompanied by targeted and intensive capacity-building to speed-up appropriation. This is expected to increase the coverage, comprehensiveness, timeliness and quality of fiscal data, enhance the integration of all spending entities under the budget, and improve the costing of service delivery. It would also enhance transparency by facilitating and accelerating the publication of standardized data on fiscal transparency tools such as the Lebanese Citizen Budget Dashboard.

### 2. Strengthen budget coverage by investigating the scale of unreported off-budget spending

While reported off-budget spending (mainly Treasury advances to EDL and other Treasury expenditures) stands at around 16% of all reported government expenditures, around 100 public entities are assessed to operate and spend public resources outside central Government, with minor monitoring (Transparency International, 2021). 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 its treasury management and monitoring mechanisms. Continuing the work towards a unified budget framework would assist the Government in better controlling its revenues and expenditures and improve its financial relations with public entities.

Unveiling to the public the scale and details of off-budget spending is also a step forward towards transparency and accountability and would facilitate negotiations with the donor community.

### 3. Enforce existing laws mandating SOEs to submit their accounts to the Ministry of Finance

Financial governance mechanisms within SOEs are weak and should be strengthened. Existing laws need to be enforced and additional measures could be introduced to consolidate the framework in place, 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**

Examine the requirements of individual line ministries to interface their financial systems with that of the Ministry of Finance and move towards the gradual implementation of an integrated financial management system (IFMIS) across all administrations. This would streamline the accuracy and timeliness of reporting, simplify control processes and reduce the costs of government transactions. At a later stage, the system could be further developed to permit electronic authorizations and transactions.

A well-developed information system can also help improve the quality and timeliness of budget documentation available online, helping Lebanon progress on the Open Budget Index and pave the way for greater citizen engagement in public affairs.

**5. Reinforce external audits**

Strengthening the role and the capacity of the Court of Accounts is critical to certify financial records and ensure value-for-money in financial spending. However, the Court of Accounts is currently operating at low capacity and does not have timely access to the public accounts, nor provides timely information to Parliament and to citizens to hold the Government accountable. It performs compliance audits rather than performance audits.

Measures that would support the Court of Accounts include the removal of its ex ante expenditure approval role and assign them to the Ministry of Finance and improve its independence from the Government.

**6. Establish a Treasury Single Account, modernize the Public Accounting Law and create internal audits function across the public administration**

Amendments to the Public Accounting Law would include requirements to:

- Establish internal audits in all spending entities and reduce unnecessary internal controls. Starting with the implementation of this unit within the Ministry of Finance and developing the policies, practices and guidelines for internal auditors across Government. Support this move with intensive training (World Bank, 2005).
- Comply with international accounting and reporting standards (IPSAS).
- Migrate, with the guidance of the Ministry of Finance, from cash basis to accrual accounting to significantly improve information available and overall financial management.
- Require regular cash management plans to be submitted by all budget entities.
- Centralize all banking operations and balances through the establishment of a Treasury Single Account.

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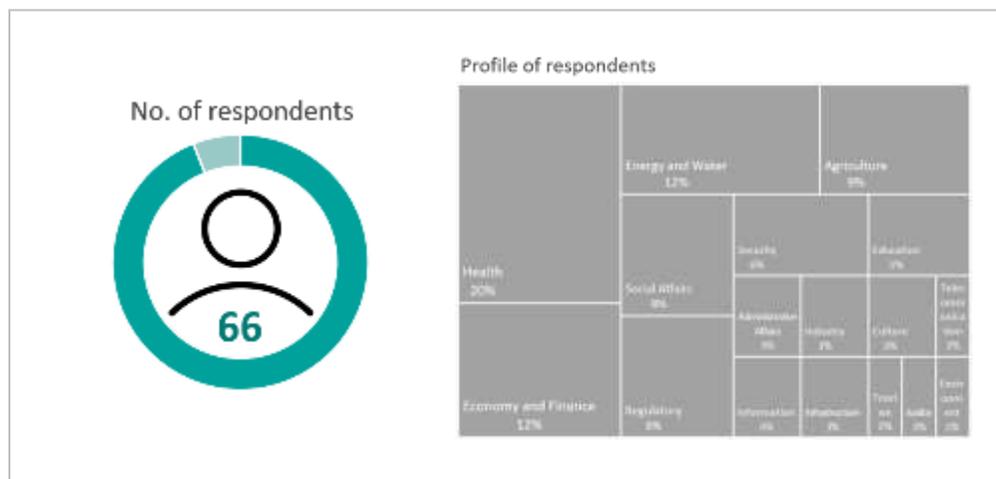
# Chapter 5 :

## Function 4 – Information Technology

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

*Despite existing capacity and potential at national level, Lebanon has been consistently lagging in terms of government digital infrastructure and services. Hardware was seldom updated, and maintenance performed in majority of cases upon emergency. The presence of data privacy and security protocols in line with Lebanese and international standards were also often subject to controversies.*

*The economic and financial crisis have further accelerated the depletion of IT hardware and software and prevented administrations from sustaining service delivery and maximizing productivity. It has put public administrations at risk of having their IT equipment turning obsolete and loosing citizens' data which would in turn jeopardize the government's ability to collect needed resources (such as tax and fees collection) and to deliver services. At the same time, the Lebanese government has missed out on the possibilities offered by artificial intelligence and big data to adapt, upgrade or redesign service delivery, to deliver quickly new services that are needed at times of acute crisis (such as for instance, emergency safety nets to address mounting poverty) or to transform the management of operations, therefore keeping in place practices of high waste amid drained resources. Few of the mitigating measures that can be put in place are the upgrade of the existing hardware at reasonable cost, the leveraging of national expertise and talents, the enforcement of a cyber-security strategy, joining the Open Government Partnership and 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

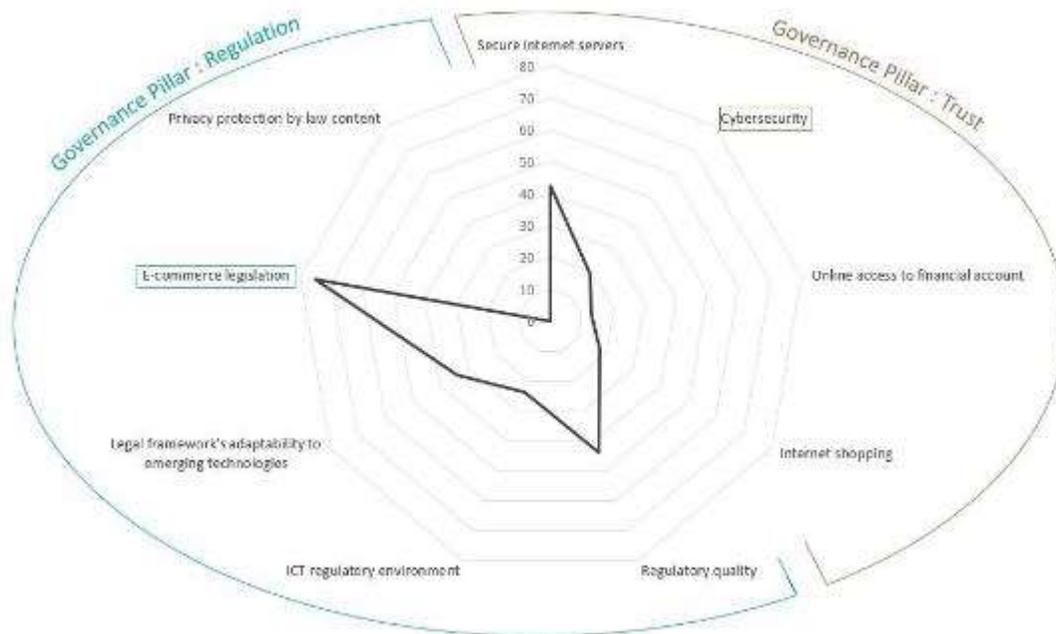
### Lebanon lags behind on government digital infrastructure and services

According to the 2020 UN e-government development index (EDGI), Lebanon ranked 127 out of 193 countries, with a score of 0.4955, below the world average of 0.5988 and a regional average of 0.6373. The country lost 28 positions since 2018 (United Nations, 2020).

For years, Lebanon has been punching below its digital potential. Despite a skilled IT workforce, the country consistently underperformed in online services delivery, probably owing to erratically developed and lately deteriorating infrastructure. Indeed, Lebanon remained among the least connected in the world, with fixed broadband penetration rates below 1 per cent (United Nations, 2020)

In the World Economic Forum's most recent Network Readiness Index (2020 edition), that is grounded in four fundamental dimensions - Technology, People, Governance and Impact - Lebanon reached the 90th place out of 134 economies, showing substantial lags under the governance pillar, notably in terms of regulation and trust (Figure 1). It also underperformed on the availability of government online services, ranking 114 out of 134 countries. (The Network Readiness Index , 2021)

Figure 5.1: Selected scores from the Governance Pillar of the Network Readiness Index 2020

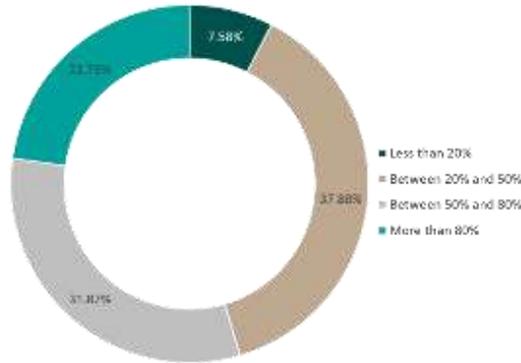


Source: <https://networkreadinessindex.org/countries/lebanon/>

Survey results confirmed the following diagnostic: Capacity exists however it needs to be consolidated, but infrastructure was either weak or outdated.

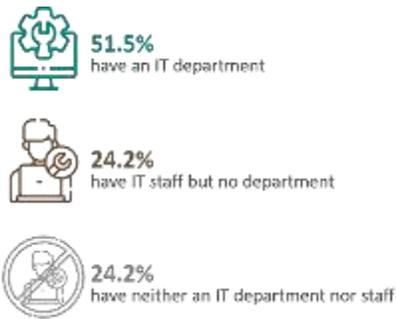
Overall, 54.5% of responding administrations estimated that more than half of their staff is at ease of using IT tools.

Figure 5.2: What percentage of your ministry/institution staff was at ease of using IT tools?



Almost half of surveyed public administrations did not have a dedicated IT department among which 50% did not even have IT staff on premises. As well, among institutions that had an IT department, 67.6% claimed that less than 20% of their IT staff had an IT degree.

Figure 5.3: Do you have a dedicated IT department in your institution?



However, IT infrastructure had started degrading prior to the crisis. 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 had been performed for more than 6 years.

**Maintenance** checks on IT equipment were performed in majority when an emergency occurred. Regular checks on a monthly or quarterly basis were performed in less than one third of the cases.

In terms of **software updates**, the latest update dated back to 1 to 3 years in more than one third of the cases. Only in 12.1% of the cases, software was updated in the course of the last year. In addition, 25.8% of the respondents did not have license subscriptions.

Figure 5.4: When was the last time your IT equipment (hardware) was upgraded?

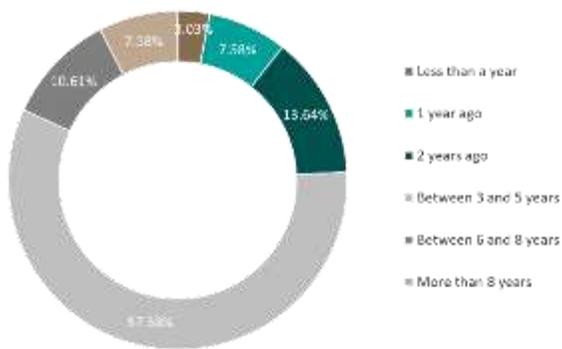


Figure 5.5: How often does your ministry/institution conduct a maintenance check on the IT equipment?

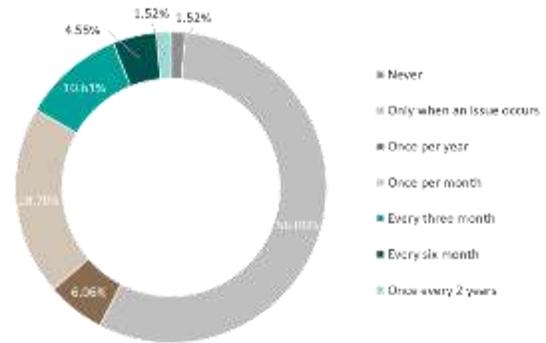
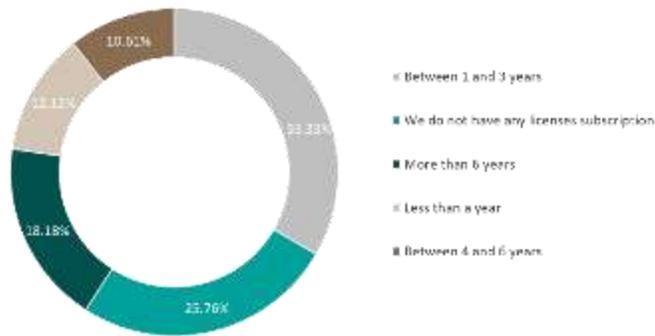
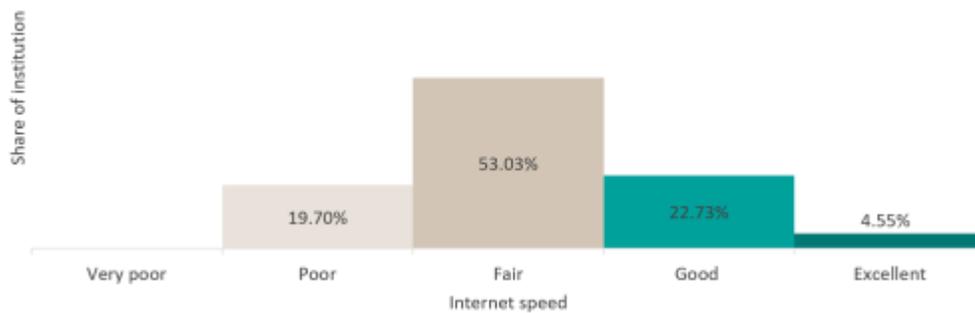


Figure 5.6: When was the last time software licenses were updated?



In 53% of the cases, the quality and speed of the internet at work was assessed as “average” (or “fair”). In only 4.5% of the cases, it was excellent.

Figure 5.7: How would you rate the quality and speed of your internet connection at work?



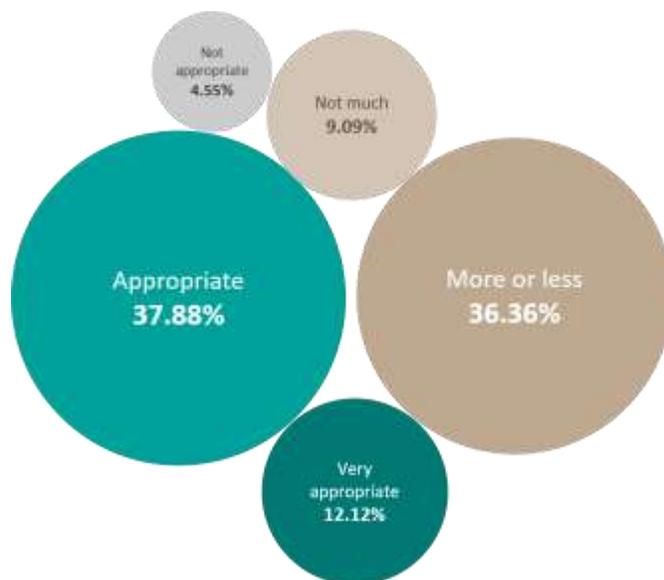
## Service delivery is far from harnessing the prospects offered by digital technologies

Half of the surveyed institutions claimed that the technology equipment and utilities available in their institution allowed them to deliver efficiently on their services, while 13.6% considered that they didn't have the appropriate technology tools to efficiently deliver their work.



Only 27% of the responding municipalities stated that the available technology equipment allowed them to deliver services efficiently. For the rest, IT infrastructure remains an impediment to economic growth and local development.

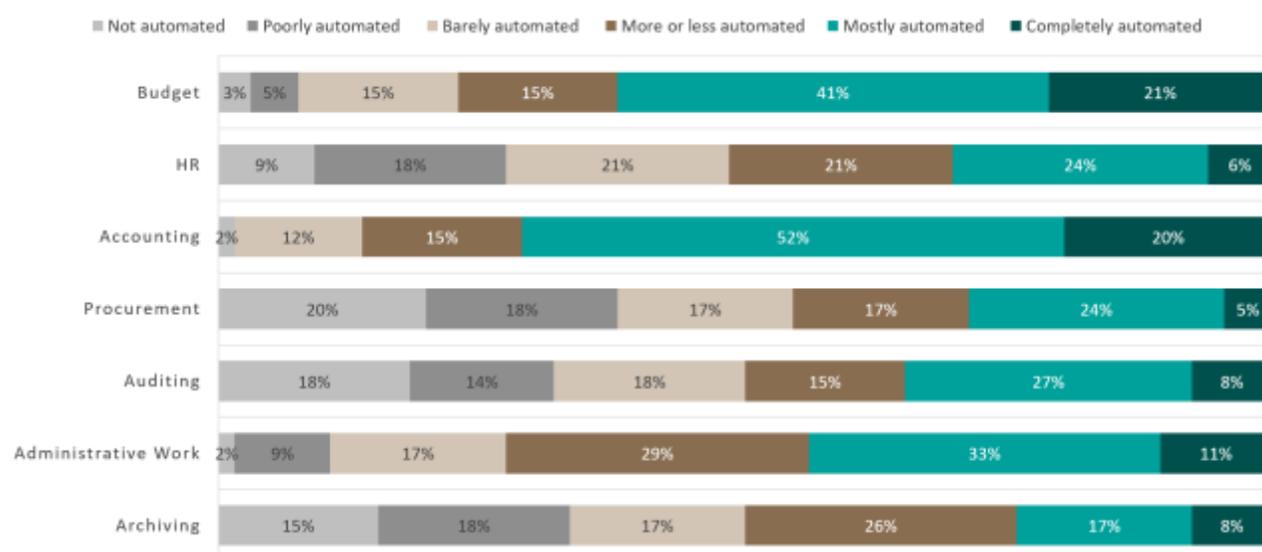
Figure 5.8: To which extent available technology equipment and utilities allows you to deliver efficiently your work



In terms of **automation**, the two most automated functions were budget and accounting. Respectively 62% and 72% of the responding administrations estimated that their budget and accounting functions were digitized in a way that facilitated an easy and organized flow of work.

The least automated were the archiving, HR and procurement functions. Among 33% of the respondents, a lack of automated system for archiving existed, which means that the function was only paper based, posing major challenges in terms of preservation of data and records.

Figure 5.9: To what extent your administration is automated<sup>7</sup>?



### Controversies around security and privacy protocols

84.8% of the surveyed administrations owned an independent server and the same percentage estimated to abide by a **data privacy and security protocol** in line with Lebanese and international standards, notably in the sectors of Health, Economy and Finance, Agriculture, Security and in Oversight institutions.

This last point is interesting to analyze further since as this report is being written, many questions related to data privacy were mentioned in the news, asking whether Lebanese citizens' data was safe on the Inter-Ministerial and Municipal Platform for Assessment, Coordination and Tracking (IMPACT) platform that was used to handle and manage COVID-19 related services online (SMEX, 2021) and later for the registration of the DAEM program, or on the Diaspora Registration Platform used for the legislative elections (L'Orient Today, 2021). As well, few years back, news agencies had relayed information on the possible hacking of the Directorate General of General Security server (Associated Press, 2018).

### Crisis impact assessment

**The economic and financial crisis has severely undermined the administrations' capacities to upgrade their IT equipment.**

When asked about the challenges faced in terms of IT maintenance, surveyed administrations pointed out to:

- Currency fluctuations (89.4% of the respondents)
- Budget cuts (68.2% of the respondents)
- Suppliers' reluctance to work with the public sector (45.5% of the respondents)
- Administrative processes (33.3% of the respondents)

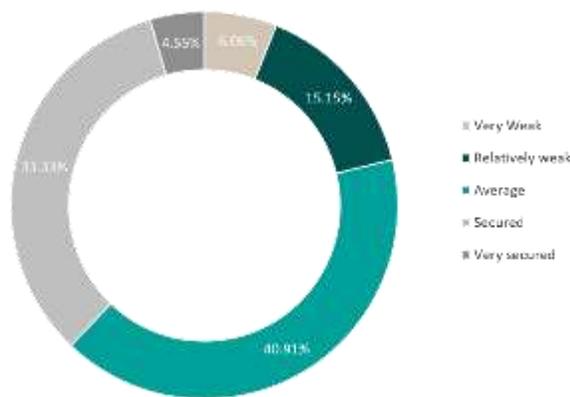
<sup>7</sup> The meaning of the word "automated" is relative to the responder: some might consider that working on Excel is an automated system of work, while others have fully digitized information systems in place.

- Unavailability of spare parts (16.7% of the respondents)

Only 10.6% of the respondents were able to update their licenses subscription without any difficulty. Among those who were not able to, 37.3% of the surveyed administrations looked for external financing as an alternative solution. Only 10.2% looked for local software programs and 8% had to cancel their subscription.

In view of current difficulties to maintain hardware and software, 33.3% estimated that their current IT system is secured and 40.9% estimated having average security level. 21.2% qualified it as “weak to very weak”. Around 4.5% of institutions estimated their IT system to be very secure.

Figure 5.10: IT system’s security level.



As well, 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 the institutions rated it as secured.

These various IT challenges have undoubtedly harmed the public sector’s performance and notably prevented the administrations from:

- Sustaining service delivery (among 53% of the respondents)
- Maximizing productivity (53% of the respondents)
- Working from home (among 48.5% of the respondents)
- Ensuring digital security (among 33.3% of the respondents)
- Bridging the technological gap with other countries (among 31.8% of the respondents)

 On-site presence was mandatory during the Covid-19 pandemic in municipalities. However, serious efforts should be made towards strengthening local electronic governance for timely and efficient service delivery.

### *Impact of the Covid-19 pandemic*

When asked about their institution's IT readiness to work from home, in application of the lockdown measures implemented by the Government of Lebanon, 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 at all ready in terms of Information Technology (IT) to implement remote work. Only 18.2% of the administrations were estimated as prepared.

Among the measures that facilitated remote work, administrations highlighted:

- Having their own VPN devices
- Employees' personal motivation to work from home
- Performing specific functions such as programming, invoices' issuance, and data entry.

Among those who were not able to implement remote work, main obstacles revolved around:

- The absence of an integrated systems that provides remote access to working files and documents (80.0%)
- The inability to access specific information systems, notably financial and administrative systems (66.7%)
- The shortage of laptops (46.7%)
- The bad connectivity and internet connection (33.3%)
- The lack of familiarity with video communication applications such as Zoom, MS Teams, Google Meet, etc. (33.3%)

### *Impact of the Port of Beirut explosion*

More than half of the surveyed administrations (57.6%) have lost no equipment during the Port of Beirut Explosion. And 78.8% lost no data.

Among those who had their equipment damaged, 34.8% lost computers, 25.8% printers and another 22.7% lost projectors or a big screen TVs. And among those who lost data (21.2%), 64.3% were able to recover all lost data and 35.7% recovered only part of the lost data.

73.3% of the lost data was recovered from an offline backup system.

## **Areas of risks and fragility**

As existing hardware and infrastructure are depleting, and software and security licenses are not being renewed, **public administrations are at risk of having their IT equipment and set-up turning completely obsolete and losing citizen's data**, which would in turn jeopardize the government's ability to collect needed resources (such as tax and fees collection) and to deliver services (if the databases of beneficiaries are lost).

On the other hand, 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, or to deliver new ones that are needed at times of acute crisis (such as emergency social safety nets to address mounting poverty) or to transform the management of operations, therefore keeping in place practices of high waste amid drained resources.

## 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%).

Despite the design of the Lebanon Digital Transformation draft strategy and action plan (2020-2030), the infrastructure and lack of governance of the sector remain as roadblocks to government's digitalization. However, a set of short to medium term actions can be considered to mitigate the impact of the crisis in the area of Digital Technology, such as:

### 1. Upgrade existing hardware at reasonable cost

The performance of deteriorating hardware can be enhanced with the use of SSD, extra RAM, etc. that would extend its life cycle for around three years, at very reasonable cost.

### 2. Leverage national expertise and talents

National talents can be solicited at two levels:

- Public sector staff still on duty would benefit from a skills' upgrade through certification trainings (e.g., Microsoft, CISCO, CertNexus, ITIL, CompTIA, PMI, ISACA, etc.) and the development and enforcement of transfer of knowledge mechanisms within the administrations.
- 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 and contribute to the move towards a fully centralized and secured back-up system.

Another step would consist of facilitating the exchange of expertise and good practices among the administrations since few, notably those in the security fields, have advanced protocols in place in terms of data management, back-up and security.

### 3. Embrace the prospects of an Open Government

Joining the Open Government Partnership and taking concrete steps towards the provision of open data can be a catalyst for restoring citizens' trust in the public sector. Government institutions can even be more proactive and solicit and publish citizens' critical feedback on the delivery of services. *"By making their datasets available, public institutions become more transparent and accountable to citizens. By encouraging the use, reuse and free distribution of datasets, governments promote business creation and innovative, citizen-centric services"* (OECD , 2021).

4. Endorse a cybersecurity strategy, appoint the institution in charge of enforcement thereof and provide it with the necessary resources for operations.

Data collection, storage, security and privacy is a matter of extreme importance across the Lebanese public administration to be addressed by the Government, with the support of the international community. These critical issues need to be addressed at both the regulatory (ratify a framework) and institutional (with the set-up and operations of a Cyber Incident Response Centre for instance) levels.

Various stakeholders (governments, business, and citizens) shall have all the opportunities to cooperate to fully leverage the possibilities offered by technological innovation and tackle current and upcoming challenges. 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's response, improve efficiency and targeting and limit corruption**

Amid the crisis, 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). Another example is from Jordan that is using block chain in the distribution of humanitarian assistance (United Nations, 2020). Similar initiatives can be considered for the roll-out of the Government cash transfers and other social assistance programs that are raising questions around the beneficiaries' selection process and possible political capture thereof.

**6. Invest in smart technologies and IT set-ups to facilitate remote work amid uncertainty**

Assess the feasibility and cost of operating "thin clients"<sup>8</sup> 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.

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<sup>8</sup> A 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.

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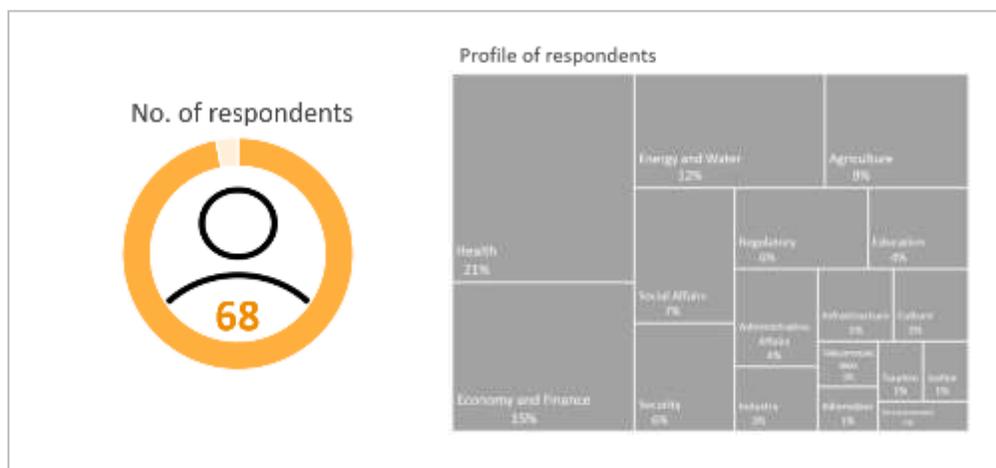
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# Chapter 6 :

## Function 5 – Human Resources

### Is the crisis pushing Public Servants to exit the public sector?

Dating back to 1943, Lebanon's civil service has been outsized, costly, and in urgent need for reform, despite a young and diversified workforce that the country could not capitalize on. Recruitment practices were scattered and shortages in staffing limited the administrations' capacity to cope with the crisis. The unfolding crisis and the pandemic pushed unprepared and unequipped public servants to the frontline of an emergency response: they were asked to do more with less, while their salaries were eroded by hyperinflation. But amid the crisis, public administrations mostly had to deal with the loss of talents, in particular among categories of staff in charge of technical and sectoral service delivery, such as doctors in hospitals, teachers in schools, and engineers in public works and IT departments. Mass exit, increased absenteeism due to fuel shortages and loss of purchasing power and the depletion of skills were worrying indicators as to the capacity of the public sector to survive the crisis, in an already frail environment. Few ways to address this risk include: (1) providing support to critical and performing government agencies in retaining talents and engage with them a policy dialogue around the redesign of service delivery to keep critical public services from being disrupted, and help key institutions prepare for the recovery phase; (2) reinforcing accountability schemes and oversight bodies in charge of public service oversight; (3) engaging on an evidence-based, consultative and participatory design of the public sector restructuring that would be able to reconcile overall political challenges underpinning the effectiveness of the civil service with economic, financial and fiscal constraints; (4) preserving the lifeline provided by training schools and leverage it for the re-skilling of civil servants; and finally (5) modernizing the overall civil service regulatory framework to move towards a merit-based system.



## Pre-crisis Diagnostic and Readiness for the Crisis

### An outsized and costly public sector in urgent need to be reformed

Lebanon's civil service model dates to 1943 and follows a career-based civil service management system shaped by grades, competition-based recruitment, laws, and centralized decision-making. Despite numerous attempts to reform it, state capacity was slowly destroyed by its own structural vulnerabilities: clientelism, informal networks, favoritism and sectarian preference instead of merit-based recruitment (Institut des Finances Basil Fuleihan, 2013). 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).

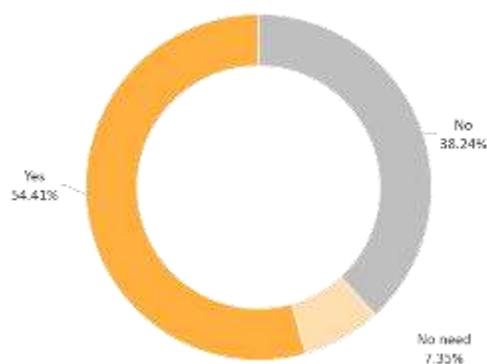
The push-and-pull dynamic between consensus-sharing, rentier economy and elite capture became the root cause of inefficiency. While international trends had moved from large-scale to smaller, Lebanon's public sector was often "used" for political appointments and recruitment. Ten years ago, it employed more than 13% of the Lebanese workforce (Rizk, 2013), the equivalent of 171,000 agents at central government level. These figures were estimated to have sharply increased since, according to a report issued by Information International claiming that the public sector constituted 30% of the workforce in 2018 and employed around 305,000 agents at central and municipal levels (Annahar, 2019). As such, it costed the state 50.8% of total reported expenditures in 2020 (Ministry of Finance of Lebanon, 2021).

Public sector rightsizing was therefore identified as one of the key reforms needed to put Lebanon on a recovery path: first to contain the wage bill but also to staff the public sector with talents and competencies that can drive change and transformation.

### A young and diversified workforce the country could not capitalize on

Survey results revealed that 45.6% of the surveyed administrations lacked a proper HR department to manage skills, recruitment, and career advancement, which means that merely half of the public sector did not have the institutional infrastructure to prepare their employees to face and manage conjunctural shocks and structural changes.

Figure 6.1: Does your administration have an HR department?



A closer look pointed out to a relatively **“young” workforce**, with 36.8% of the staff included in the sample aged between 30 and 40 years and 48.5% aged between 40 and 50 years. These public servants are estimated to have 15 to 30 years left of service in the public sector and would eventually constitute an additional burden on an already strained pension scheme<sup>9</sup>.

Figure 6.2: What is the average age of employees in your ministry/institution?



From a **gender perspective**, 61.7% of the respondents claimed there was no gender gap within their administration. Among the 30.9% of the institutions facing a gender gap, almost half confirmed that women outnumbered men. However, in the absence of disaggregated administrative data, including gender disaggregation data by position, grade, and mobility, a solid gap analysis could not be conducted.

Figure 6.3: Is there a gender gap in your administration?

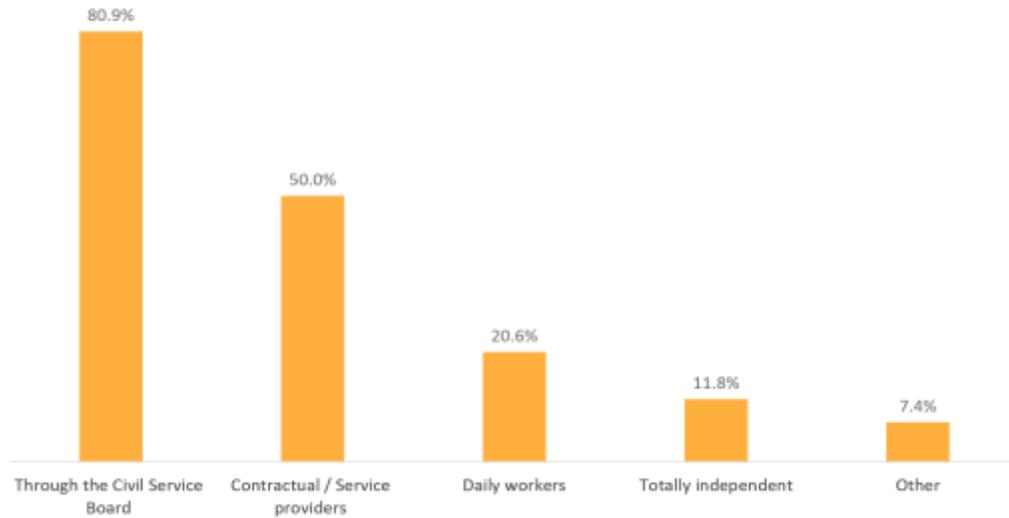


### Recruitment practices are scattered, and staffing shortages are impeding the administrations’ capacity to cope with the crisis

In terms of **recruitment**, the majority of the surveyed administrations recruited through the Civil Service Board (in 80.9% of the cases), as well as through the direct contracting of service providers (in 50.0% of the cases). The latter constituted for a long time an alternative to the recruitment freezing imposed by the Council of Ministers, but that was not accounted for under the “Salaries, Wages and Social Benefits” line in the budget. In addition, 20.6% of the workforce within the surveyed sample was composed of daily workers. It is important to note that these two last categories of employment are not covered by any social protection scheme and do not profit from State provided social benefits.

<sup>9</sup> The public pension scheme in Lebanon covers public servants of the central Government as well as the security and military forces and cost around 3.5% of GDP (2019). It suffers from a structural deficit as contributions to pensions fall short of covering liabilities and is therefore heavily reliant of state revenue. If the number of retirees rises over the coming years, the burden on the state and on the working population is expected to further increase.

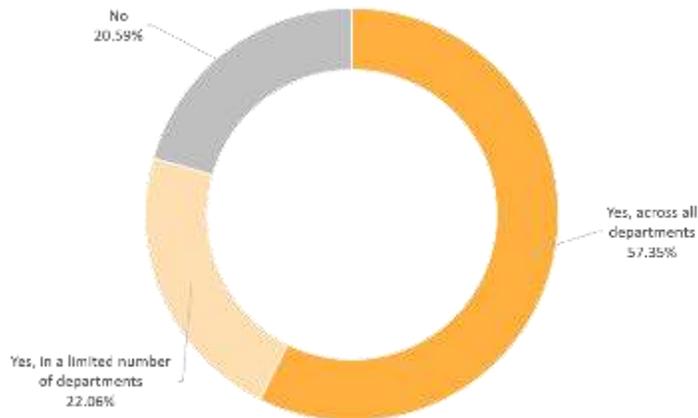
Figure 6.4: What is the type of recruitment system followed by your institution?



Note: Around 60% of institutions follow more than one recruitment procedure.

An irrespective recruitment. 79.4% of the surveyed administrations were already facing **shortages in staffing** prior to the crisis, whether across all departments or in a limited number of departments. For instance, line ministries suffered from staff shortages in administrative and accounting departments. At a sectoral level, the health sector suffered from shortages in the number of nurses in public.

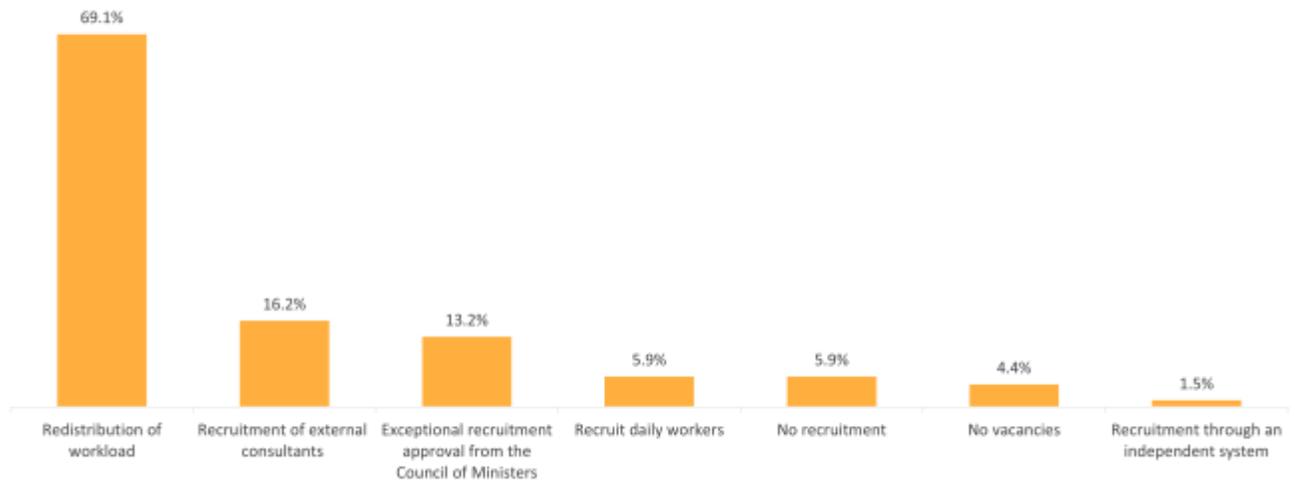
Figure 6.5: Were you facing shortages in staff prior to the crisis?



Since the last recruitment freeze enacted in the 2018 Budget Law, administrations were mostly filling vacant job positions through a redistribution of the workload among existing employees and by contracting external consultants.

 Unlike public administrations, 70.0% of the municipalities claimed they did not face shortages in staff.

Figure 6.6: How are PA filling vacant job positions following the recruitment freeze imposed by Government in 2018?



## Crisis Impact Assessment

The pandemic and economic crisis have exacerbated existing weaknesses and pushed unprepared and unequipped public servants to the frontline of an emergency response

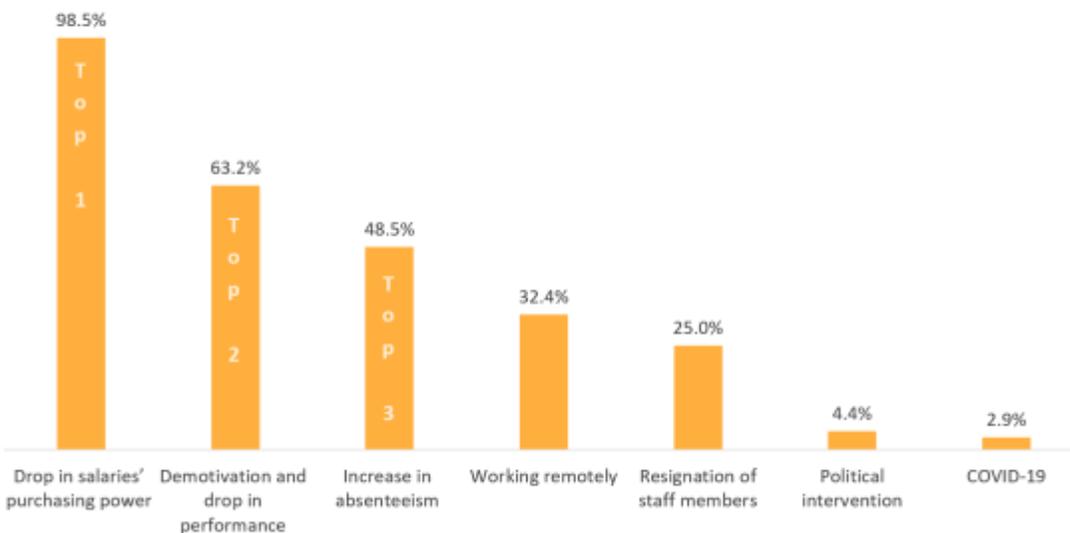
According to the surveyed administrations, the top three challenges that had the strongest impact on public servants were:

- The drop in their salaries' purchasing power as a result of the hyperinflation and the fluctuation of the exchange rate (98.5%).
- The demotivation and drop in performance (63.2%).
- The increase in absenteeism mainly due to the Covid-19 pandemic and measures taken to contain it (48.5%).



Similar challenges were identified by responding municipalities, with the drop in salaries (100% of municipalities) at the top of the list, followed by the demotivation of employees (90% of municipalities) and remote work (50%).

Figure 6.7: What were the main challenges faced by the staff during the crisis?



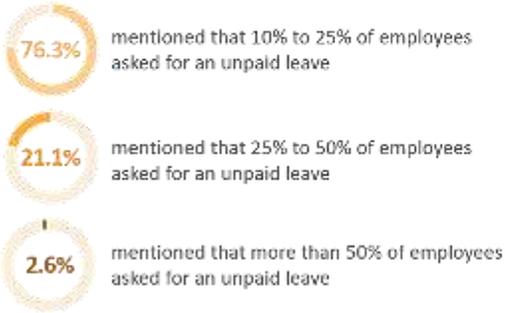
Despite the state of emergency enforced by the government to limit the spread of the Covid-19 pandemic, and imposed lockdowns, more than 70.6% of the respondents answered that they did not implement remote work as their job required constant on-site presence.

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).

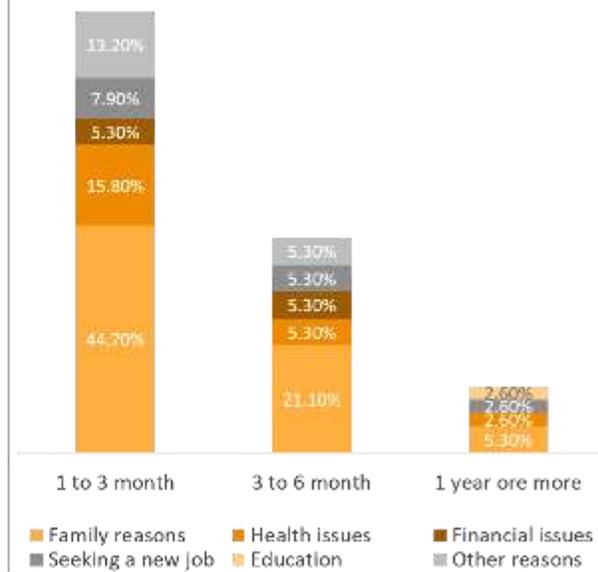
Figure 6.8: Have employees requested unpaid leaves since 2019?

# 55.8%

of institutions have claimed that employees have requested unpaid leaves since 2019



What were the main reasons?



### A public sector depleted from its talents

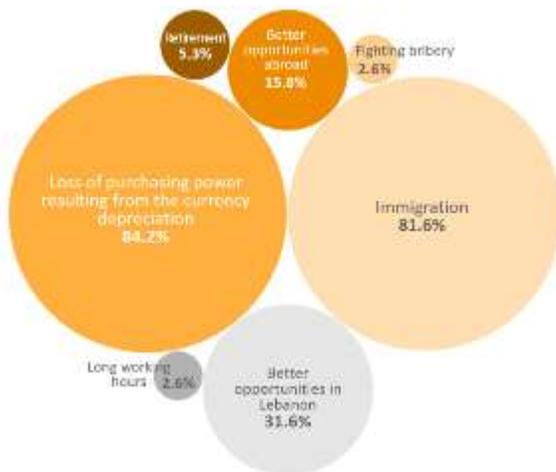
But amid the crisis, public administrations had to mostly deal with the **loss of talents**. In 55.8% of the surveyed administrations, 10% to 25% of their workforce requested an unpaid leave. Among 21% of the respondents, the share of unpaid leave requests reached 25% to 50% of the workforce.

More than half (57.9%) of the leave requests were made over a period ranging from 1 to 3 months and 31.6% ranged from 3 to 6 months. Reasons used to justify the leave requests were mainly related to family (71.1%) and health (23.7%). These 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.



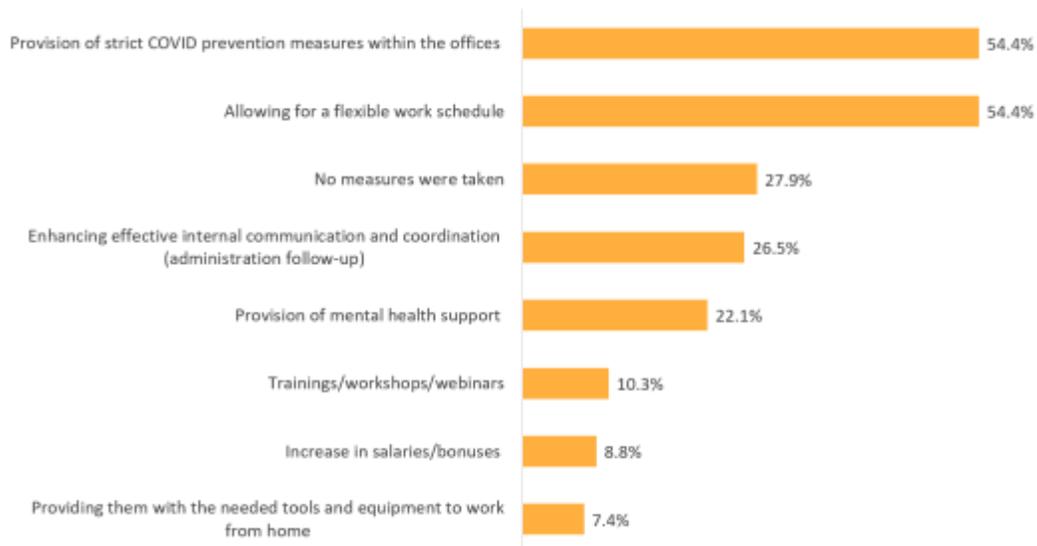
Unlike public administrations, municipalities were not affected by the loss of talent: only 10% of municipalities declared that their workforce requested an unpaid leave.

Figure 6.9: Main factors that are encouraging public servants to leave their jobs



This 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 6.10: Measures taken by the organization to keep employees motivated and increase their productivity



### Administrations are struggling to keep employees productive and motivated amid growing dissatisfaction

When asked about the applied measures to retain employees, keep them motivated and increase their productivity, surveyed administrations mentioned:

- Allowing flexible work schedule
- Providing strict Covid-19 prevention measures within the office and
- Enhancing effective internal communication and coordination.

These measures were considered critical to keep the administration operational especially when 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 the institutions declare that 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. It is worth noting that these three sectors are core actors and stakeholders of the recovery plan developed by the Government to exit the crisis.

In light of the above, 52% of the respondents considered that the level of employee satisfaction ranged between low and medium, whereas only 13.43% claimed their staff were overall satisfied.

Figure 6.11: Organization's staff current level of satisfaction



Despite the high level of dissatisfaction, 79.1% of the respondents estimated that public servants' on-going strikes will not put enough pressure to change.

## Areas of risks and fragility

Mass exit, increased absenteeism due to fuel shortages and loss of purchasing power and depletion of skills are worrying indicators in relation to the **capacity of the public sector to survive the crisis**, in an already frail environment.

As talents are faced with a sharp drop in their living conditions, priority needs to be given on the **how to retain them** and keep them motivated. This is particularly important to highly qualified staff who have been groomed and trained throughout the years to deliver quality work and whose skills and institutional memory are needed to drive the reconstruction and recovery period.

Like financial management, efficient HR management 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 were noted.

The needs for reskilling and the rapid recruitment of new skills once a plan for Lebanon is sealed also create new risks. These are related to the adoption and enforcement of ad-hoc public sector restructuring measures or to the **re-creation of parallel administrations** that do not allow to sustain and institutionalize talents within the administration. Indeed, post war public administration was lacking both staff (half of civil service posts were vacant) and infrastructure and was unable to deliver basic services (Zein & Sims, 2004). To avoid civil service implosion, the Government resorted to recruiting contractual staff and consultants in ministries. These measures created a parallel structure without injecting a new and skilled workforce into the public administration. As a result, most public services and utilities kept on lacking capacity and were turned into sources of rent-seeking and political appointees.

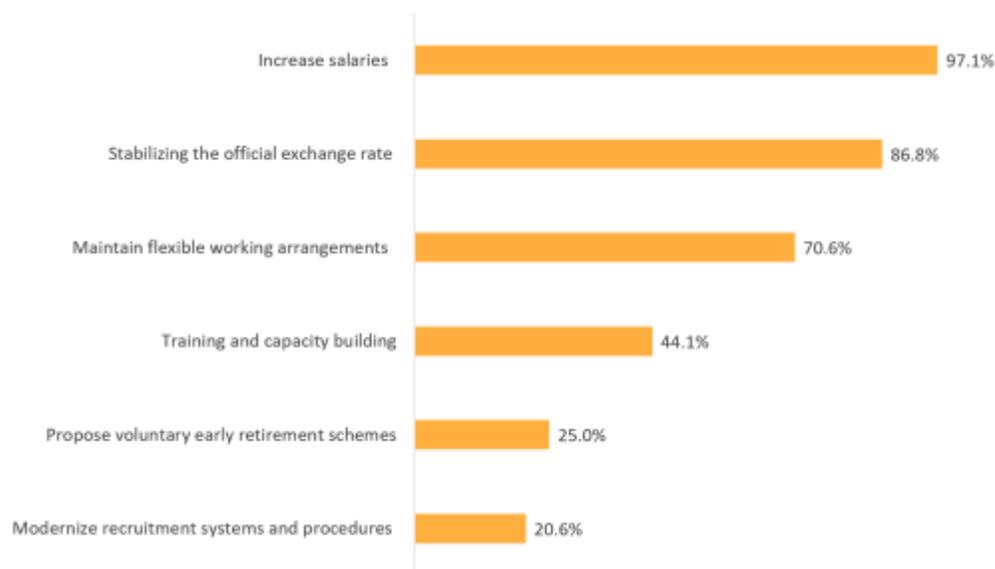
## Views on the Way Forward and Recommendations

When asked about the future of public administration, 95% of the surveyed administrations estimated that there was no need to cancel any job position. However, around 45% expressed the need for new skills and competencies, especially in the outcome of the crisis, such as cognitive and emotional intelligence, stress management, resilience and self-motivation, digitization and IT literacy, leadership and crisis management.

As well, 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:

- Increase in salaries (97.1%)
- Stabilize the official exchange rate (86.8%)
- Maintain flexible working arrangements (70.6%)

Figure 6.12: Priority areas of action to help PA mitigate the impact of the crisis on HR function thereof



In addition, short- and medium-term actions may include:

### 1. Provide support to critical and performing government agencies in retaining talents

Redirecting international aid to administrations and institutions that enjoy a track record of achievements and trust, exploring new financing instruments and engaging with them a policy dialogue around the redesign of service delivery, can help keep critical public services from being disrupted, and key institutions survive the current crisis, retain their talents and be ready for the recovery phase.

### 2. Reinforce accountability schemes and oversight bodies in charge of civil service oversight

Empower oversight agencies, 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 on an evidence-based, consultative and participatory design of the public sector restructuring as part of the Government Recovery Plan.

Reform design shall be geared towards reconciling overall political challenges underpinning civil service effectiveness with existing financial and fiscal constraints. It shall also put forth a clear reform framework for public sector restructuring.

Appropriate actions in anticipation for effective staff planning and modern human resources management that can be taken 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 and the introduction of new areas of operations/service delivery.
- Allocate financing and aid priorities based on clear programs and action plans, and on broad consultations among all stakeholders, to limit discretionary decisions and political interference.

State reforms require a profound societal transformation 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.

#### **4. Preserve the lifeline provided by training centers**

Training centers such as the “Institut des Finances Basil Fuleihan” and others across the Lebanese public sector need to remain as a knowledge and learning hubs and their capacities need to be leveraged for the reskilling of public servants and the creation of long-term training and capacity building frameworks. They offer platforms where international expertise can be adapted to national contexts, transferred, and sustained.

#### **5. Implement regulatory and legislative reforms**

These reforms would include modernizing the overall civil service regulatory framework and move towards a merit-based system, creating a position index connecting jobs to competencies in support of capacity development, career advancement and mobility across the public sector, introducing flexible and attractive remuneration schemes and linking performance management to pay competency-based appraisal.

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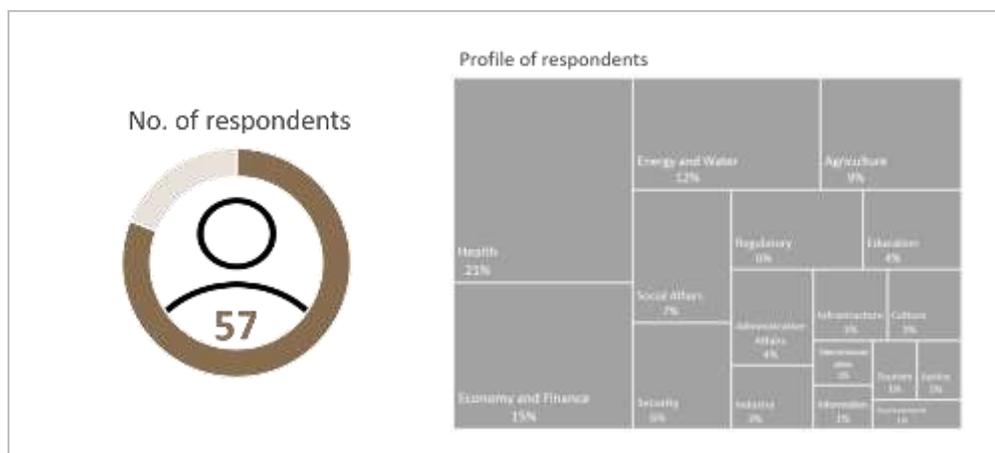
# Chapter 7 :

## Function 6 – 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. Despite the preparation of contingency plans, capacity for service delivery deteriorated as the crisis unfolded, sharply challenged by the economic and financial crisis, and the resulting shortages in specific goods and products, the shortage of intermediary goods and services, the disruption in access to digital services and lower HR capacity. The speed and timeliness of service provision decreased, and in more than half of surveyed administrations, at least one service was discontinued. The majority of respondents registered a significant increase in complaints. In addition, many administrations expressed concerns as to their capacity to sustain service delivery to citizens for over a year. This degradation in the quality of services and the risk of disruption are worrying and precursors to rising inequalities in accessing basic services, potentially paving the way for mounting frustration, heightened security threats and the risk of seeing large share of the population falling prey to political capture and manipulation ahead of the legislative elections which were held on May 15, 2022 and the upcoming presidential and municipal elections in 2022 and 2023 respectively.*

*Empowering citizens through information and responsive complaint mechanisms, and strengthening administrations through additional financing, the set-up of dedicated crisis management units, the deployment of digital government services and the transfer of selected services to municipalities, are effective ways to address looming challenges and to move towards a more citizen-centric service delivery model.*



## Pre-crisis Diagnostic and Readiness for the crisis

Prior to the crisis, Lebanon’s quality of public services and government effectiveness was low, weakened by infrastructure deficiencies and endemic corruption. Lebanon’s infrastructure appeared in significantly poorer condition than in other countries with similar levels of economic development (such as Argentina, Iran, Mexico, Thailand, Bulgaria, or Belarus), and fared closer to a typical low-income country (Sanchez, 2018). Figure 7.2 points out the quick degradation of government effectiveness in the delivery of services, notably over the past five years, alongside the drop in the control of corruption.

The poor quality of services translated into disruptions in the provision of basic services such as electricity, drinking water and waste management.

The survey provided a more in-depth look at the organization of public service delivery in terms of accessibility, transparency and accountability, prior and during the crisis.

Figure 7.1: Types of services delivered by the respondents

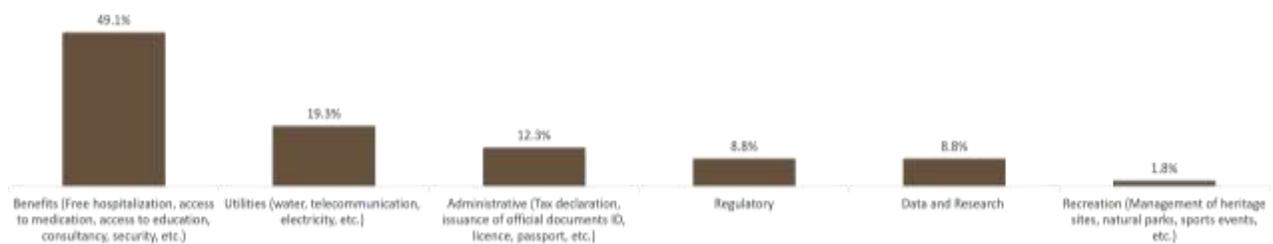
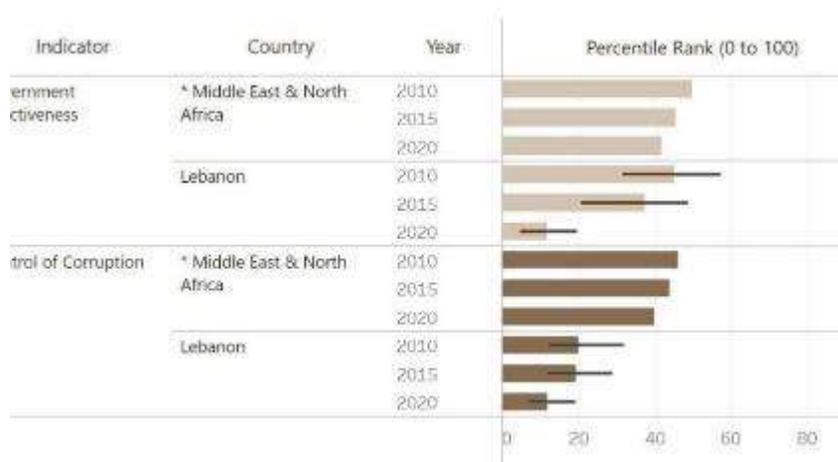


Figure 7.2: Evolution of Global Governance Indicators on Government Effectiveness and Control of Corruption for Lebanon (2010 – 2020)



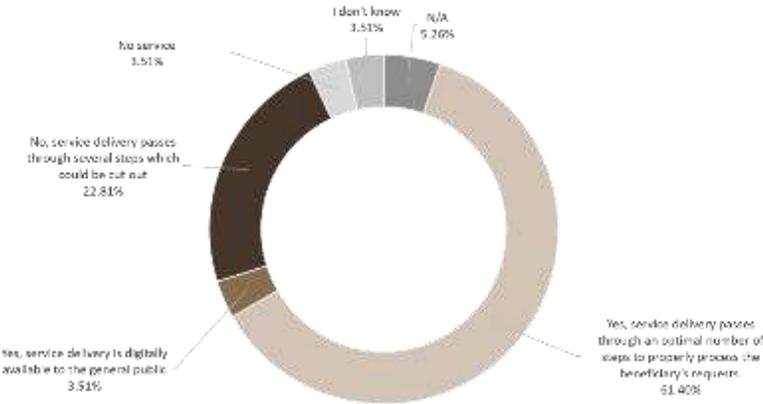
Source: World Bank, Worldwide Governance Indicators, URL: <https://info.worldbank.org/governance/wgi/Home/Reports>

Bureaucracy prevails while simplification and digitization are long due

When asked about their public service delivery process, the majority of the surveyed administrations (71.9%) confirmed that services were processed across several departments and that a large number of signatures were required to complete a single operation. Only 10.5% of the respondents assessed that their delivery mechanism consisted of a simple one-stop-shop process. In 14.0% of the cases, services were processed within one department but required more than a single step and many signatures. What rendered the process even more complex was poor citizen information with only 3.5% of administrations publishing required steps on their website or operating a call center for information.

As well, less than a quarter of the surveyed administrations considered that one or more administrative steps could be cut out of the delivery process to improve efficiency and effectiveness. Only few provided digital service delivery. But the majority of the remaining respondents found their service delivery process optimized, given the current laws and regulations in force.

Figure 7.3: Are the goods and services provided by your ministry/institution done efficiently



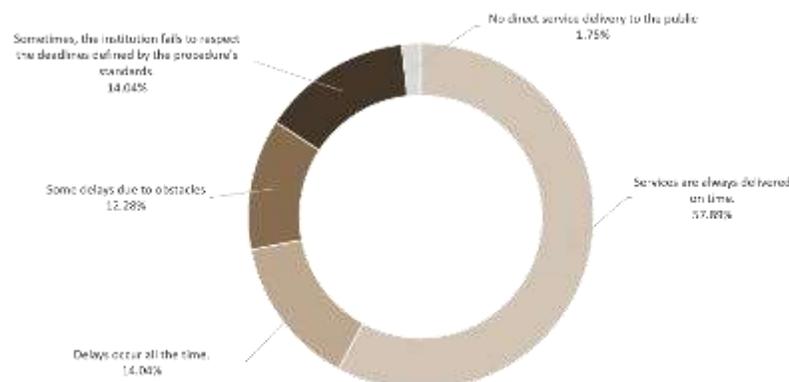
**Transparency and ease of access can be substantively improved**

Only 45.6% of the surveyed administrations had their eligibility criteria clearly stated. Also, around a similar percentage stated that processes and deadlines were clearly explained. Around 40.4% of the surveyed administrations adopted standardized procedures and 17.5% had clearly stated all services made available to citizens.

In terms of timeliness, 57.9% of the respondents confirmed always delivering services on time. Among those, it is worth noting that 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.). As well, 81.8% of the 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.

Others faced delays for multiple reasons that were either internal to the institutions (14% of cases) or external (12.3% of cases).

Figure 7.4: Is service provision timely?

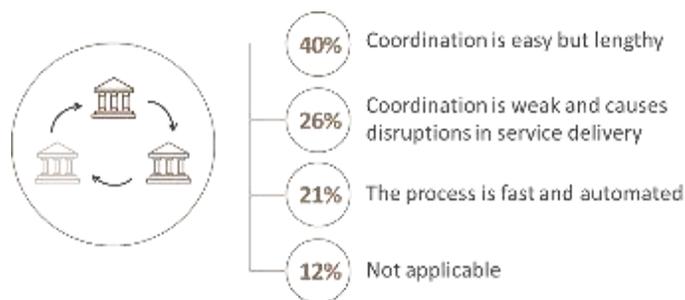


### Inter-agency cooperation to be streamlined

More than half of the administrations (54.4%) collaborated with other public institutions or organizations for delivering public goods and services.

Collaboration among state institutions<sup>10</sup> was estimated fast and automated in 21.1% of the cases. In 40.4%, it was easy but lengthy. And among 26.3% of the respondents, coordination was weak and caused disruptions in service delivery.

Figure 7.5: Assessment of inter-agency collaboration (between your and other ministries/institutions) for the provision of goods and services to citizens

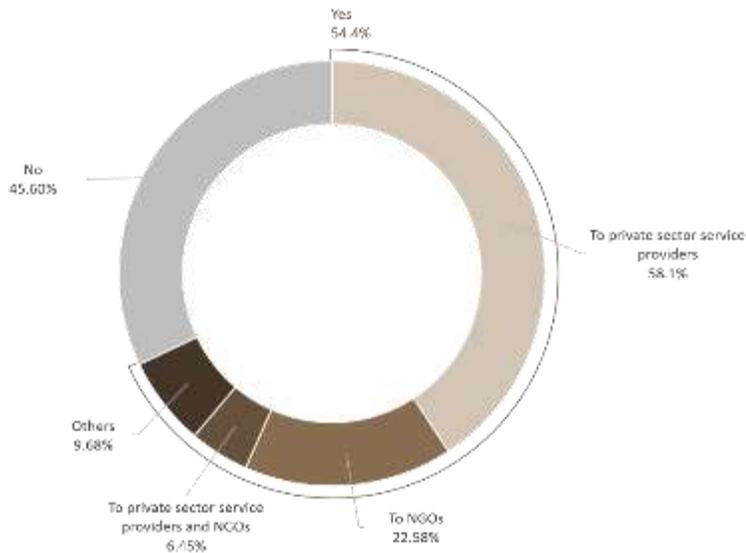


### In some sectors, service delivery is primarily sub-contracted

54.4% of the respondents sub-contracted service delivery notably in the energy and water sector and in social affairs. Services were sub-contracted to the private sector (58.1%), to NGOs (22.6%), to both (6.5%) and to civil organizations and religious institutions (3.2%).

<sup>10</sup> State institutions having mentioned being dependent on their collaboration with other public entities include public hospitals, the NSSF, the Directorate General of Civil Defense, the Public Authority for Consumer Markets, the Tripoli Port Investment Authority and many institutions operating under the umbrella of the Presidency of the Council of Ministers.

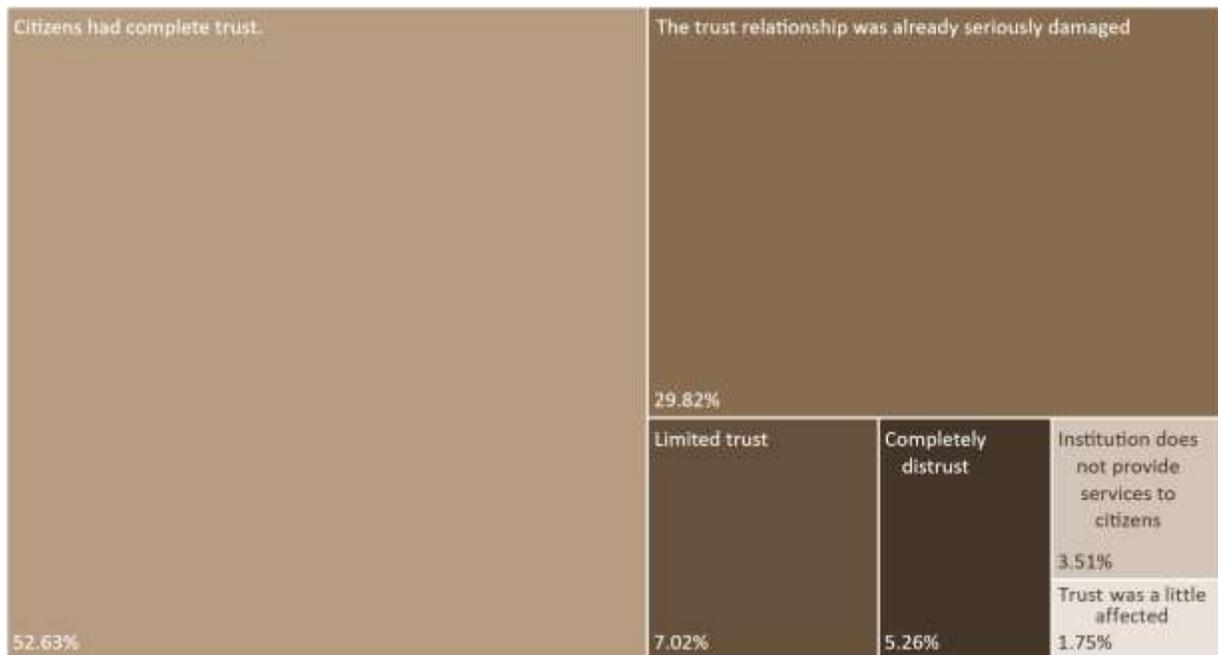
Figure 7.6: Collaboration with other organizations



### Trust had started eroding prior to the crisis

When asked about how they perceived citizens' trust prior to the social uprising of October 2019, around half the respondents (52.63%) estimated that citizens trusted the public administration; 29.8% considered that the trust relationship was already seriously damaged and 5.3% stated that it was already completely broken.

Figure 7.7: Public trust prior to the October 17 uprising



## Crisis Impact Assessment

The crisis has further compounded the public sector’s fragility, exacerbated existing deficiencies including institutional weaknesses and dismal public service delivery, and put state institutions on the edge of collapse.

### Capacity for service delivery is deteriorating though contingency plans were put in place

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

This was not the case in other sectors such as the agriculture, energy and water, security, culture, and others, in which the demand for services decreased (among 43.8% of surveyed administrations).

Figure 7.8: Evolution of the demand for services provided by PA during the crisis

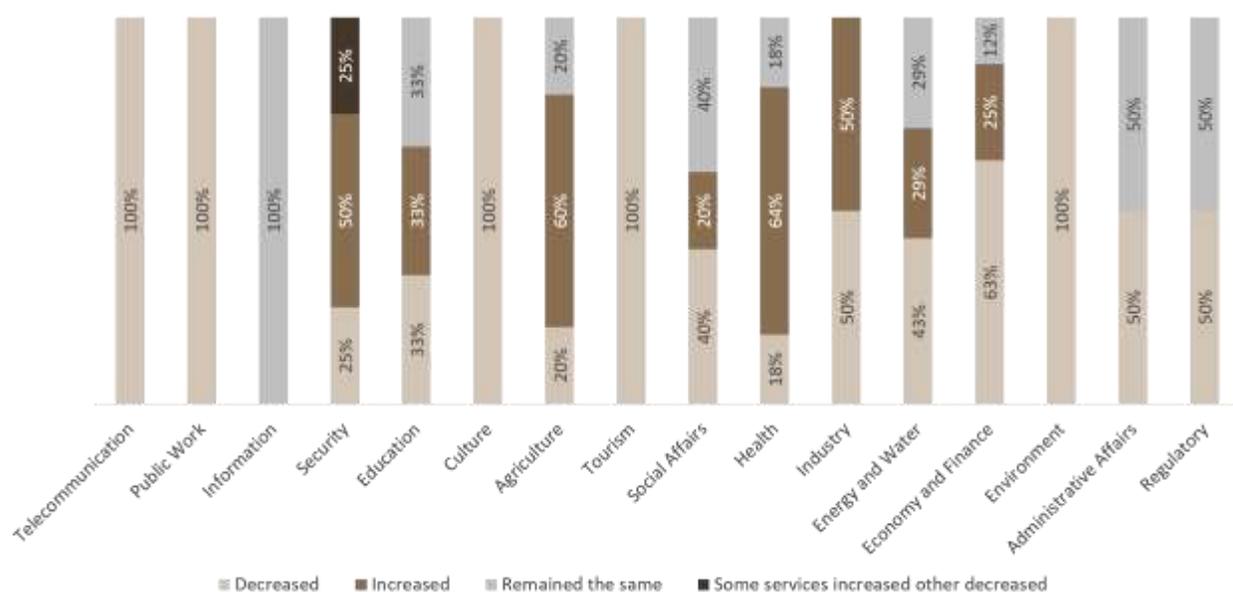


Table 7.1: Examples of types of services for which demand increased and decreased

| SECTOR | DEMAND INCREASED FOR SERVICES SUCH AS   | DEMAND DECREASED FOR SERVICES SUCH AS |
|--------|---|---------------------------------------|
| Health | <ul style="list-style-type: none"> <li>- Hospitalization (mainly due to Covid-19 and the inability of patients to cover the cost of hospitalization in private hospitals)</li> <li>- Primary care</li> <li>- Vaccination</li> </ul> |                                       |

|                                      |  |  |
|--------------------------------------|--|--|
| <b>Water and Energy</b>              | <ul style="list-style-type: none"> <li>- Consultancy on the use of solar and other alternative sources of energy</li> <li>- Water provision</li> </ul>   | <ul style="list-style-type: none"> <li>- 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</li> <li>- Handling of complaints</li> </ul> |
| <b>Agriculture</b>                   | <ul style="list-style-type: none"> <li>- Provision of flour and diesel for bakeries and mills</li> <li>- Control of smuggling</li> <li>- Flour and bread prices' adjustment</li> <li>- Set of quotas and the control of quantities distributed to bakeries</li> <li>- Land reclamations</li> <li>- Applications for the establishment of agricultural cooperatives</li> </ul>  | <ul style="list-style-type: none"> <li>- Laboratory tests</li> </ul>   |
| <b>Social Protection</b>             | <ul style="list-style-type: none"> <li>- Social assistance services</li> <li>- Elderly care</li> </ul>   | <ul style="list-style-type: none"> <li>- Requests by the displaced to receive compensations for the rehabilitation or reconstruction of their properties</li> </ul>  |
| <b>Security</b>                      | <ul style="list-style-type: none"> <li>- Safety and public order (fighting of small crimes such as robberies, managing demonstrations, assault on state property etc.)</li> <li>- Prevention</li> <li>- Enforcement of anti-monopoly decisions and measures</li> <li>- Investigations and prosecution work</li> <li>- Judicial police</li> <li>- Passports' issuance</li> <li>- Cooperation with other institutions to ensure food security</li> </ul> | <ul style="list-style-type: none"> <li>- Entry visas</li> <li>- Residence cards</li> </ul>   |
| <b>Economy, Finance and Industry</b> | <ul style="list-style-type: none"> <li>- Issuance of industrial certificates</li> <li>- Issuance of imports and exports licenses</li> <li>- Storage</li> <li>- Trademark registration</li> <li>- Monitoring of prices and pricing policies</li> </ul>  | <ul style="list-style-type: none"> <li>- Provision of industrial research and testing to confirm the quality of products according to Lebanese specifications</li> <li>- Foreign workers' employment permit</li> </ul>   |
| <b>Other</b>                         | <ul style="list-style-type: none"> <li>- Requests for the rehabilitation of facilities and buildings damaged by the Beirut explosion</li> </ul>  | <ul style="list-style-type: none"> <li>- Licenses for tourism establishments and festivals</li> <li>- Development/Infrastructure projects</li> <li>- Road maintenance, construction, rehabilitation, and maintenance of government buildings</li> </ul>              |

However, most of the respondents (63.2%) expressed concerns regarding the deterioration of their service delivery capacity resulting from both the currency depreciation that had significant repercussions on the procurement of goods and services and on public servants' salaries.



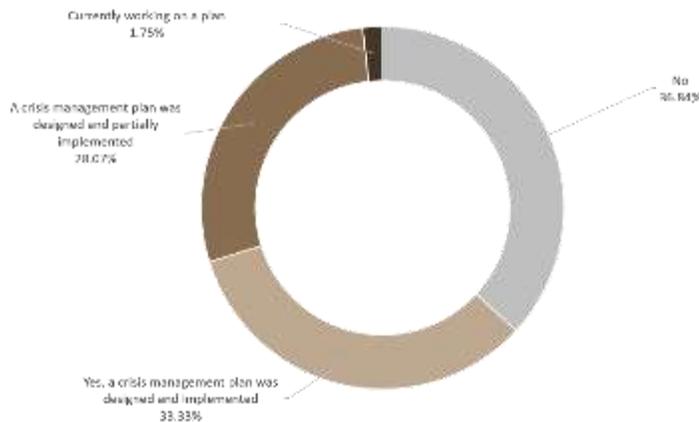
All municipalities stated that the crisis deteriorated their capacity of service delivery.

Many sectors anticipated a deterioration in their service delivery, in particular:

- The health sector in which 36.4% of the respondents mentioned that they expected service delivery to deteriorate with the expanding crisis;
- The water and energy sector in which 71.4% of the respondents mentioned that they expected service delivery to deteriorate with the expanding crisis; and
- The security and agriculture sectors, in which all respondents mentioned that they expected service delivery to deteriorate with the expanding crisis.

Most institutions (61.4%) designed a crisis management plan, that was fully implemented in 33.3% of the cases and partially implemented in 28.1% of the cases.

Figure 7.9: Was a crisis management plan designed/implemented?



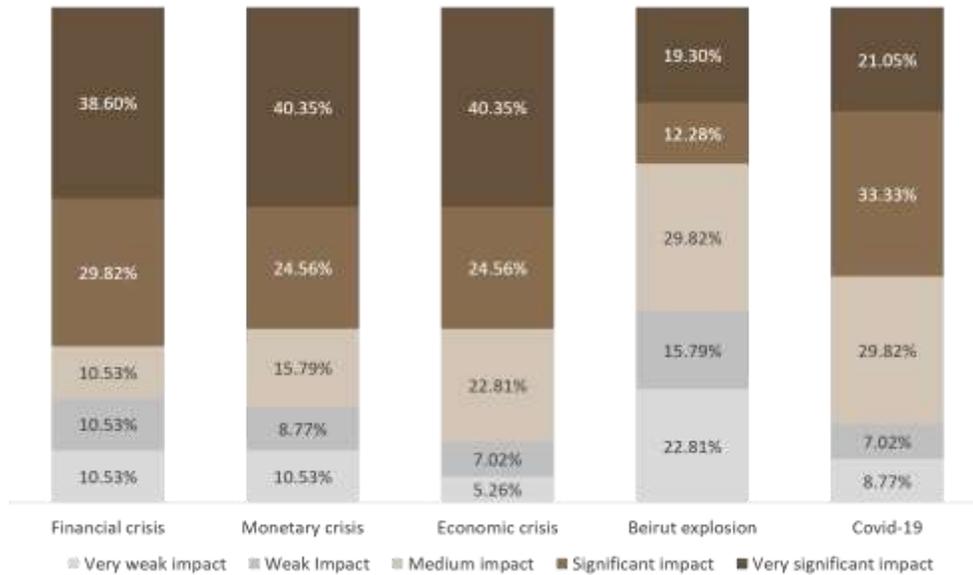
### Disruptions mostly occurred due to the economic and financial crisis

According to the respondents, the economic (64.9%) and monetary crisis (64.9%) had the most powerful impact on their capacity to sustain service delivery to citizens, followed by fiscal constraints that took the form of budget cuts and austerity measures imposed by the Ministry of Finance. The Covid-19 pandemic and Beirut Port Explosion had a lesser impact on service delivery capacity, in respectively 21.1% and 19.3% of the cases.



In municipalities, the fiscal, economic and monetary crises have equally compromised their capacity to sustain service delivery.

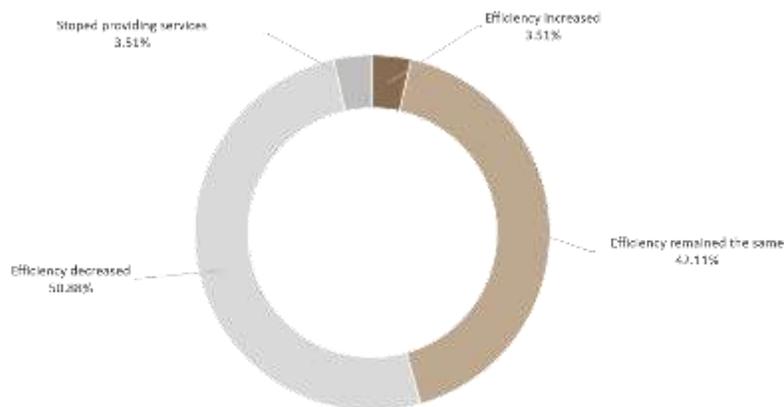
Figure 7.10: Impact of crisis on service delivery



Indeed, 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 administrations claimed that service delivery was normally sustained.

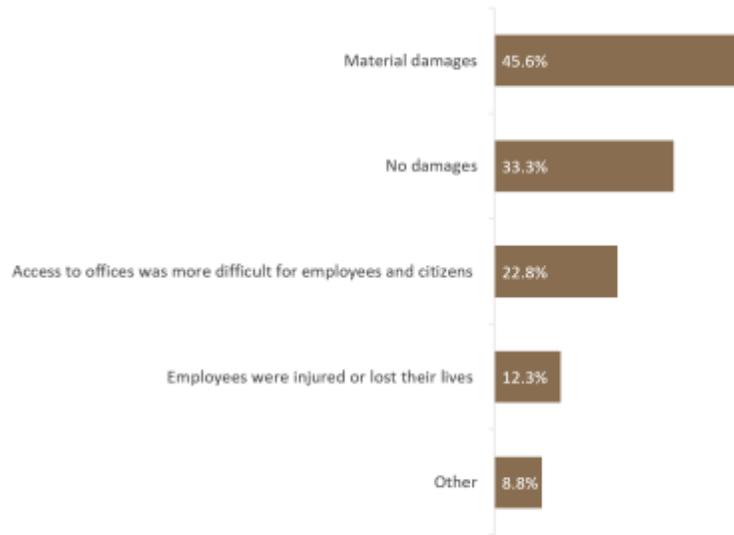
 55.6% of municipalities acknowledged being able to maintain the same level of services.

Figure 7.11: Impact of the crisis on the efficiency of service delivery



After the Beirut Port explosion, service delivery was impacted in 45.6% of the surveyed institutions by material damages and in 22.8% by restricted access of citizens and employees to the facilities.

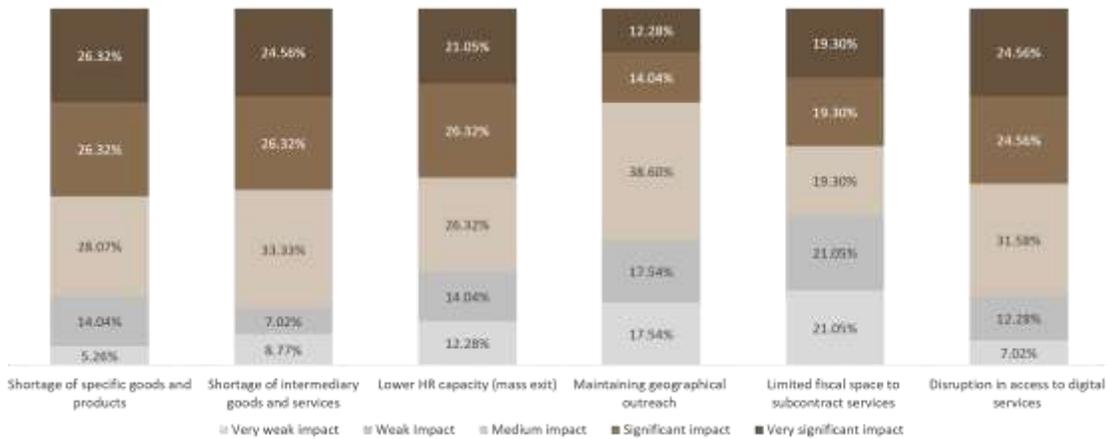
Figure 7.12: How did the Beirut Port explosion impact service delivery?



Service delivery was largely affected by the shortages of specific goods and products (in 52.6% of the cases), followed by the shortage of intermediary goods and services (50.9%), the disruption in access to digital services (49.4%) and lower HR capacity (47.4%).

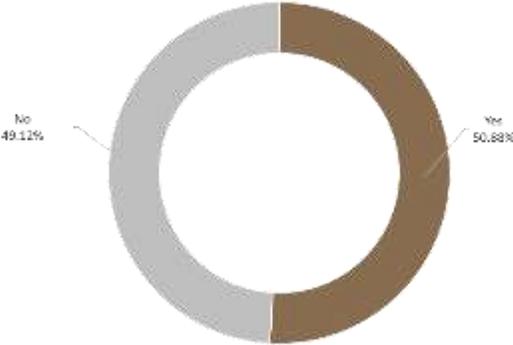
 Responding municipalities were mostly affected by the shortage of goods and intermediary goods in addition to the disruption of digital services. HR capacity was not an issue of concern among the respondents.

Figure 7.13: Main challenges impacting service delivery



Indeed, 50.9% of respondents reported cases of employees exiting in the public sector of which 44.8% stated that this has seriously damaged their service delivery. The impact of the crisis on HR and staff capacity is discussed in length under Function 5.

Figure 7.14: Occurrences of employees leaving their work



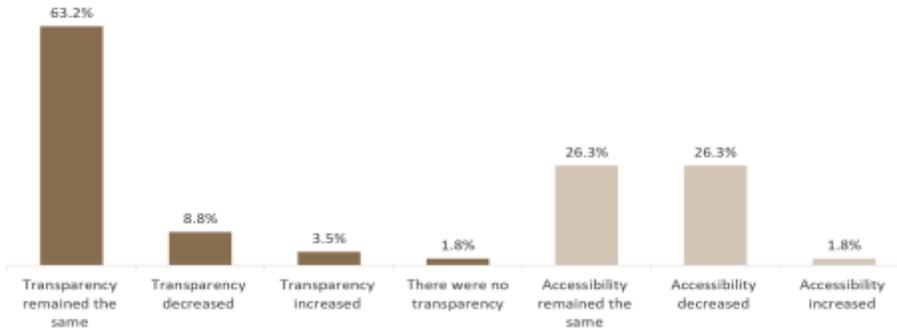
**Efficiency, speed and timeliness of service provision decreased**

When asked if they were able to maintain the same level of efficiency, answers were mixed: 52.6% of the responding administrations claimed that the efficiency of service delivery decreased while 40.4% claimed they were able to maintain the same level of efficiency. The health sector was the exception compared to other sectors and was able to enhance its efficiency, as it was on the frontline of the fight against the Covid-19 pandemic and has received national and international support to contain the spread of the pandemic and to face the dramatic repercussions of the Beirut Port explosion.

 Out of 9, only one municipality confirmed being able to maintain the same level of accessibility to service delivery.

In terms of accessibility of service delivery, 26.3% mentioned that they were able to maintain the same level of accessibility while a similar percentage witnessed a decrease in accessibility.

Figure 7.15: Impact of the crisis on the transparency and accessibility of service delivery

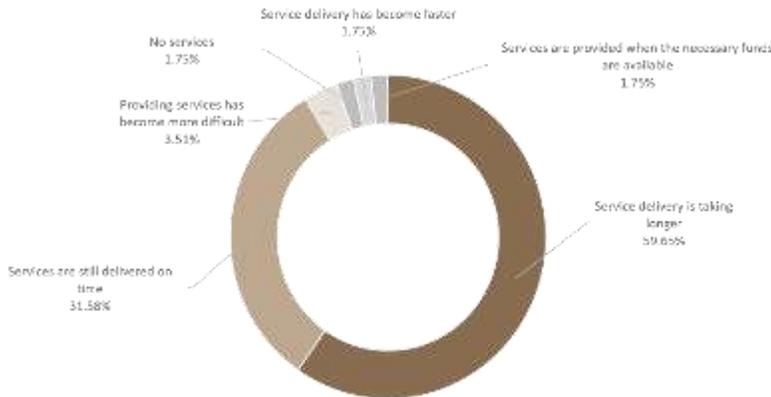


In terms of transparency, 63.2% of administrations maintained their pre-crisis level of transparency and did not improve information-sharing to citizens on how to perform their transactions during the crisis.

Obviously, it is the timeliness and speed of service delivery that was mostly affected. In 59.7% of the administrations, service delivery took longer than the usual, notably in the energy sector, social affairs and security. On the other hand, almost one third of the institutions were able to maintain a timely delivery, in particular in the health sector where 54.5% of the institutions responded that services were still delivered on time.

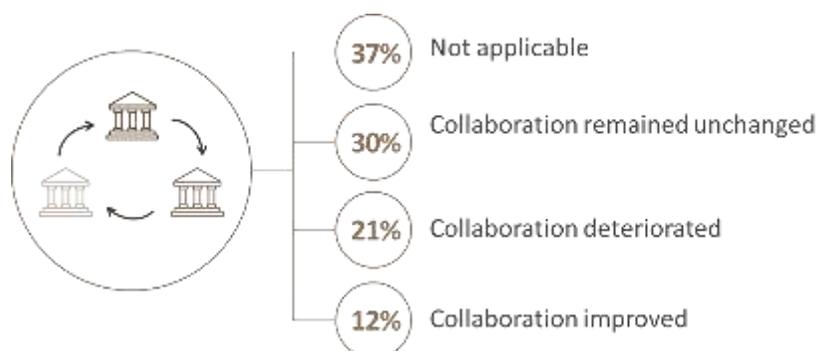
 Only 33.3% of the municipalities claimed that service delivery is taking longer. However, this ratio is only indicative as responsiveness depends on many factors including the complexity of the service delivery process.

Figure 7.16: Impact of the crisis on the speed of service delivery



Delays can be partially attributed to the deterioration of inter-agency collaboration among ministries in 21.1% of the cases, while it improved in only 12.3% of the cases.

Figure 7.17: Impact of the crisis on inter-agency collaboration for the provision of goods and services



However, 38.6% of the respondents stated that their institution implemented specific measures to maintain service delivery (table 7.2) to the most vulnerable groups (table 7.3).

Table 7.2: Measures taken to maintain service delivery

| SECTOR                               | MEASURES   |
|--------------------------------------|--|
| <b>Health</b>                        | Work according to priorities   |
|                                      | Provision of free medicines  |
|                                      | Increase of medical fees   |
|                                      | Securing financial aid from external parties   |
|                                      | Increased collaboration with international organizations and NGOs  |
| <b>Security</b>                      | Prevention measures - Setting plans to protect public and private properties in case the security situation deteriorates |
| <b>Agriculture</b>                   | Work reorganization  |
| <b>Economy, Finance and Industry</b> | Securing supplies for staff at prices that are relatively lower than the market price                                    |
|                                      | Provision of fuel for generators to ensure the continuity of work  |
| <b>Municipalities</b>                | Response plan to combat the Covid-19 pandemic  |
|                                      | Plans to provide in-kind and cash assistance to the most vulnerable  |

Table 7.3: Categories of vulnerable people benefiting from service delivery

|          |   |
|----------|---|
| <b>1</b> | People with medical conditions                        |
| <b>2</b> | Sick people above the age of 64                       |
| <b>3</b> | Sick people holder of Ministry of Social Affairs card |

|   |                                 |
|---|---------------------------------|
| 4 | Middle- and low-income families |
| 5 | Poor families                   |

### Risks of disruption are imminent, in particular in the water and energy and in the social protection sectors

Around 60% of the institutions expressed concerns regarding the deterioration of their service delivery capacity, despite the fact that they had designed a crisis management plan at the beginning of the crisis. In 52.6% of the surveyed administrations, at least one line of services was discontinued as the survey was conducted (Table 7.4). Around 40% stated being able to sustain service delivery for citizens for over a year, 15.8% for 6 to 12 months, 17.5% for 3 to 6 months and 21.1% for even less. Examples of services about to be discontinued are provided in Table 7.5.

The most vulnerable sectors were the water, 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. This is a particularly alarming indicator as to the State’s capacity to maintain social cohesion and access to basic services such as health, education and social protection, putting the lives of the most vulnerable at risk.

Table 7.4: Examples of services being discontinued

| SECTOR                   | SERVICE BEING DISCONTINUED                                  |
|--------------------------|---|
| Health                   | Closure of medical sections                                 |
|                          | Closure of HR departments                                   |
|                          | Shutting down medical machinery                             |
| Infrastructure and Works | Regular maintenance of roads and buildings                  |
| Agriculture              | Training and field visits                                   |
|                          | Land development, lakes, and mountain roads                 |
| Water and Energy         | Water and power supply shortages                            |
| Culture                  | Support the organization of cultural events and exhibitions |

Figure 7.18: Period-limit to sustain service delivery to citizens

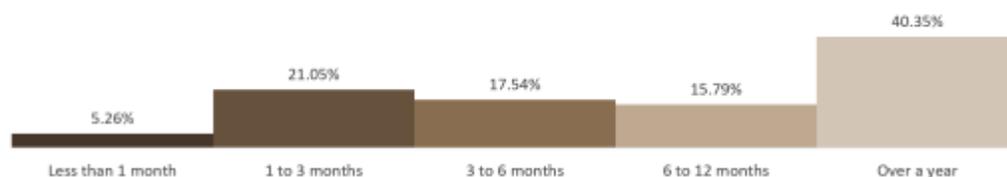


Figure 7.19: For how long will PA be able to sustain service provision? (by sector)

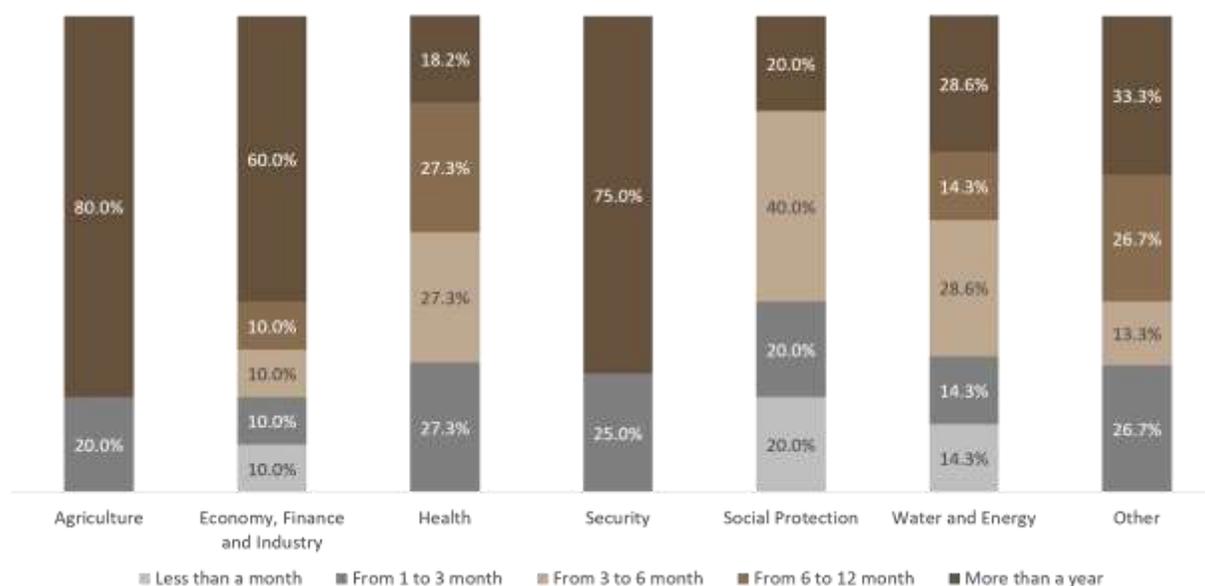


Table 7.5: Examples of services about to be discontinued

| SECTOR                   | SERVICE ABOUT TO BE DISCONTINUED                        |
|--------------------------|---|
| Infrastructure and Works | Infrastructure works                                    |
| Education                | Distance learning                                       |
| Social protection        | Services delivered by social care centers               |
|                          | NSSF health benefits                                    |
| Health                   | Closing of medical sections                             |
|                          | Shutting down additional medical machinery              |
|                          | Reducing medical services                               |
| Agriculture              | Land, mountain lakes and agricultural roads reclamation |
| Water and Energy         | Electricity provision                                   |
|                          | Water provision   |

### Trust is further broken; political interference is gaining ground and complaints are on the rise

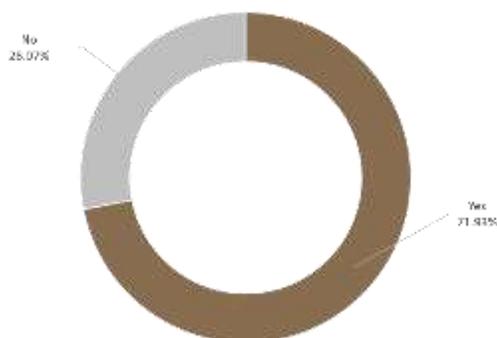
Trust in the public sector deteriorated since October 2019. According to the survey, the most affected sectors were the Energy and Social Affairs where 71.4% and 100% of institutions noted a deterioration in trust, respectively. Citizens displayed a more aggressive attitude towards public servants in the mentioned sectors, while 19.3% of the cases showed more understanding and compassion in other sectors.

 Municipalities witnessed a similar deterioration in public trust that may take years to be restored.

As well, 71.9% of the surveyed administrations registered a significant increase in complaints after the crisis. Complaints in all sectors have increased especially in security (all surveyed administrations have faced an increase in citizen's complaints), in the Health sector (81.8% of surveyed administrations), in Social

Protection (60% of surveyed administrations), in Water and Energy (71.3% of surveyed administrations) and Agriculture (80% of surveyed administrations).

Figure 7.20: Increase in complaints after the crises



When it comes to political interference, 70.2% of the surveyed administrations admitted that political interference did exist and that it increased in 12.3% of the cases as the crisis was expanding.

### Administrations tried to install practical solutions to face disruptions

One third (33.3%) of the surveyed institutions implemented additional services to face the current crises, notably the health sector invested and implemented new services to face the Covid-19 pandemic, such as setting-up new departments, conducting national vaccination campaigns, raising awareness, etc. (table 7.6).

More than half of the surveyed institutions (54.4%) also took concrete action to maintain or to recover the quality of service, notably in the health, security and agricultural sectors (table 7.2).

When asked about potential measures that could have been taken to maintain service delivery, surveyed administrations proposed: adjustment of salaries, provision of fuel to employees, renovation or reconstruction of damaged infrastructure, allocation of more credits for maintenance and operational costs, and the move towards e-government.

 55.6% of the responding municipalities provided additional services as a mean to ease the repercussions of the crisis on citizens, while more than half implemented specific measures to maintain the pre-crisis quality of the services.

Table 7.6: Examples of additional services implemented by PA to face the crisis

| SECTOR | NEW SERVICES                                |
|--------|---|
| Health | Setting-up new departments to face COVID-19 |
|        | Conducting national vaccination campaigns   |
|        | Raising awareness                           |

|                  |  |
|------------------|--|
|                  | Helping secure financial aid for patients  |
| Security         | Raising 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 | 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

The image of the public sector has been sharply shattered by the crisis and the roles of “good” institutions and ethical public servants were often overshadowed by eroding trust and negative perceptions.

However, it is **the degradation in the quality of services provided and the risk of disruption that are worrying and precursors to rising inequalities in accessing basic services**. This might lead to acute social distress and to a more significant drop in livelihoods of people that stand at the frontier of poverty. This embodies serious repercussions in terms of:

- A broken social contract, mounting frustration and violence.
- Security threats in the form of outbreaks of violence, increase in crime, robberies and thefts, as already reported by the Internal Security Forces. The first 10 months of 2021 witnessed a 265% increase in theft crimes compared to the same period in 2019 (Beirut Today, 2021)
- A large share of the population falling prey to political capture and manipulation in the context of the legislative elections that were held in May 2022 and the upcoming presidential and municipal elections in 2022 and 2023.

### Views on the way forward and Recommendations

According to the survey, the priority top areas of action to help ministries and public institutions mitigate the impact of the crisis on service delivery are:

- (1) Increasing the financing (91.2%)
- (2) Transitioning towards e-government (52.6%). In fact, 69.64% of the institutions considered digital government, where applicable, as a viable alternative moving forward.
- (3) Employing skilled public servants (43.9%)

Figure 7.21: Priorities areas of action to help PA(s) mitigate the impact of the crisis on service delivery

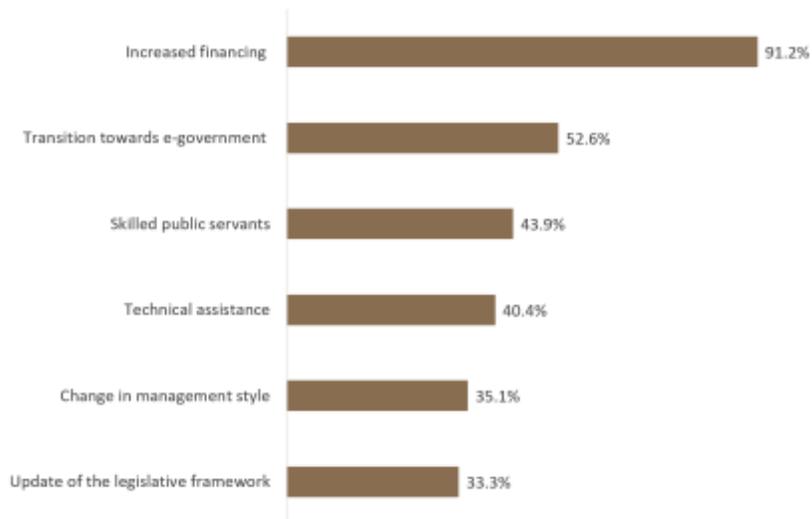


Table 7.7: The top 3 answers by sector

| Sector                     | Priority 1          | Priority 2                          | Priority 3   |
|----------------------------|---------------------|-------------------------------------|--|
| <b>Health</b>              | Increased financing | Skilled public servant              | Transition towards e-government  |
| <b>Energy and Water</b>    | Increased financing | Technical assistance                | Transition towards e-government  |
| <b>Economy and Finance</b> | Increased financing | Transition towards e-government     | Skilled public servant   |
| <b>Social Protection</b>   | Increased financing | Change in management style          | Update of the legislative framework  |
| <b>Agriculture</b>         | Increased financing | Transition towards e-government     | Skilled public servant and change in management style                            |
| <b>Security</b>            | Increased financing | Update of the legislative framework | Transition towards e-government, technical assistance and skilled public servant |

When institutions were asked about how they see the upcoming period, 40.4% stated that the situation in Lebanon is complex and the way forward remains unpredictable. A quarter (24.6%) refrained from answering and the rest (35.1%) expressed optimism and made suggestions including:

- Adopting a comprehensive reform plan, and effective tools to fight corruption

- Providing financial and technical assistance to public administrations
- Updating the legislative framework
- Improving coordination with other ministries, institutions, and non-governmental organizations
- Forming a government of experts to mitigate the repercussions of the crises
- Transitioning towards an e-government, where applicable

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**

Accessibility can be significantly enhanced if eligibility criteria and processes are clearly communicated and published on the administrations' website or made easily accessible to the public, especially when special conditions or exceptional measures are put into place under crisis mode.

### **2. Implement complaint procedures**

Handling public service complaints and putting corrective measures in place are effectively key determinant of the quality of service delivery and trust rebuilding. However, the set-up of an effective complaint mechanism within the public administration requires procedures that are easily accessible, simple to invoke and operate, and transparent. It also needs to ensure that stakeholders are kept informed. Such measures are important in holding public officials accountable for the use of discretionary decisions and in promoting values of fairness, social justice and citizen-oriented public administration. They 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. Assign a crisis management focal point or team within each public administration and institution**

This person or team would be in charge of simplifying procedures and implementing measures to enhance collaboration among ministries whenever needed to sustain service provision and speed it up, especially that most administrations are dealing with increased absenteeism. It shall also be tasked with internal coordination with units in charge of planning, budgeting and procurement, so that these functions are optimized towards the sustainability of service delivery.

### **4. Decentralize selected services to municipalities**

During the pandemic, Lebanese municipalities have stepped-up and played a central role in the roll-out of the health policy response. They can also be empowered to play a larger role in the economic and social policy response: given the administrative flexibility they enjoy, the increasing demand on public services, and the strained capacities of central government, municipalities – notably well established and organized ones - can increase their intervention's area 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. Mobilize external financing to help the State maintain its provision of basic services**

External funding, alongside the reallocation of government internal resources for more efficient spending, could come from the donor community and the private sector towards the financing of public service

provision and public assets maintenance and infrastructure. This could take many forms including Public-Private Partnerships.

External financing would also allow to maintain the lifeline provided by institutions that are on the frontline of the response or that are struggling for maintaining strong state institutions.

#### **6. Gradually move towards the simplification and automation of procedures**

This is a critical step to improve timeliness and efficiency and to democratize access. The ultimate objective would be to transform all government services into one-stop shops to citizens. Automation will also be paramount in enhancing organizational set-up and practices, in collecting relevant data that can inform service design and delivery and improve performance measurement.

#### **7. Move towards citizen-centric service delivery**

Citizen-centric service delivery implies *“change from models where the government owns inputs and processes, toward a model where the government and citizens jointly own the outcomes. In other words, the government moves from governing for citizens to governing with citizens. This also implies a shift in terms of the citizen moving closer to the center of governance and an evolving public sector where citizens, politicians, bureaucrats and service providers become co-creators of public goods”* (UNDP , 2016).

If the long-term objective is to exit the crisis and Rebuild Back Better, government agencies will need to undergo reforms allowing them to provide better, faster and more services, to ensure fairness and inclusivity, and to respond to evolving needs that are relevant to circumstances. To be in line with SDG 16, public administrations will be called upon to operate a shift in their mindset and practices to involve the citizen in all stages of the policy and service delivery process (design, decision, delivery and monitoring; and evaluation). This approach requires a sound understanding of citizens’ expectations, experiences, and key drivers of satisfaction. Technology and training will be the two main catalysts and enablers for such changes (World Bank, 2018).

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# Impact of the crisis on the Healthcare Sector

Information 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.

- Amid increasing poverty and vulnerability, and the significant increase in the cost of hospitalization, citizens from the middle class are heading towards public hospitals, which had to carry the largest burden of the health, social and economic crisis. The shift in the number of patients from private to public healthcare facilities was estimated by respondents to exceed 50%. In 45% of responding institutions, the transfer rate reached 50 to 75% (figure 7.21). Support from the Ministry of Public Health remained marginal, despite an increase from 1% to 3.5% of MoPH coverage of patients’ hospitalization fees, that was financed through a World Bank funding.
- The observed shift in behavior as ill-patients were only heading to the hospital when faced with severe or advanced stages of illness heightened the cost of treatment.
- There was an increase as well among outpatients, adding pressure on outpatients’ clinics such as laboratory services and pharmacy. In most cases, patients were fully covered by caritative or community-based associations (rather than by NSSF or private insurance).
- In Primary Healthcare Centers, demand increased by 5 to 6 times, depending on the region and area. For instance, in Bourj Hammoud, the center used to admit around 100 patients per day before the crisis. Since the start of the crisis, this number increased to approximately 600. This exponential increase was closely linked to the subsidization of health services by the international community, with 50% of people heading to the PHC being from the Lebanese nationality, outlining a shift in 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, putting in danger the patients' health. 60% of responding public hospitals estimated that between 5 to 25% of the patients were asked to secure their own drugs and surgical supplies in 2021 (figure 7.22).
- Hospitals were unable to cover for neither the rising cost of important healthcare materials, paramedical or equipment maintenance. Rising costs could not be charged on beneficiaries and were financed either through grants (figure 7.23) or deficits/losses.
- This has led to recurrent temporary disruptions in specific medical services such as laboratory services.
- Another challenge was brought forth by suppliers requesting to be paid in cash USD and imposing lengthy procedures, even for lifesaving drugs needed in emergency cases. 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 7.25).

Figure 7.22: What is the percentage of increase that resulted from the shift from private to public healthcare?

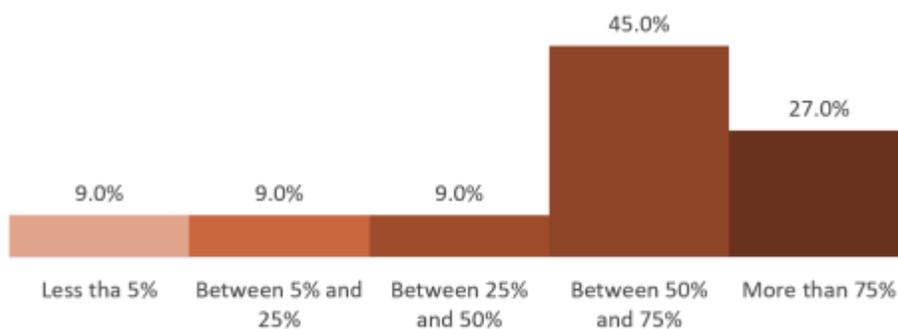


Figure 7.23: What is the percentage of patients who were asked to secure their own drugs and surgical supplies (in 2021)?

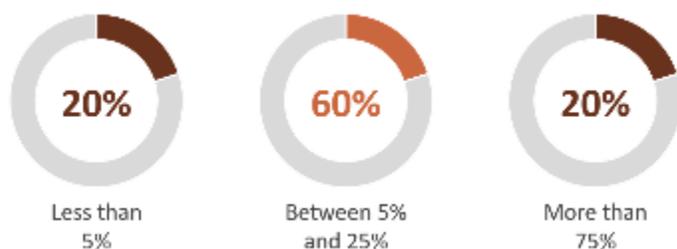


Figure 7.24: What is the percentage of drugs or medical equipment received through donations or aid (in 2021)?

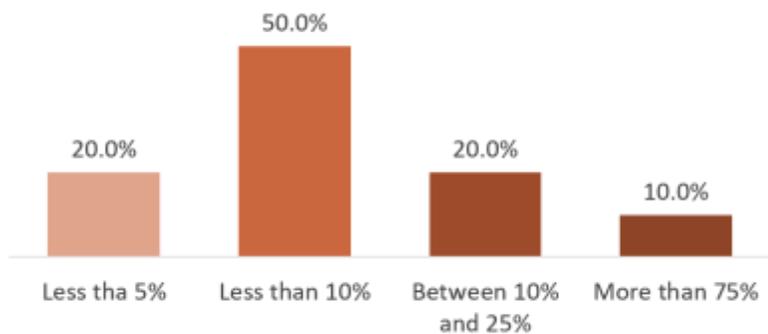
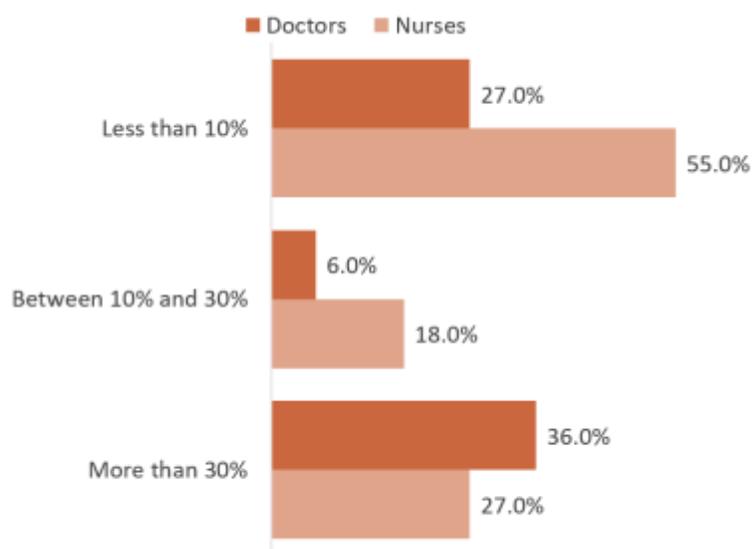


Figure 7.25: What is the percentage of physicians (doctors) and nurses who have left the service?



## Recommendations



## Capacity / Operations related measures

- Reallocate MoPH's subventions, for a limited period of time, from private hospitals (charging patients at real cost) to public hospitals as additional financial support to their functional expenses.
- Amend the current threshold for the procurement of medical supplies and goods 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 central purchasing among all public hospitals specially for the purchase of O2, life-saving drugs and medical equipment. This would help increase the negotiation power of public hospitals and provide them with access to these supplies and equipment at same prices (current practices point out to different prices being applied by suppliers to different purchasing entities).
- Expand the regulation applied to "Prosthesis" 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 Cooperative of Public Servants.

# Impact of the crisis on the Agriculture Sector

Information 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.

## Impact on Farmers

- Since 2020, the Government stopped subsidizing the local production of grains, cereals and seeds. As the crisis was expanding, available supply was unable to meet the significantly increasing demand, driven by a growing number of individuals engaging in agricultural projects.
- Small farmers faced problems in procuring seeds from the market, mainly priced in USD. Therefore, the growth in demand could not be met by a similar growth in production. On the contrary, production decreased with the rising prices of fuel, seeds, etc. and the disruption in access to water (figure 7.25). As such, many agricultural lands were left uncultivated due to the high cost of production, which was estimated to have increased by 100 to 500% on farmers (63% of the respondents), driven by the cost of maintenance and spare parts as well as by the rising prices of fuel.
- The local production of wheat no longer subsidized remained relatively constant since wheat is an essential produce. This type of locally produced wheat is used for certain pastries and bread, while the other type is imported and used for the production of the pita bread widely consumed in Lebanon. 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. However, the

increase in the price of agricultural products is assessed to have benefited less to farmers and mostly to distributors (figure 7.26).

- 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 identified a significant increase in the demand to establish cooperatives. While the response was in line with the demand, not all proposals met the required conditions to institute cooperatives. Accordingly, a new service was launched by the Directorate that supported the establishment of local associations, paving the way for the establishment of cooperatives few years later.
- Training and support were provided to women farmers on management and entrepreneurship, in addition to financial aid and vouchers to small farmers to help them buy the agricultural products needed to support local production and reduce pollution in agriculture.
- From another side, the growth in demand was also driven by a change in consumption patterns as grains – that are vegetable sources of proteins – started replacing meat proteins that were becoming unfordable for a large number of households.
- As well, an increase in the demand for land reclamation was noted and for the opening of agricultural roads and artificial lakes, etc. Support and technical assistance were provided by the FAO to the Green Plan to deal with such requests.

### Impact on Public Administrations and Institutions

- Some services provided to farmers were disrupted. While consultancy services remained 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). As no local alternative to lab equipment and chemicals is currently available, these service became unaffordable to small farmers.
- Request of free consultancy services increased remarkably since the beginning of the crisis, especially on guidance provided on the most suitable plants to be cultivated amidst the financial and environmental challenges, that do not require high production costs and are essential for food security.
- To mitigate for the shortage in resources, coupled with delays in transfers from the Ministry of Finance to cover current expenses, fee-based services delivered by LARI were slightly increased but remained less expensive than the ones provided by private laboratories.

How much does the Administrations estimate the increase in the production costs on farmers?



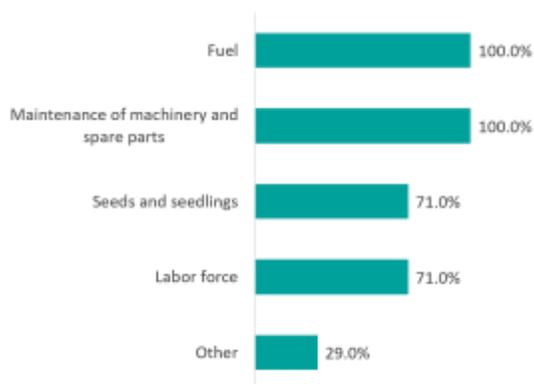
63% estimated an increase from 100% to 500%



38% estimated an increase from 500% to 1000%

- In addition, suppliers showed reluctance to work with government agencies and submit bids. The participation of local enterprises to business contracts for local agricultural projects priced in LBP significantly dropped.
- The sector also suffered from workforce shortage, especially in terms of daily workers, receiving in fact a compensation of LBP 20,000 per 6 hours of work. However, these workers are critical to the survival and continuity of the agricultural sector.
- Administrations, running on low capacity, remained operational based on civil servants that were taking their job responsibly and filling for others. However, competencies are leaving the public sector, in particular 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 7.28). A rise in exit rates is further expected. The crisis has put forth the need for public sector restructuring in ways that would primarily address the issue of retaining talents amid the crisis.
- The lack of trust in public institutions has remarkably increased since the beginning of the crisis, affecting service delivery and the credibility of civil servants. Suppliers, landowners and farmers lost their trust in government agencies.

*Figure 7.26: Which of the below factor had the most significant impact on the increase of production costs?*



*Figure 7.27: How did the increase in the prices of agricultural products affect the income of farmers?*

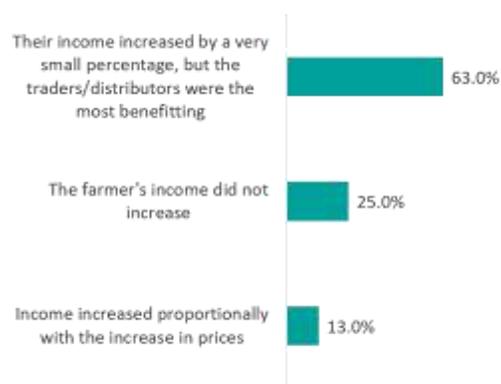


Figure 7.28: What measures have you taken to improve the farmers' standards of livelihoods?

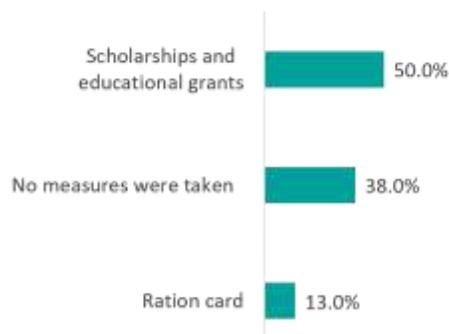


Figure 7.29: What is the percentage of engineers and technicians who left your institution or requested unpaid leave?



## Recommendations



### Capacity / Operations related measures

- Introduce innovative technologies to farmers to improve cultivation and production with reducing costs: for example, the use of organic fertilizers that can be prepared by the farmers themselves. This is currently being tested by some NGOs.
- Optimize the role of newly established cooperatives and guide them towards the production of selected agricultural products that are either disappearing from the local market or that have become too expensive, while addressing 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

- Have the customs administration and other order enforcement agencies strengthen border protection and ensure market compliance with the relevant legislations and standards, in a way that protects the fair exportation of local productions.
- Reinforce the role of agricultural cooperatives and unify prices to help improve the farmers' income and consequently their purchasing power and standards of living.
- Restructure the public sector based on competencies and experience.
- Adjust the salaries of civil servants to retain experts and experienced practitioners.

# Impact of the crisis on the Water Sector

Information 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.

## Impact on the provision of water services

- The demand for new subscriptions increased amid talks and rumors 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: for example, while the usual subscription for water services is for one meter, citizens were requesting subscription for half a meter, to rationalize their water consumption. However, water establishments were not able to provide this service as it required new equipment that could not be purchased given the currency devaluation.
- Among new requested services, applications for irrigation networks were mainly used for agricultural purposes: these were difficult to handle as they were usually provided by the Litani Authority, and there was no possibility to check whether this kind of demand was to the benefit of the agricultural sector or intended for sanitary personal use.
- Service provision was sustained but reduced to minimal capacity, as water authorities faced difficulties in the provision of water supply to households. Their capacity to pump water was recurrently disrupted by electricity shortages. This required the use of diesel pumps and generators in water processing stations, which were difficult to procure with the fluctuation of the currency exchange rate (figure 7.29). The cost on users increased as they had to refer to alternatives to be able to cover their needs in water.
- Only services provided on a seasonal basis registered a drop in demand.

- Support provided by the international community helped maintain minimum service delivery through the provision of financial and technical support to water establishments. Support was provided in all regions across Lebanon especially in terms of programming, logistics, automation and customers' relations and feedback. Call centers were set-up in South, North and Bekaa Water establishments. The set-up of call centers allowed to improve relationships and communication with citizens that submitted complaints but also better understand which services are available, what are the requirements for subscription, etc. 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.
- However, the quality of service delivery decreased: in terms of water provision, both services– the production of potable water and its distribution to households - were affected by the crisis, and in particular by electricity and water shortages. Reliance on diesel pumps and generators increased as well as cost thereof. The drop in financing rendered maintenance ad-hoc and difficult to provide, at the level of transportation to the concerned locations and provision of spare parts. Distribution was mostly disrupted, 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 7.32). The maintenance of existing equipment and networks required payments in foreign currencies and hence took more time to be accomplished, negatively affecting the efficiency and timeliness of service delivery: The service provided in one day, started taking at least a week. The additional cost was not charged on citizens but financed through donor support.
- In addition, the crisis triggered remarkable losses in human resources, driven by loss in purchasing power (figure 7.32). Most of those who left were staff paid close to the minimum wage and couldn't even afford transportation.
- The provision of fuel remains the most important challenge to be able to sustain service delivery ranging from pumping water to households and performing maintenance works, to staff transportation and their ability to come to work; as well as the supply of spare parts priced in foreign currencies.
- Suppliers were increasingly reluctant to work with the public sectors due to long delays in payments (figure 7.31).

### Impact on Financial Management

- Water authorities are public establishments that used to be financially autonomous as they generated revenues.
- Amid the crisis, the decrease in fuel supply and fluctuations of the exchange rate triggered the request of budget allocations from the Budget reserves. This situation is considered to be only temporary and cannot be sustained in the long term, implying the urgency to improve collection and increase tariffs.
- Few donors and partners (such as UNICEF, USAID and others) provided a substantive source of external support amid the crisis. No direct budget support was provided to water establishments but

only indirect financing and in-kind through the financing of operating and capital expenditure to keep supply constant. As such, diesel for maintenance works was provided upon request.

- 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 7.33). 80% of them had to put in place a rotation system between departments to ensure the continuity and effectiveness of the workflow (figure 7.31).

Figure 7.30: What is the most challenging obstacle that you had to overcome in 2021 at the level of service provision?

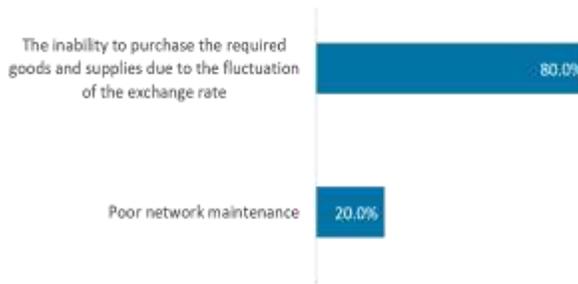


Figure 7.31: What are the alternative measures to maintain service provision?

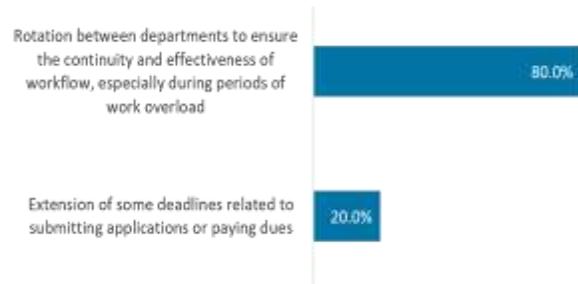


Figure 7.32: What was the delay period compared to normal deadlines?

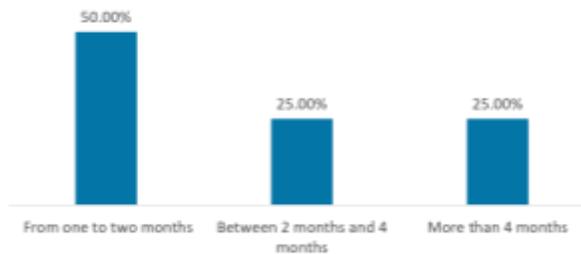
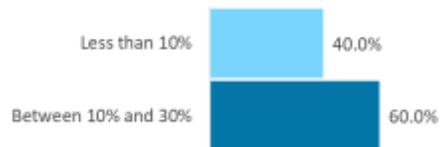


Figure 7.33: What is the percentage of engineers and technicians who left their jobs or asked for unpaid leaves?



## Recommendations



### Capacity / Operations related measures

- Provide public servants with support and minimal financial incentives to help them reach their working stations (high cost of transportation), to restore their productivity and fill the existing lack with experienced and skilled workers.
- 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. This would ease the cost of transportation on citizens and reduce costs associated with the operations of a front office.
- Sustain a good level of communication with citizens (through the call centers, websites and social media) to enhance transparency and strengthen relationships with users.
- 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 with 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, while ensuring a fair and equitable system. This would also help restore financial autonomy: for instance, in the Bekaa region, collection is less than 20%, which increases the institution's budget deficit and forces the state to provide subventions through budget transfers. However, this measure carries the risk of a drop in collection drop and a rise in informality.
- Consolidate an active inspection and an efficient collection of dues, remove transgressions to the legal network 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 services

Information 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.

## Shifts in the demand for services

- Most welfare services are delivered through partner organizations and care centers. While the demand for social services increased in general with growing poverty, the centers’ limited capacity failed to meet the needs of local communities due to shortages in material and workforce including human resources such as experts and medical staff. Ministry’s staff and social workers in the different centers tracked and reported changes in service delivery. In some of the SDCs, some services were ceased such as patients’ consultations with doctors and the provision of drugs, at a time when such services should be supported and sustained.
- Observations also showed that following the Covid-19 pandemic, demand for children’s care services decreased. Post-covid, this demand is expected to remain stable while the demand for children’s educational and academic support is expected to rise.
- Elderly care centers were subject to a significant increase in demand for their shelter services, but the Ministry could not meet this growth because of limited capacity (financial and HR). The increase resulted, according to the respondents, from the significant rise in migration including of domestic workers and nurses, citizens’ weakened purchasing power, and the consequences of the Beirut port explosion (many elderlies used to live in the periphery of the Port). With limited capacities and reduced staff, the centers were unable to fulfil the needs of local communities. Elderly with medical

cases should have been transferred to the Ministry of Public Health but many were not transferred due to limited capacities in both ministries.

- SDCs also registered increases in demand for:
  - Drugs and hospitalization
  - Food vouchers
  - Poverty vouchers/cards
  - Support to pay rent

This points out a substantive shift in needs from the individual to the household level.

- A sizeable increase in gender-based violence and demand for assistance has also marked the past period.
- Finally, people with disabilities were among the most impacted by the crisis. An urgent need for diapers for kids and adults with disabilities was noticed, in addition to increased demand for services of physiotherapy, speech therapy, etc.

### Impact on social welfare associations

- Service delivery through associations was reduced to the provision of basic needs, and 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 example, instead of sheltering, food boxes or laptops for distant learning were provided to children.
- Social workers' weekly visits to families decreased due to the rise of the transportation fees and were replaced by remote work and online meetings when possible. The Ministry tried to adapt the geographical distribution of field visits to centers located close to the social workers' place of residence.
- High transportation cost prevented beneficiaries, notably children, from reaching the shelters and associations' centers.

### Impact on the operations' capacity of the Ministry of Social Affairs

- Social Development Centers' 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. The set tariffs of LBP 17,500/person/day (elderly) and LBP 6,500/child/day previously for shelter, nutrition, healthcare and education, have become insignificant. These financial constraints have impacted the intake of new cases and the capacity to follow-up on the existing ones at the level of SDCs.

- Partner organizations are counting on donors' support. The government was only able to secure limited in-kind donations such as flour, rice, and sanitizers.
- The rising number of resignations and requests for unpaid leaves, increased vacancies in MoSA (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.
- Delays in budget approvals and transfers have further increased delays in payments to suppliers as well as the number of reconciliation contracts that were previously used under exceptional circumstances.

## Recommendations



### Capacity / Operations related measures

- Conduct needs assessment surveys to reprioritize services provided by MoSA (including prevention and response activities) and redirect existing donors' financial support towards MoSA rather than to partner organizations.
- Reorganize social workers' visits schedules and locations so that social workers would visit families that are located in their regions.
- Provide support for social workers' transportation fees.
- Provide frontline workers with the equipment, drugs, etc. needed for service delivery.
- Set-up a solar power system financed with a 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

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

# Concluding Remarks

Public Financial Management (PFM) functions, among which budgeting, public procurement, accounting and financial reporting, are enablers to the implementation of governments' key policy objectives for better service delivery and a direct determinant of the latter's quality and effectiveness.

It has been difficult to isolate PFM's impact on service delivery from broader institutional and public sector management issues. Assessing PFM performance on public goods and services' provision comes with significant challenges, linked to the administrative structure of the state (centralization/decentralization) and of PFM functions, financing models, delivery arrangements, etc. However, there is a broad consensus that (PEFA Secretariat, 2021):

1. Weak PFM functions have consequences on service delivery outcomes.
2. All stages of the PFM cycle are important for efficient and effective service delivery, but especially the processes of allocating resources to spending units and executing these budgets.
3. PFM functions provide data on the costing and delivery mechanisms of service provision by state institutions that need to be used to inform resource allocation, understand failings and adjust the overall policymaking.

In ordinary times, the public sector is expected to be restructured to improve the quality and value-for-money in the provision of public services. In times of crisis, it is expected to be revamped, ensuring agility and adaptation in responding to persistent and evolving needs and facing tougher challenges.

In this perspective, the impact assessment gathered data on three core PFM functions across the Lebanese administrations that took part in the survey, notably budget and planning, public procurement and accounting and financial reporting as well as on IT and HR functions which provided useful insights to understand the impact of their shortcomings on service delivery in Lebanon in the context of the multifold crisis, and to identify potential remedies.

Findings provided for in the proposition of short to medium terms actions and alternatives that may not necessarily require political back-up but may provide some space for public institutions to reinforce their operational capacities, enhance the regulatory environment and sustain the provision of services until more sustainable solutions are implemented.

However, the success of medium to long-term solutions remains partly conditioned by the political will to reform and the adoption of a transformative approach to public sector and PFM governance.

The transformative path shall start with a nation-led and participatory initiative that would draw the type of State the Lebanese aspires for in terms of vision, mission, and organization.

It would help redefine core government capabilities and public administrations functions, as defined in the UN-report "Restore or Reform?" (UNDP, 2014):

- Policy formulation and public financial management, including planning, budget and spending, revenues and taxation, controls and oversight.
- The center of government management, notably main decision-making centers which in Lebanon would include the Presidency of the Republic, the Council of Ministers and the Parliament, to ensure coherence in policymaking.

- Civil service management, including well recruited, paid, trained and retained public servants as well as the organizational redesign of ministries and institutions based not solely on cost considerations but also on relevance, legitimacy, capacity and efficiency, in an effort to liberate state institutions from existing political capture. The lack of capacities to carry any of these five core functions will keep the state in fragility. Particular focus should be given in priority to the justice, security and finance sectors, in addition to social protection, that are essential for contemporary peacebuilding and state-building.
- Local governance through the role of municipalities and unions of municipalities.
- Aid coordination with the various donors supporting Lebanon, based on a coordinated approach as aid, in a post-crisis setting, becomes an essential part of the budget and of the overall PFM framework.

Such an inclusive exercise would be paramount to state-rebuilding, fiscal adjustment and to revamping the way service provision is designed, delivered and evaluated. However, it is important to remember that it would remain a lengthy process, as *“even the fastest transforming countries have taken between 15 and 30 years to raise their institutional performance from that of a fragile state”* (UNDP, 2014).

# Annexes

## Annex 1: List of public administrations and institutions that contributed to the survey and focus groups

| Sector                 | Institution  | Representative        |
|------------------------|--|-----------------------|
| Administrative Affairs | National Archives Institute - Presidency of the Council of Ministers             | Abdo Toufic Tah       |
| Administrative Affairs | National Archives Institute - Presidency of the Council of Ministers             | Eva Fenianos          |
| Administrative Affairs | National Archives Institute - Presidency of the Council of Ministers             | Ibrahim Assi          |
| Administrative Affairs | Presidency of the Council of Ministers   | Ahmad El Khatib       |
| Administrative Affairs | Presidency of the Council of Ministers   | Iman El Kawzi         |
| Administrative Affairs | Presidency of the Council of Ministers   | Michel Nseir          |
| Administrative Affairs | Presidency of the Council of Ministers   | Mohamad Itani         |
| Administrative Affairs | Presidency of the Council of Ministers   | Naghham Bou Ghanam    |
| Administrative Affairs | Presidency of the Council of Ministers   | Youmna Daaouk         |
| Administrative Affairs | Presidency of the Republic   | Rabbah Moujri         |
| Agriculture            | Food and Agriculture Organization  | Antonio Youssef       |
| Agriculture            | Lebanese Agricultural Research Institute   | Ahmad Al Bitar        |
| Agriculture            | Lebanese Agricultural Research Institute   | Joseph Makhoul        |
| Agriculture            | Lebanese Agricultural Research Institute   | Khouloud Ghraizi      |
| Agriculture            | Lebanese Agricultural Research Institute   | Mohammad Zein El Dine |
| Agriculture            | Lebanese Agricultural Research Institute   | Roula El Amil         |
| Agriculture            | Lebanese Agricultural Research Institute   | Zkour Khaled Mosra    |
| Agriculture            | Ministry of Agriculture  | Lama Ahmad Haidar     |
| Agriculture            | Ministry of Agriculture  | Malak Joumblat        |
| Agriculture            | Ministry of Agriculture - Green Plan   | Hassan Nasrallah      |
| Agriculture            | Ministry of Agriculture - General Directorate of Cooperatives                    | Gloria Abou Zeid      |
| Agriculture            | Ministry of Agriculture - General Directorate of Cooperatives                    | Jammal El Osta        |
| Agriculture            | Ministry of Agriculture - General Directorate of Cooperatives                    | Rana Saab             |
| Agriculture            | Ministry of Agriculture - General Directorate of Cooperatives                    | Saad Mlaaeb           |
| Agriculture            | Ministry of Economy and Trade - Directorate General of Grains and Sugar Beetroot | Nadine Aoun           |
| Agriculture            | Régie Libanaise des Tabacs et Tombacs  | Ali Kobaisi           |
| Agriculture            | Régie Libanaise des Tabacs et Tombacs  | Hanine Daher          |
| Agriculture            | Régie Libanaise des Tabacs et Tombacs  | Mona Kassem Khalil    |
| Agriculture            | Régie Libanaise des Tabacs et Tombacs  | Wael Dergham          |
| Culture                | Ministry of Culture  | Haidar El Hajj        |
| Culture                | Ministry of Culture  | Sara Naddour          |
| Culture                | Ministry of Culture - Directorate General of Antiquities                         | Bahije Traboulsi      |
| Economy and Finance    | Customs Administration   | Rima Makki            |
| Economy and Finance    | Customs Administration   | Samer Dia             |

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|---------------------|--|------------------------------------|
| Economy and Finance | Customs Administration   | Tagharid Baalbaki                  |
| Economy and Finance | Economic and Social Council - Presidency of the Council of Ministers                                   | Samir Neaimeh                      |
| Economy and Finance | Institut des Finances Basil Fuleihan   | Evelyna Hachem                     |
| Economy and Finance | Ministry of Economy and Trade  | Ali Bittar                         |
| Economy and Finance | Ministry of Economy and Trade  | Faten Khalil                       |
| Economy and Finance | Ministry of Economy and Trade  | Rana Ibrahim                       |
| Economy and Finance | Ministry of Finance - General Directorate of Finance   | Georges Saoud                      |
| Economy and Finance | Ministry of Finance - General Directorate of Finance   | Roger Lahoud                       |
| Economy and Finance | Ministry of Finance - General Directorate of Finance   | Silvy Nasr                         |
| Economy and Finance | Ministry of Labor  | Asama Farhat                       |
| Economy and Finance | Ministry of Labor  | Hassam Ibrahim                     |
| Economy and Finance | Ministry of Labor  | Rita Bejjani                       |
| Economy and Finance | Ministry of Labor  | Zouhair Toufic Fayad               |
| Economy and Finance | Ministry of Public Works and Transport - Directorate General of Land and Maritime Transport            | Tony Assaf                         |
| Economy and Finance | Ministry of Public Works and Transport - Directorate General of Roads and Buildings                    | Khaled Shmeit                      |
| Economy and Finance | Port of Beirut   | Georges Kiwan                      |
| Economy and Finance | Port of Beirut   | Jeffry Chartouni                   |
| Economy and Finance | Port of Beirut   | Mira Matta                         |
| Economy and Finance | Port of Beirut   | Noel Zoghbi                        |
| Economy and Finance | Port of Beirut   | Patrick Khazen                     |
| Economy and Finance | Port of Beirut   | Samir Aaskar                       |
| Economy and Finance | Saida Port Investment Authority  | Alhan El Dayka                     |
| Economy and Finance | Tripoli Port Investment Authority  | Omar El Hoz                        |
| Education           | Ministry of Education and Higher Education - Center for Educational Research and Development           | Bassem Issa                        |
| Education           | Ministry of Education and Higher Education - Center for Educational Research and Development           | Dania Mohammad<br>Ezzedine El Arab |
| Education           | Ministry of Education and Higher Education - Center for Educational Research and Development           | Graziella Bassi                    |
| Education           | Ministry of Education and Higher Education - Center for Educational Research and Development           | Sonia Hounaine                     |
| Education           | Ministry of Education and Higher Education - Center for Educational Research and Development           | Wael Kazzan                        |
| Education           | Ministry of Education and Higher Education - Directorate General of Vocational and Technical Education | Abed El Salam Youssef              |
| Education           | Ministry of Education and Higher Education - Directorate General of Vocational and Technical Education | Hussein El Ahmar                   |
| Energy and Water    | Eaux de Beyrouth et du Mont Liban  | Joe Maroun                         |
| Energy and Water    | Electricité du Liban   | Ahmad Tahrini                      |
| Energy and Water    | Electricité du Liban   | Ali El Abani                       |
| Energy and Water    | Electricité du Liban   | Hani Kantari                       |
| Energy and Water    | Electricité du Liban   | Maronite Youssef Farah             |
| Energy and Water    | Electricité du Liban   | Pascal El Feghali                  |
| Energy and Water    | Lebanese Center for Energy Conservation  | Roula Tabbara                      |
| Energy and Water    | Lebanese Petroleum Administration  | Walid Nasser                       |

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|------------------|--|---------------------|
| Energy and Water | Ministry of Energy and Water - General Directorate of Hydraulic and Electrical Resources | Jad Saikali         |
| Energy and Water | Ministry of Energy and Water - General Directorate of Hydraulic and Electrical Resources | Marouan Saade       |
| Energy and Water | Ministry of Energy and Water - General Directorate of Investment                         | Mohammed Al Amin    |
| Energy and Water | Ministry of Energy and Water - General Directorate of Oil                                | Joumana El Khound   |
| Energy and Water | South Lebanon Water Establishment  | Ayat Hamoud         |
| Energy and Water | South Lebanon Water Establishment  | Hassan El Hussein   |
| Energy and Water | South Lebanon Water Establishment  | Hussein Youssef     |
| Energy and Water | South Lebanon Water Establishment  | Layal El Sous       |
| Energy and Water | South Lebanon Water Establishment  | Malak Chour         |
| Energy and Water | South Lebanon Water Establishment  | Miled Nahle         |
| Energy and Water | South Lebanon Water Establishment  | Nidale Hachicho     |
| Environment      | Ministry of Environment  | Sally Sassine       |
| Environment      | Ministry of Environment  | Youssef Naddaf      |
| Health           | Baabda Governmental Hospital   | Souad Jabbour       |
| Health           | Beirut Governmental and University Hospital Karantina                                    | Miladi Youssef Radi |
| Health           | Bent Jbeil Governmental Hospital   | Ali Hamdan          |
| Health           | Bouar Governmental Hospital  | André Kouzayli      |
| Health           | Bouar Governmental Hospital  | Inaya Ghosn         |
| Health           | Bouar Governmental Hospital  | Joyce Boudakian     |
| Health           | Bouar Governmental Hospital  | Mireille Karam      |
| Health           | Bouar Governmental Hospital  | Reine El Haddad     |
| Health           | Civil Servants' Cooperative  | Abbas Ayyash        |
| Health           | Civil Servants' Cooperative  | Gladys Al Tom       |
| Health           | Civil Servants' Cooperative  | Naji Al Ayas        |
| Health           | Hermel Governmental Hospital   | Dania Nasser El Din |
| Health           | Hermel Governmental Hospital   | Hussein Taha        |
| Health           | Hermel Governmental Hospital   | Mahmoud Al Faqih    |
| Health           | Hermel Governmental Hospital   | Rabab El Jawhary    |
| Health           | Jezzine Governmental Hospital  | Dolly Kassouf       |
| Health           | Jezzine Governmental Hospital  | Ghina El Ashkar     |
| Health           | Jezzine Governmental Hospital  | Yolla El Asmar      |
| Health           | Nabih Berri University and Governmental Hospital- Nabatieh                               | Abdallah Muheidine  |
| Health           | National Social Security Fund  | Chamseddine         |
| Health           | Primary Health Care Center – Al Makassed   | Hassan Diab         |
| Health           | Primary Health Care Center – Al Makassed   | Mona Hammoud        |
| Health           | Primary Health Care Center – Bourj Hammoud   | Rania Zaatari       |
| Health           | Primary Health Care Center – Bourj Hammoud   | Serop Ohanian       |
| Health           | Primary Health Care Center – Makhzoumi Association                                       | Farah Mechrawi      |
| Health           | Qartaba Governmental Hospital  | Joumana Elias       |
| Health           | Rachaya Governmental Hospital  | Zaher Naim          |
| Health           | Rafik Hariri University Hospital   | Abbas Bassam        |
| Health           | Rafik Hariri University Hospital   | Nada El Sabban      |
| Health           | Rafik Hariri University Hospital   | Reymonda Mousaed    |

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|----------------|--|-------------------------|
| Health         | Shahar Governmental Hospital                                       | May Yahya               |
| Health         | Tripoli Governmental Hospital                                      | Abdelrahman El Sayed    |
| Health         | Tripoli Governmental Hospital                                      | Abir Chahine            |
| Health         | Tripoli Governmental Hospital                                      | Basma Laalaa            |
| Health         | Tripoli Governmental Hospital                                      | Mona El Assad           |
| Health         | Tripoli Governmental Hospital                                      | Naji Fallah             |
| Health         | Tripoli Governmental Hospital                                      | Rania Sultan            |
| Health         | Tripoli Governmental Hospital                                      | Zeina Daazale           |
| Industry       | Industrial Research Institute                                      | Carine Slaibe           |
| Industry       | Ministry of Industry   | Abdel Razzak Watar      |
| Industry       | Ministry of Industry   | Joumana El Hachem       |
| Industry       | Ministry of Industry   | Malak El Richouni       |
| Industry       | Ministry of Industry   | Marie-Therese Maroun    |
| Information    | Ministry of Information - General Directorate of Information       | Fady Alayan             |
| Information    | Ministry of Information - General Directorate of Information       | Khoder Majed            |
| Information    | National News Agency   | Jean El Hakim           |
| Information    | National News Agency   | Ziad Harfouch           |
| Infrastructure | Council for South Lebanon - Presidency of the Council of Ministers | Ali Ismail              |
| Infrastructure | Council for South Lebanon - Presidency of the Council of Ministers | Ali Tarhani             |
| Infrastructure | Council for South Lebanon - Presidency of the Council of Ministers | Mohamed Ghaleb Ismail   |
| Infrastructure | Council for South Lebanon - Presidency of the Council of Ministers | Mohamed Yousef          |
| Infrastructure | Council for South Lebanon - Presidency of the Council of Ministers | Rana Abdullah           |
| Justice        | Ministry of Justice  | Carole Abedel Nour      |
| Justice        | Ministry of Justice  | Rita Mickeal            |
| Municipalities | Aaiha Municipality   | Atef Nassif Chames      |
| Municipalities | Barja Municipality   | Ebtisam Ramadan         |
| Municipalities | Barja Municipality   | Khadije Omar El         |
| Municipalities | Barja Municipality   | Maaouch                 |
| Municipalities | Barja Municipality   | Raymond Mohamad         |
| Municipalities | Barja Municipality   | Hamieh                  |
| Municipalities | Deir Al Ahmar Municipality   | Botros El Kozah         |
| Municipalities | Furn Al Chebbak Municipality                                       | Antoine Ghaoui          |
| Municipalities | Ghbale Municipality  | Marie Fahed             |
| Municipalities | Haret Hrek Municipality  | Ali Harake              |
| Municipalities | Jal El Dib- Bkennaya Municipality                                  | Ziad Joseph Abou Jaoude |
| Municipalities | Machha Municipality  | Khales El Zoghbi        |
| Municipalities | Sawfar Municipality  | Kamal Chia              |
| Municipalities | Tannourine Municipality  | Rita El Bkasini         |
| Municipalities | Tannourine Municipality  | Samer Tanios            |
| Municipalities | Zeitoun Municipality   | Roula Hallani           |
| Regulatory     | Akkar Governorate  | Ghalia Ahmed Azzam Al-  |
| Regulatory     | Court of Audit   | Kanj                    |
| Regulatory     | Court of Audit   | Fatima Ballout          |
| Regulatory     | Court of Audit   | Gad Othman              |
| Regulatory     | Court of Audit   | Omar Al Dughaili        |

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|----------------|--|-------------------------|
| Regulatory     | Court of Audit   | Wafaa Marwa             |
| Regulatory     | Court of Audit   | Ziad Al Shuhaimi        |
| Regulatory     | Court of Audit   | Ziad Maalouf            |
| Regulatory     | Ministry of Interior and Municipalities - General Directorate of Administrative and Local Councils | Garo Maraachlian        |
| Regulatory     | Mount Lebanon Governorate  | Sonia Kahwaji           |
| Regulatory     | Public Authority for Consumer Markets for Lebanon - Presidency of the Council of Ministers         | Mohamad Hussein Rammal  |
| Security       | Directorate General of General Security  | Wassim Mouzer           |
| Security       | Directorate General of Internal Security Forces and prisons  | Charbel Farhat Nasr     |
| Security       | Directorate General of Internal Security Forces and prisons  | Elie El Kaai            |
| Security       | Directorate General of Internal Security Forces and prisons  | Fady El Hajj            |
| Security       | Directorate General of Internal Security Forces and prisons  | Mohamad Diab            |
| Security       | Directorate General of Internal Security Forces and prisons  | Nader Abdallah          |
| Security       | Directorate General of Internal Security Forces and prisons  | Rouba El Hajj Chehadi   |
| Security       | General Directorate of State Security  | Anouar Hamid            |
| Security       | General Directorate of State Security  | Elie Khazzaka           |
| Security       | General Directorate of State Security  | Hamza Damaj             |
| Security       | General Directorate of State Security  | Lara Kallas             |
| Security       | General Directorate of State Security  | Rabih Kanj              |
| Security       | Ministry of Interior and Municipalities - Directorate General of Civil Defense                     | Ali Moustafa Hareb      |
| Security       | Ministry of Interior and Municipalities - Directorate General of Civil Defense                     | Bassam El Murr          |
| Security       | Ministry of Interior and Municipalities - Directorate General of Civil Defense                     | Ghida El Hosni          |
| Security       | Ministry of Interior and Municipalities - Directorate General of Civil Defense                     | Mireille Nahhas         |
| Security       | Ministry of Interior and Municipalities - Directorate General of Civil Defense                     | Ziad Mohammad El Natour |
| Social Affairs | Central Fund of the Displaced People - Presidency of the Council of Ministers                      | Halim Debbas            |
| Social Affairs | Cooperative Fund of Mayors   | Amani El Hajjar         |
| Social Affairs | Higher Relief Council - Presidency of the Council of Ministers                                     | Adib Al Ait             |
| Social Affairs | Higher Relief Council - Presidency of the Council of Ministers                                     | Mohieddin El Dandashly  |
| Social Affairs | Higher Relief Council - Presidency of the Council of Ministers                                     | Raghida Khalil          |
| Social Affairs | Ministry of Displaced  | Badri Abou Diab         |
| Social Affairs | Ministry of Displaced  | Roland Michel Houcheime |
| Social Affairs | Ministry of Displaced  | Wadad Mhanna            |
| Social Affairs | Ministry of Social Affairs   | Adel Al Chabab          |
| Social Affairs | Ministry of Social Affairs   | Manal Naim              |
| Social Affairs | Ministry of Social Affairs   | Mohamad Khalifa         |
| Social Affairs | Ministry of Social Affairs   | Nada Fawaz              |
| Social Affairs | Ministry of Social Affairs   | Patricia El Badawi      |
| Social Affairs | Ministry of Social Affairs   | Rania Keyrouz           |
| Social Affairs | UNICEF   | Nabil Rizk              |

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|-------------------|---|-------------------|
| Telecommunication | Ministry of Telecommunications - Directorate General for Post | Jinane Mouhaseb   |
| Tourism           | Ministry of Tourism   | Antoine Assi      |
| Tourism           | Ministry of Tourism   | Hiba Chabaklo     |
| Tourism           | Ministry of Tourism   | Rania Abdel Samad |
| Tourism           | Ministry of Tourism   | Roula Nasr        |

## Annex 2: Impact Assessment Survey - Budget Process

This survey aims to collect data on the repercussions of the on-going economic, financial and health crisis in Lebanon on your ministry/institution's capacity to sustain its planning and budget function, with a focus on tackling stock of challenges related to budget preparation and execution.

It also aims to evaluate your level of readiness prior to the crisis.

### I- Pre-crisis situation

1. Is the budget planning process (estimation of revenue and/or expenditure) within your organization automated?
  - Yes, completely
  - Yes, partially
  - No
  
2. Do you abide by legal deadlines when preparing your yearly budget?
  - Yes
  - No, due to the late issuance of the budget circular by the Ministry of Finance
  - No, due to lack of capacity in the budgeting department
  - Other. Please specify: \_\_\_\_\_
  
3. Prior to 2019, what were the main weaknesses in the budget preparation process?
  - No clear guidance in the budget circular and absence of medium-term budget framework
  - The trespassing of legal deadlines
  - The budget structure does not allow to establish linkages between policy objectives and budget lines
  - The outdated legislative framework
  - Political intervention hindering the budgetary process
  - The Ministry of Finance's use of flat budget cuts with no clear justification
  - Unrealistic fiscal rules set for your institution
  - A lack of technical expertise in planning and budgeting
  - The lack of an integrated financial management system
  - The lack of participation and/or coordination from other departments within the ministry to the budget planning process
  - Other. Please specify: \_\_\_\_\_
  
4. Prior to 2019, what were the main challenges of budget execution?
  - Outdated procurement legislation
  - Cash planning not based on an effective annual cash plan
  - Estimates of external grants and projects disbursements not aligned to your capacity in project execution

- Varying delays between spending commitment and effective payments and the accumulation of arrears
  - Delays in receiving the approved allocations from the Ministry of Finance
  - Weaknesses in internal control capacity
  - Non-integrated government financial management systems
  - Other. Please specify: \_\_\_\_\_
- 5.** Prior to the crisis, was your institution able to meet/realize its policies and programs objectives?
- Yes, completely
  - Yes, partially
  - No
  - I don't know
  - There are no established indicators to assess if objectives were reached.
- 6.** Please explain briefly what the challenges were: \_\_\_\_\_
- 7.** In 2018-2019, what percentage of your budget was financed from donors and external parties?
- None
  - Less than 10%
  - 10-25%
  - 25-50%
  - More than 50%
- 8.** Did your organization anticipate any upcoming economic/fiscal crisis?
- Yes, we had anticipated the upcoming crisis
  - Yes, we had anticipated the upcoming crisis but we were not aware of the repercussions
  - We heard of a potential crisis but didn't believe it would happen in the near future
  - No
- 9.** Did your organization take any measure to prepare for the crisis?
- There was no legal scope to prepare for the crisis
  - The institution made savings
  - The institution started to cut unsustainable and unnecessary spending
  - The institution adapted its institutional plan and priorities
  - Other. Please specify: \_\_\_\_\_

**II- Crisis impact assessment**

- 10.** With the unfolding crisis, what are the main challenges faced by your organization during the planning and budgeting process?
- Hyperinflation in a context of fiscal constraint
  - Unreliable accounting tools (historical data is not relevant anymore)

- Shortage of specific products on the market
- Fluctuation of the exchange rate
- Unrealistic economic and financial projections
- Unavailability of certain prices
- Some products/services require direct transfers to abroad, in foreign currencies and are impossible to monetize in the budget
- Uncertainty in the delivery of utilities (water, power supply, etc.)
- Pricing of subsidized products
- Inability to plan over the medium-term
- Unrealistic budget assumptions
- Other. Please specify: \_\_\_\_\_

**11.** In such context, how did your institution manage the budget planning process of 2020 and 2021?

- Used the previous year plan as a baseline and applied a flat increase
- Drastically reduced/squeezed and reprioritized the annual plan
- Sought alternative sources of financing (donors, private sector, etc.)
- Rescaled operations and reduced operational costs
- Tried to identify alternative cheaper goods and services
- Increased the budget knowing that the Ministry of Finance will apply a flat cut
- Other. Please specify: \_\_\_\_\_

**12.** In which ways did the crisis disrupt the budget execution process?

- Increased delays in receiving the approved allocations from the Ministry of Finance
- Increased time gaps between spending commitment and payments to suppliers
- The number of successfully bids increased drastically
- Led to the suspension or cancellation of awarded contracts (suppliers refused to execute the contract)
- Did not receive the overall yearly budget allocation from the Ministry of Finance
- Increased delays in expenditure controls
- Other. Please specify:

**13.** Were you able to adjust your work plan during the year to sustain your institution's normal operations?

- Tried to put in place an alternative plan but things were changing at a fast pace and adaptive capacity was weak
- The legal framework does not allow for any changes
- Lacked the capacities to make changes
- Yes, an alternative plan was put in place

Please provide a short explanation why: \_\_\_\_\_

**14.** How often do you monitor and review your annual budget?

- On weekly basis
- On monthly basis

- Every 6 months
- Never
- Other. Please specify: \_\_\_\_\_

**15.** When negotiating your institution's budget for 2021, did the Ministry of Finance apply a flat budget cut? *For instance, 20% budget cut on all budget lines or specific budget lines*

- Yes
  - i. Less than 10%
  - ii. 10-20%
  - iii. More than 20%
- No

**16.** What budget lines were affected by the cut?

- Salaries and wages
- Other operational/current expenditures
- Capital expenditures
- Other. Please specify: \_\_\_\_\_

**17.** How did you manage to reduce expenditures?

- Relied on existing stock to cover the needs
- Replaced paper-based procedures by electronic procedures
- Reduced the use of equipment and tools to save on fuel and maintenance
- Introduced usage caps for utilities
- Other. Please specify: \_\_\_\_\_

**18.** What was the impact of the crisis on revenue generation/collection by your institution?

- Decreased by less than 20%
- Decreased by 20-30%
- Decreased by more than 30%
- Increased
- Impact was not significant
- My administration does not generate/collect revenues

**19.** In case your institution was damaged by the explosion of the Port of Beirut, were you able to secure financing for recovery?

- Yes, fully
- Yes, partially
- No
- The organization was not damaged, and no extra financing was needed

**20.** If your answer to Q19 was "yes", specify the source of financing:

- From within your institution's LBP budget
- From other local public authorities (e.g. Ministry of Public Works, Higher Council for Relief, etc.)

- Through grants and donations from the private sector
- Through international aid (donors, embassies, international organizations)
- Through grants and donations from Civil Society Organizations
- Other. Please specify: \_\_\_\_\_

**21.** If your answer to Q19 was “no”, what were the obstacles?

- External support was not actively pursued
- No external financing was secured although many potential donors were contacted
- No sufficient funds were reallocated from within the LBP budget
- Suppliers refuse to work with state institutions
- Other. Please specify: \_\_\_\_\_

**22.** During the crisis, what percentage of your budget was financed on donors and external parties?

- Less than 10%
- 10-25%
- 25-50%
- More than 50%

**23.** What are, in your opinion, the three priority areas of action to help your ministry/institution mitigate the impact of the crisis on its budget function?

- Stabilizing the official exchange rate
- Preparing and enacting a new budget law
- Installing clear fiscal rules
- Receiving more structured and detailed guidance from the Ministry of Finance
- Accessing donor’s financing
- Deploying an integrated financial information management system with the Ministry of Finance
- Training and capacity building
- Other. Please specify: \_\_\_\_\_

## Annex 3: Impact Assessment Survey – Public Procurement

This survey aims to collect data on the repercussions of the on-going economic, financial and health crisis in Lebanon on your ministry/institution's capacity to sustain its procurement function, and in particular the procurement of goods, works and services.

It also aims to evaluate your level of readiness prior to the crisis.

### I- Pre-crisis situation

1. To which extent did you abide by your yearly procurement plan?
  - Fully
  - Partially
  - We do not have a yearly procurement plan
  
2. What are the goods you used to procure for the most to ensure the smooth operations of your ministry/institution?
  - Stationery: Papers, pens, toners, etc.
  - Fuel
  - IT/Digital equipment & hardware (printers, laptops, etc.)
  - Furniture (tables, chairs, etc.)
  - Sanitary & cleaning products (tissues, toilet papers, etc.)
  - Other. Please specify: \_\_\_\_\_
  
3. What are the services you used to procure for the most to ensure the smooth operations of your ministry/institution?
  - Maintenance services for equipment and facilities
  - Maintenance services for digital infrastructures
  - Cleaning services
  - Printing services
  - Consultancy/advisory services
  - Transportation services
  - Other. Please specify: \_\_\_\_\_
  
4. Does your ministry/institution face payments arrears in settling the dues to its suppliers, contractors, and consultants?
  - No
  - Yes – with an average delay of [1 – 3 months]
  - Yes – with an average delay of [4 – 12 months]
  - Yes – with an average delay of [1-3 years]
  - Yes – with an average delay of [more than 3 years]

5. Did you keep a regular inventory of your stock?
- No
  - Yes, inventory is checked every 3 months
  - Yes, inventory is checked every 6 months
  - Yes, inventory is checked once per year
6. Is your stock maintained according to standards and norms?
- Yes, our organization has a written stock policy that respects international/Lebanese standards.
  - Yes, but our organization does not have a written stock policy
  - No
7. Did you take any measure related to your procurement procedures in anticipation of the crisis?
- Yes
  - No

If yes, please specify: \_\_\_\_\_

## II- Crisis impact assessment

8. What factor listed below had the largest impact on your procurement processes?
- COVID-19 measures: Employees working from home or partially attending the office
  - The fall of the currency peg and resulting inflation
  - The closure of many private sector companies
  - The lack of budget and financial resources
  - The presence of a caretaker government with limited power to implement
  - Other. Please specify: \_\_\_\_\_
9. What type of procurement was mostly affected by the crisis?
- Procurement of goods
  - Procurement of services
  - Procurement of works
10. Rate, on a scale from 1 to 5 (1 being the lowest and 5 the highest), the following challenges according to their negative impact on your procurement process:

### For the procurement of goods:

- The shortage of goods on the local market
- The increase in prices in LBP and exchange rate's fluctuations
- The suppliers' requests to be paid in foreign currencies
- The suppliers' reluctance/refusal to work with the public sector
- The suppliers' inability to provide required official and financial documentation such as bank guarantees (bid and performance), etc.

- Accumulated payment arrears to suppliers
- Suppliers' payments requirements are sometimes contradictory with the Public Accounting Law
- Other. Please specify: \_\_\_\_\_

For the procurement of works:

- The increase in prices in LBP and exchange rate's fluctuations
- The contractors' requests to be paid in foreign currencies
- The contractors' reluctance/refusal to work with the public sector
- The contractors' inability to provide required official and financial documentation such as bank guarantees (bid and performance), etc.
- Shortages in financing (from the budget and international assistance)
- Accumulated payment arrears to contractors
- Contractors' payments requirements are sometimes contradictory with the Public Accounting Law
- Other. Please specify: \_\_\_\_\_

For the procurement of services:

- The consultants and service providers' requirements to be paid in foreign currencies
- The shortage of skills related to brain drain and immigration
- The consultants and service providers' inability to provide required official and financial documentation such as bank guarantees (bid and performance), etc.
- Accumulated payment arrears to consultants and service providers
- Suppliers' payments requirements are sometimes contradictory with the Public Accounting Law
- Other. Please specify: \_\_\_\_\_

11. What are the most difficult goods to procure under current circumstances to run daily operations?

- Stationery: Papers, pens, etc.
- Fuel
- Spare parts for office equipment
- IT equipment (printers, laptops, etc.)
- Furniture (tables, chairs, etc.)
- Sanitary and cleaning products (tissues, toilet papers, etc.)
- Other. Please specify: \_\_\_\_\_

12. What are the most difficult services to procure under current circumstances?

- Rent/Location services
- Maintenance services for equipment and facilities
- Maintenance services for digital infrastructure
- Cleaning services
- Printing services
- Consultancy/advisory services

- Transportation services
- Other. Please specify: \_\_\_\_\_

13. Is your stock able to cover for the disruption in the procurement of goods?
- Yes, available stock can cover for the coming 1 to 3 months
  - Yes, available stock can cover for the coming 3 to 6 months
  - Yes, available stock can cover for the coming year
  - No, shortages cannot be filled for from the stock
14. Did the share of direct contracting/mutual agreements increased since beginning 2020?
- Yes. If yes, please specify by approximately how much in % of total bids:
    - [0 – 25%]
    - [25 – 50%]
    - [50 – 75%]
    - [75 – 100%]
  - Only for emergency procurement (such as medical equipment, drugs, etc.)
  - No
15. Did the crisis had an impact on the way you advertise for your procurement opportunities?
- Yes, we increased our advertisement budget to attract bidders/suppliers
  - Yes, we reduced our advertisement budget due to lack of financing
  - No, we did not modify our advertisement practices
16. Did the crisis lead to breach, interruption or suspension of existing contractual agreements?
- Yes. If yes, please specify:
    - i. In which sectors:
      - Works/Construction
      - Consultancy services
      - Maintenance services
      - Provision of IT equipment
      - IT and digital infrastructure maintenance services
      - Provision of fuel
      - Transportation services
      - Other. Please specify: \_\_\_\_\_
    - ii. By approximately how much in % of total contracts:
      - [0 – 25%]
      - [25 – 50%]
      - [50 – 75%]
      - [75 – 100%]
    - iii. Did that lead to legal action in courts?
      - Yes
      - No

17. Were you able to repair all damages caused by the explosion of the Port of Beirut on August 4, 2020?
- Our facilities were not damaged by the explosion
  - We were able to partly repair the damages
  - We were able to fully repair the damages
  - We were not able to repair the damages
- If yes, please specify how (Multiple choice is possible):
- Works were financed on the LBP budget
  - Works were financed through external financing, notably international aid
  - Works were financed through grants and donations
18. Were you able to put in place any innovative solution to the disruptions faced in your procurement cycle?
- Yes. If yes, please specify: \_\_\_\_\_
  - No
19. What are, in your opinion, the three priority areas of action to help your ministry/institution mitigate the impact of the crisis on its procurement function?
- Stabilizing the official exchange rate
  - Enforcing the new public procurement law currently at Parliament
  - Automating procurement procedures and creating an E-procurement platform
  - Pooling the procurement of common goods and services
  - Training and capacity building
  - Other. Please specify: \_\_\_\_\_

## Annex 4: Impact Assessment Survey - Accounting and Financial Reporting

This survey aims to collect data on the repercussions of the on-going economic, financial and health crisis in Lebanon on your ministry/institution's capacity to sustain its accounting and reporting procedures, with a focus on challenges related to cash management, liquidity, and financial reporting.

It also aims to evaluate your level of readiness prior to the crisis.

### I- Pre-crisis situation

- 1- Does your institution use an accounting procedures guide?
  - Yes
  - No
  
- 2- Has the accounting system been automated?
  - Yes, completely
  - Yes, partially
  - No
  
- 3- What is your ministry/institution's archiving policy?
  - Paper archiving
  - Electronic archiving
  - Both
  
- 4- Do you prepare financial reports on a regular basis?
  - Yes:
    - Monthly
    - Quarterly
    - Every 6-month
    - Annually
  - No
  
- 5- Are financial reports prepared according to specific standards?
  - Yes
    - IPSAS
    - IAS
    - Other. Please specify: \_\_\_\_\_
  - No

- 6- Are final accounts audited regularly?
- Yes. If yes, what is the type of audit applied?
    - Internal audit
    - External audit by the Court of Accounts
    - External audit by international audit companies
    - External audit by local audit companies
  - No. Please specify why: \_\_\_\_\_
- 7- What were the main challenges facing your accounting and financial reporting procedures prior to the crisis?
- The absence of clear accounting and reporting mechanisms and procedures
  - Difficulty in communicating with the various concerned stakeholders (Ministry of Finance, Court of Accounts, etc.)
  - Lack of clarity of legal deadlines
  - Lack of specific technical skills
  - The absence of integrated accounting/financial information systems
  - Other. Please specify: \_\_\_\_\_
- 8- Did you take any measure related to your accounting and reporting procedures in anticipation of the crisis?
- Yes. If yes, please specify: \_\_\_\_\_
  - No

## II- Crisis impact assessment

- 9- With the financial crisis exacerbating since 2020, what are the additional challenges that have arisen?
- Further delays by the Ministry of Finance in transferring approved budget allocations
  - Shortages in liquidity
  - Delays in settling financial dues to beneficiaries (suppliers, citizens, etc.)
  - Delays in administrative transactions due to the rotation imposed by the COVID-19 pandemic
  - Fluctuations of the exchange rate on parallel markets
  - Delays in issuing financial reports
  - Restrictions imposed by the banking system on transfers in foreign currencies
  - Restrictions on bank withdrawals to cover for the petty cash
  - HR shortages in financial and accounting departments
  - Access to external financing (in foreign currency) has stopped
  - Other. Please specify: \_\_\_\_\_

10- In light of these challenges, have you resorted to other sources of financing?

- Yes. If yes, what were these sources?
  - Saving accounts
  - External local financing (private sector, philanthropic associations, etc.)
  - International aid from international organizations and donors
  - Other. Please specify: \_\_\_\_\_
- No

11- Has your institution received financing in foreign currency since the beginning of the crisis?

- Yes
- No

12- If the answer to Q.10 was yes, in what form is financing in foreign currency received?

- In cash
- Through the ministry/institution's account at BDL
- Through a bank account in commercial banks
- In direct payments to beneficiaries

13- What was the impact of the financial crisis in the preparation of financial statements?

- Difficulty in comparing financial statements across the years
- Adopting a new approach in financial reporting
- No impact / No change
- Other. Please specify: \_\_\_\_\_

14- Did the ministry incur emergency expenses to combat the COVID-19 pandemic?

- Yes
- No

15- Did working from home arrangements resulting from the COVID-19 pandemic had an impact on your accounting operations and financial reporting?

- Yes, it created delays in finalizing the operations
- No, Work continued normally

16- Has your financial relationship with other government agencies been affected? (NSSF, MOF, etc.)

- Yes. If yes, how?
  - The payment of taxes and dues to the Ministry of Finance was delayed
  - The payment of social security contributions was delayed
  - Other. Please specify: \_\_\_\_\_

- No, all payments and dues were set on time
- Delays were faced prior to the crisis

17- Did the ministry incur emergency expenses to cover for the losses resulting from the Beirut Port explosion?

- Yes
- No

18- Did you lose any financial statements or accounting documents in the Beirut Port explosion?

- Yes
- No

19- What are, in your opinion, the three priority areas of action to help your ministry/institution mitigate the impact of the crisis on its accounting and financial reporting functions?

- Stabilizing the official exchange rate
- Standardizing accounting models and required documents
- Issuing financial reports within deadlines and publish them to enhance transparency
- Strengthening the role and capabilities of regulatory bodies
- Training and capacity building
- Moving towards accrual accounting
- Adopting integrating financial information systems
- Other. Please specify: \_\_\_\_\_

## Annex 5: Impact Assessment Survey - Information Technology (IT)

This survey aims to collect data on the repercussions of the on-going economic, financial and health crisis in Lebanon on your ministry/institution's capacity to sustain its Information Technology (IT) systems, including the hardware, software and maintenance and to understand how you are facing current challenges.

It also aims to evaluate your level of readiness prior to the crisis.

### I- Pre-crisis situation

- 1- Do you have a dedicated IT department in your institution?
  - Yes
  - We have IT staff but no department
  - No
  
- 2- What percentage of your IT staff have an IT degree?
  - Less than 20%
  - Between 20% and 50%
  - Between 50% and 80%
  - More than 80%
  
- 3- What percentage of your ministry/institution staff was at ease using IT tools?
  - Less than 20%
  - Between 20% and 50%
  - Between 50% and 80%
  - More than 80%
  
- 4- On a scale from 1 to 5 (1 being the lowest and 5 the highest), assess the extent to which available technology equipment and utilities in your ministry/institution allows you to deliver efficiently on your work:  

|                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1                     | 2                     | 3                     | 4                     | 5                     |
| <input type="radio"/> |
  
- 5- When was the last time your IT equipment (hardware) was upgraded?
  - Less than a year
  - 1 year ago
  - 2 years ago
  - Between 3 and 5 years
  - Between 6 and 8 years
  - More than 8 years

6- When was the last time software licenses were updated?

- Less than a year
- Between 1 and 3 years
- Between 4 and 6 years
- More than 6 years
- We do not have any licenses subscription

7- How often does your ministry/institution conduct a maintenance check on the IT equipment?

- Once per month
- Every three month
- Every six month
- Once per year
- Once every 2 years
- Once every 3 to 5 years
- More than 5 years
- Only when an issue occurs
- Never

8- On a scale from 0 to 5 (1 being the lowest and 5 the highest), to which extent is your ministry/institution automated in terms of:

- Accounting
- Budget
- Administrative work
- Archiving
- Procurement
- Auditing
- HR

| 1                     | 2                     | 3                     | 4                     | 5                     |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <input type="radio"/> |

9- Does your institution have its own independent server?

- Yes
- No

10- Does your institution abide by a data privacy and security protocol in line with Lebanese and international standards?

- Yes
- No

11- On a scale from 0 to 5 (1 being the lowest and 5 the highest), how would you rate the quality and speed of your internet connection at work?

| 1                     | 2                     | 3                     | 4                     | 5                     |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <input type="radio"/> |

## II- Crisis impact assessment

12- What are the main factors currently keeping you from upgrading your IT equipment?

- Currency fluctuations
- Budget cuts
- Complexity of administrative procedures
- Lack of space
- Lack of expertise/skills
- Lack of tools
- Resistance to change by the staff
- Suppliers' reluctance to work with the public sector
- Lack of supplies on the market
- Other. Please specify: \_\_\_\_\_

13- What type of IT equipment have you lost due to the Port of Beirut Explosion?

- Computers
- Laptops
- Phones
- Servers
- Printers
- Internet Modem/Router
- Projector or a Big Screen TV
- No equipment was damaged or lost
- Other. Please specify: \_\_\_\_\_

14- Were you able to recover the data lost during the explosion?

- Yes, completely
- Yes, partially
- No, we didn't lose any data

15- If the answer to Q14 was "yes", please explain how your ministry/institution was able to retrieve lost data.

- We save a backup plan on the cloud
- We have an offline backup system
- Other. Please specify: \_\_\_\_\_

16- Were your ministry/institution and staff prepared for working from home, from an IT readiness perspective?

- Yes. Please explain how: \_\_\_\_\_
- No
- The job requires our presence on site, the measures did not include us.

17- If the answer to Q16 was "no", what are the main IT related challenges keeping employees from working from home?

- Lack of laptops
- Lack of internet
- Weak internet speed
- Absence of an integrated system that provides access to files, emails, documents, etc.
- Unfamiliarity with video communication applications (zoom, teams, google meet, etc.)
- No remote access to specific systems or platforms (especially in accounting and administrative matters)
- Lack of IT skills
- Other. Please specify: \_\_\_\_\_

18- What are the challenges your ministry/institution is currently facing in terms of IT maintenance?

- Currency fluctuations
- Unavailability of spare parts
- Budget cuts
- Administrative process
- Suppliers are reluctant to work with the public sector
- Other. Please specify: \_\_\_\_\_

19- If you were not able to update your licenses subscription, did you find alternative solutions?

- Looked for external financing
- Cancelled the subscription
- Asked for a fee waiver
- Looked for a local software
- We were able to update our licenses subscription without any difficulty
- We do not have any licenses subscription
- Other. Please specify: \_\_\_\_\_

20- On a scale from 1 to 5 (1 being the lowest and 5 the highest), please rate your current IT system's security level.

|                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1                     | 2                     | 3                     | 4                     | 5                     |
| <input type="radio"/> |

21- Were your IT systems recently subject to cybercrimes and hacking attempts?

- Yes. Please explain briefly what happened: \_\_\_\_\_
- No

22- Are IT challenges preventing your ministry/institution from:

- Sustaining service delivery
- Maximizing productivity
- Working from home
- Bridging the technological gap with other countries
- Ensuring digital security

Other. Please specify: \_\_\_\_\_

23- What are, in your opinion, the three priority areas of action to help your ministry/institution mitigate the impact of the crisis on its IT?

- Stabilizing the official exchange rate
- Deploying some e-government solutions
- Deploying integrated and cloud-based working solutions
- Replacing current equipment and hardware
- Training and capacity building
- Other. Please specify: \_\_\_\_\_

## Annex 6: Impact Assessment Survey - Human Resources (HR)

This survey aims to collect data on the repercussions of the on-going economic, financial and health crisis in Lebanon on your ministry/institution's capacity to sustain its human resource's function and response capacity.

It also aims to evaluate your level of readiness prior to the crisis.

### I- Pre-crisis situation

- 1- Does your administration have an HR department?
  - Yes
  - No
  - We don't need one
  
- 2- What is the average age of employees in your ministry/institution?
  - Less than 30 years' old
  - Between 30 and 40 years' old
  - Between 40 and 50 years' old
  - Between 50 and 60 years' old
  - Above 60 years' old
  
- 3- What is the type of recruitment system followed by your institution?
  - Through the Civil Service Board
  - Totally independent
  - Contractual / Service providers
  - Daily workers
  - Other. Please specify: \_\_\_\_\_
  
- 4- Were you facing shortages in staff prior to the crisis?
  - Yes, across all departments
  - Yes, in a limited number of departments. Please specify: \_\_\_\_\_
  - No
  - Overstaffed
  
- 5- Is there a gender gap in your administration?
  - Yes. If yes, please specify the average share of men and women: \_\_\_\_\_
  - No
  - Data is not available
  
- 6- Since the Government froze all recruitment in the 2018 Budget Law, how are you filling for vacant job positions?

- New recruitments were made possible through an independent recruitment system
- Externalize/Consultancy
- The ministry/institution got exceptional approval from the Council of Ministers
- There are no vacant positions
- Workload is distributed among existing employees
- Other. Please specify: \_\_\_\_\_

**II- Crisis impact assessment**

7- What were the main challenges faced by the staff during the crisis?

- Working remotely
- Demotivation and drop in performance
- Drop in salaries' purchasing power
- Increase in absenteeism
- Resignation of staff members
- Political intervention to grant privileges to their appointees
- Other. Please specify: \_\_\_\_\_

8- Were employees able to adapt to remote work during the pandemic?

- Yes, they were able to adapt
- Their job requires constant on-site presence
- No. If not, please specify why (e.g. employees were not equipped, they are not IT literate, etc.) \_\_\_\_\_

9- What were the main challenges faced while working remotely?

- Shortages of equipment (e.g. laptop)
- Shortages of internet
- Decrease in productivity
- Electricity problems
- Difficulty in using advanced technology
- Difficulty for managers in following-up on their teams
- Lack of space
- Working overtime
- Other. Please specify: \_\_\_\_\_

10- Have employees requested unpaid leaves since 2019?

- Yes
- No

11- If you answered "Yes", what is the percentage of employees that has requested an unpaid leave?

- Less than 10%

- Between 10 and 25%
- Between 25 and 50%
- More than 50%

12- If you answered "Yes" to Q11, what was the average time for the requested leave?

- 1 to 3 months
- 3 to 6 months
- 1 year
- Other. Please specify: \_\_\_\_\_

13- If you answered "Yes" to Q11, what are the main reasons?

- Family reasons
- Education
- Health issues
- Other. Please specify: \_\_\_\_\_

14- Which category of employees was mostly impacted by leaves?

- Category 1
- Category 2
- Category 3
- Category 4
- Category 5
- Contractual / Service providers
- Daily workers
- None

15- In which field or department did staff tend to leave the most?

- Administrative
- Accounting/Finance
- IT/computer engineering
- Employees in charge of technical/sectorial service delivery (such as doctors in hospitals, teachers in schools, engineers in works, etc.)
- Maintenance
- Consultants
- Training
- Other. Please specify: \_\_\_\_\_

16- Choose, from the below list, the two main factors that are encouraging public servants to leave their jobs:

- Better opportunities in Lebanon
- Immigration
- Loss of purchasing power resulting from the currency depreciation
- Early Retirement
- Other. Please specify: \_\_\_\_\_

17- What measures has your institution taken to keep employees motivated and increase their productivity?

- Increase in salaries/bonuses
- Trainings/workshops/webinars
- Providing them with the needed tools and equipment to work from home
- Enhancing effective internal communication and coordination (administration follow-up)
- Allowing for a flexible work schedule
- Provision of mental health support
- Provision of strict COVID prevention measures within the offices
- No measures were taken
- Other. Please specify: \_\_\_\_\_

18- Do you feel that the overall performance of staff over the past year has:

- Increased
- Remained the same
- Decreased

19- Have you discovered, during the crisis, that one or more job position within your ministry/institution could be cancelled?

- Yes. If yes, please provide example: \_\_\_\_\_
- No

20- Have you discovered, during the crisis, any new needed expertise/skills?

- Yes. If yes, please provide example: \_\_\_\_\_
- No

21- Rate, on a scale from 1 to 5 (1 being the lowest and 5 the highest), your organization's staff current level of satisfaction.

|                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1                     | 2                     | 3                     | 4                     | 5                     |
| <input type="radio"/> |

22- What are, in your opinion, the three priority areas of action to help your ministry/institution mitigate the impact of the crisis on its HR function?

- Stabilizing the official exchange rate
- Increase salaries
- Propose voluntary early retirement schemes
- Maintain flexible working arrangements
- Modernize recruitment systems and procedures
- Training and capacity building
- Other. Please specify: \_\_\_\_\_

23- Do you think civil servants' strikes will put enough pressure to change?

- Yes
- No



## Annex 7: Impact Assessment Survey - Service delivery

This survey aims to collect data on the repercussions of the on-going economic, financial and health crisis in Lebanon on your ministry/institution's capacity to carry on with its service delivery function.

It also aims to evaluate your level of readiness prior to the crisis.

### I- General Information

1. In what sector does your ministry/institution operate?

- Health
- Education
- Social Protection
- Security
- General Administration
- Water
- Energy
- Transportation
- Public Works
- Telecommunication
- Finance and Economy
- Agriculture
- Industry
- Oversight
- Other. Please specify: \_\_\_\_\_

### II- Pre-crisis situation

2. What type of services does your ministry/institution provide?

- Administrative (Tax declaration, issuance of official documents ID, licence, passport, etc.)
- Benefits (Free hospitalization, access to medication, access to education, etc.)
- Utilities (water, telecommunication, electricity, etc.)
- Compliance (Standards issued by Libnor, rules and regulation enforced by General Directorate of Urban Planning, etc.)
- Recreation (Management of heritage sites, natural parks, sports events, etc.)
- Data and Research
- Regulatory
- Other. Please specify: \_\_\_\_\_

3. In terms of proximity, are the services to taxpayers and beneficiaries provided through:

- Direct contact (personal)
  - Indirect contract (intermediary group)
  - No contact
  - Online service
  - Other. Please specify: \_\_\_\_\_
4. Does the service you provide require collaboration with other public institutions or any other organization delivering public goods?
- Yes
  - No
  - Other. Please specify: \_\_\_\_\_
5. Do you subcontract any service delivery? For example, to NGOs or to other service providers?
- Yes
    - a. To private sector service providers
    - b. To NGOs
    - c. Other. Please specify: \_\_\_\_\_
  - No
6. How would you assess the services you provide in terms of simplicity?
- It follows a very simple process: one-stop-shop.
  - The service is processed in one department but requires more than one step and a multitude of signatures.
  - The service is processed across several departments and requires a multitude of signatures.
  - The procedure/required steps are clearly available on the ministry's website or call center for people's reference.
  - Other. Please specify: \_\_\_\_\_
7. Are the goods and services provided by your ministry/institution done efficiently?
- Yes, service delivery passes through an optimal number of steps to properly process the beneficiary's requests.
  - Yes, service delivery is digitally available to the general public
  - I don't know.
  - No, service delivery passes through several steps which could be cut out.
  - No, service cost is inflated.
  - Other. Please specify: \_\_\_\_\_
8. Are the services provided by your ministry/institution transparent and accessible to the public?
- Eligibility criteria are clearly stated.
  - Processes and deadlines are clearly explained.
  - Administrative work follows standardized procedures.
  - Package of benefits is clearly stated.
  - I don't know.

- Information about the services provided is difficult to find.
- Processes and deadlines are not explained.
- Administrative procedures are generally not followed.
- Package of benefits is arbitrary.
- Other. Please specify: \_\_\_\_\_

9. How would you assess the services provided in terms of speed?

- Services are always delivered on time.
- Sometimes, the institution fails to respect the deadlines defined by the procedure's standards.
- Delays occur all the time.
- Other. Please specify: \_\_\_\_\_

10. How would you assess public trust in your ministry/institution prior to the October 17 uprising?

- Citizens had complete trust.
- The trust relationship was already seriously damaged.
- The trust relationship was already completely broken.
- Other. Please specify: \_\_\_\_\_

11. If applicable, how would you assess inter-agency collaboration (between your and other ministries/institutions) for the provision of goods and services to citizens?

- The process is fast and automated
- Coordination is easy but lengthy
- Coordination is weak and causes disruptions in service delivery
- Not applicable

### III- Crisis impact assessment

12. During the crisis, has the demand for services provided by your ministry/institution:

- Increased. Please specify which services witnessed an increase in demand: \_\_\_\_\_
- Decreased. Please specify which services witnessed a drop in demand: \_\_\_\_\_
- No impact

13. In your opinion, with the unfolding crisis, has your ministry/institution's service delivery:

- Ameliorated
- Deteriorated
- Remained the same.
- Other. Please specify: \_\_\_\_\_

14. Briefly explain the reasons behind your choice: \_\_\_\_\_

15. On a scale from 1 to 5 (1 being the lowest and 5 the highest), to which extent did every type of crisis impact service delivery by your ministry/institution?

- Economic crisis
- Fiscal crisis (Budget deficits and austerity measures)
- Monetary crisis
- Beirut Blast
- Covid-19

16. How would you say the COVID-19 pandemic impacted service delivery by your ministry/institution?

- Service delivery stopped
- Service delivery was reduced
- Service delivery continued normally
- Service delivery improved

17. How did the Beirut Port explosion impact service delivery by your ministry/institution?

- Front office was destroyed
- Employees were injured or lost their lives
- Operations were relocated to another venue
- Access to offices was more difficult for employees and citizens
- Other. Please specify: \_\_\_\_\_

18. On a scale from 1 to 5 (1 being the lowest and 5 the highest), rate the negative impact of each of the below challenges on your service provision?

- Shortage of specific goods and products
- Shortage of intermediary goods and services
- Maintaining geographical outreach
- Lower HR capacity affecting the delivery capacity (increasing exit rate)
- Reduced fiscal space to subcontract intermediary organizations (NGOs or other) for service delivery.
- Disruption in access to digital services
- Other. Please specify: \_\_\_\_\_

19. Have any services been discontinued? or face severe difficulties in maintaining right now?

- Yes. Please specify: \_\_\_\_\_
- No

20. Are any services about to be discontinued?

- Yes. Please specify: \_\_\_\_\_
- No

21. Has the crisis had an impact on the efficiency of service delivery by your ministry/institution?

- Efficiency decreased
- Efficiency increased
- Efficiency remained the same

- Other. Please specify: \_\_\_\_\_
22. Has the crisis had an impact on the transparency and accessibility of service delivery by your ministry/institution?
- Transparency decreased
  - Transparency increased
  - Transparency remained the same
  - Accessibility decreased
  - Accessibility increased
  - Accessibility remained the same
  - Other. Please specify: \_\_\_\_\_
23. Has the crisis had an impact on the speed of service delivery by your ministry/institution?
- Services are still delivered on time.
  - Service delivery is taking longer
  - Service delivery has become faster
  - Other. Please specify: \_\_\_\_\_
24. How would you assess public trust in your ministry/institution after to the October 17 uprising?
- Citizens have complete trust in state institutions.
  - The trust relationship is seriously damaged.
  - The trust relationship is completely broken.
  - Other. Please specify: \_\_\_\_\_
25. Do you think citizen's perception towards public servants changed?
- Citizens are more aggressive.
  - Citizens are showing more understanding and compassion.
  - No change
  - Other. Please specify: \_\_\_\_\_
26. If applicable, how would you assess inter-agency collaboration for the provision of goods and services to citizens in the midst of the crisis?
- Collaboration improved
  - Collaboration deteriorated
  - Collaboration remained unchanged
  - Not applicable
27. Was a crisis management plan designed/implemented?
- Yes, a crisis management plan was designed and implemented
  - A crisis management plan was designed and partially implemented
  - No
  - Other. Please specify: \_\_\_\_\_

28. Were specific measures put in place to maintain service delivery to the most vulnerable populations groups?

- Yes. Please explain briefly: \_\_\_\_\_
- No. Please explain briefly: \_\_\_\_\_

29. Under current circumstances, how long do you think you can sustain service delivery to citizens?

- Less than 1 month
- 1 to 3 months
- 3 to 6 months
- 6 to 12 months
- Over a year

30. Have there been occurrences of employees leaving their work?

- Yes
- No

31. On a scale from 1 to 5 (1 being the lowest and 5 the highest), how damaging has this been to service delivery to citizens?

|                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1                     | 2                     | 3                     | 4                     | 5                     |
| <input type="radio"/> |

32. Did you notice a significant increase in complaints after the crises?

- Yes
- No

33. Has political interference in service delivery changed with the crises?

- Remained the same.
- Decreased
- Increased
- Other. Please specify: \_\_\_\_\_

34. Have there been any additional services that you have implemented to face the current crises?

- Yes. Please specify: \_\_\_\_\_
- No

35. Were you able to initiate any action to maintain or to recover the quality of service?

- Yes. Please explain briefly: \_\_\_\_\_

No. Please explain briefly: \_\_\_\_\_  
36. With hindsight, what measures could you have taken to maintain your service delivery?  
\_\_\_\_\_

37. What are, in your opinion, the three priority areas of action to help your ministry/institution mitigate the impact of the crisis on its service delivery function?

- Skilled public servants
- Increased financing
- Technical assistance
- Change in management style
- Update of the legislative framework
- Transition towards e-government
- Other. Please specify: \_\_\_\_\_

38. Is digital government a possible alternative or a viable alternative moving forward?

- Yes. Please explain briefly: \_\_\_\_\_
- No. Please explain briefly: \_\_\_\_\_

39. How do you see the way forward? \_\_\_\_\_

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