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Reforming Public Procurement in Lebanon: Towards sound financial governance, economic recovery, and restoration of trust

KEY MILESTONES & THE WAY FORWARD

Note prepared by: Institut des Finances Basil Fuleihan – Ministry of Finance

Reform Background

Public procurement reform is a whole-of-government reform highlighted in the Ministerial Declarations of Hariri (2019), Diab (2020) and Mikati (2021) Governments. It is one of the **conditionality of international aid to be channeled to support economic recovery**. Following the CEDRE conference (April 2018), it was reiterated by the International Support Group for Lebanon (ISG) on several occasions and statements.

Following the Port of Beirut explosion on August 4, 2020, the international community **recalled the urgent need to reform public procurement** as a key structural reform to addressing the deepening crisis. It was also stressed in the **French roadmap** as one of the most urgent economic and financial reforms that Lebanon is called to advance on, and in the **Lebanon Reform, Recovery & Reconstruction Framework (3RF)** issued in December 2020 to improving good governance and accountability, ensuring sustainable economic recovery and restoring trust in State institutions.

The **Ministry of Finance committed to procurement reform** since 2018, giving a strong signal of trust. The Minister of Finance mandated the **Institut des Finances Basil Fuleihan**¹ to lead on this exercise and coordinate efforts with national stakeholders and the international community.

Amidst challenges of many folds and a multi-facet economic and financial crisis considered by the World Bank as the third severe crisis across the globe since the 19th century, **Lebanon was able to mark a key milestone on the path of structural reforms, through the steading advancement of public procurement reform.**

¹ Minister decision no. 109/1 dated March 4, 2019, decision no. 199/1 dated June 9, 2020, decision no. 620/1, dated November 2, 2021.

Reform Milestones

1. MAPS ASSESSMENT

The **Methodology for Assessing Procurement Systems² (MAPS)** was finalized in January 2021, following reviews by MAPS Global team and Technical Advisory Group (TAG) to ensure compliance with the international methodology. In November 2021, the final report was cleared by TAG, to be officially published by MAPS Secretariat at the OECD.

The assessment report provided, for the **first time in Lebanon**, evidence on the level of performance of the procurement system. Only **5% of the 210 qualitative and quantitative indicators have fully met the international standards**, giving a strong signal of the importance of an informed policy process and the urgency to having a strategic vision for procurement reform in the country.

MAPS Pillar Assessment Criteria	Met	Partially Met	Not Met	Not Applicable	Total
I-Legal, Regulatory, and Policy Framework	9	27	30	1	67
II-Institutional Framework and Management Capacity	0	18	30	7	55
III-Public Procurement Operations and Market Practices	0	8	18	0	26
IV-Accountability, Integrity and Transparency	2	18	42	0	62
Total	11	71	120	8	210
Percentage	5%	34%	57%	4%	100%



- The 160 pages report +100 pages annexes is available at: <http://www.institutdesfinances.gov.lb/project/methodology-for-assessing-procurement-systems-maps-ii-in-lebanon/>
- Report Executive Summary is available at:
 - English:** http://www.institutdesfinances.gov.lb/wp-content/uploads/2021/05/MAPS-Executive-Summary-En-May2021_compressed.pdf
 - Arabic:** http://www.institutdesfinances.gov.lb/wp-content/uploads/2021/10/MAPS-Executive-Summary-Ar-May2021_compressed.pdf

2. INSTITUTIONAL MAPPING

An institutional mapping of procurement stakeholders was undertaken, with the technical support of the World Bank, to complement MAPS exercise, better understand institutional dynamics, roles and mandates, and analyze overlaps and gaps, as well as inefficiencies and corruption risks.

It resulted in 2 outputs:

1. **An analysis of stakeholders** and recommendations for potential institutional scenarios;
 2. **The I-plan:** an interactive tool featuring stakeholders' interventions as well as control and oversight gaps and overlaps.
- The mapping results are available at: <http://www.institutdesfinances.gov.lb/data/iplan-public-procurement-mapping-tool/>



² MAPS is an OECD designed tool used worldwide to assess the performance of public procurement systems. MAPS was completed in consultation with +100 stakeholders, with the technical support of the World Bank and the Agence Française de Développement.

3. PUBLIC PROCUREMENT LAW 244/2021

The **Public Procurement Law in Lebanon no. 244, dated July 19, 2021** was published in the **Official Gazette on July 29, 2021**. The law was drafted, discussed and promulgated in light of international standards and guidelines, and based on the recommendations of Lebanon's MAPS assessment.

It is founded on **eight guiding principles**: 1) inclusiveness, 2) budget integration, 3) accountability, 4) effectiveness and competition, 5) integrity, 6) transparency, 7) professionalization, and 8) sustainability.

This **evidence-based and consultative policy process** was grounded in:

- Review of previous draft procurement laws;
- Evidence and recommendations of the MAPS exercise;
- The UNCITRAL Model Law on Public Procurement (2011);
- Recommendations of the OECD Council on Public Procurement (2016);
- Benchmarks with procurement laws recently adopted in the Arab region, namely Jordan (2019), Egypt (2018), Palestine (2014), and Tunisia (2014);
- The input of national experts, policy strategists and subject-matter specialists, economists, legal experts, the private sector and civil society;
- Consultation with NGOs, private sector and other public administrations and institutions, oversight bodies, to bringing their feedback to parliament sessions;
- Technical guidance and policy advise of OECD-SIGMA and World Bank experts.

The policy process was based on:

- **+115 hours of discussions** in Parliament during which consultations with key stakeholders took place.
- **+45 consultation meetings** organized with policy makers, the donor community, private sector and civil society to ensure ownership.
- **+30 national and international experts mobilized by the Institute of Finance, including from partner organizations namely OECD/EU-SIGMA and the World Bank**, provided guidance and technical assistance through the process.

Law 244/2021 is key for Lebanon to improving financial governance, market competition and promote transparency and accountability on the use of taxpayers' money. It ensures a solid, modern and unified legal framework for transform public procurement into a strategic instrument for economic recovery and restoration of investors and citizens' trust.

Law 244/2021 enters into force in July 2022; time is very tight to complete all necessary steps and be ready for sound and efficient law implementation. However, with national budget shortage and unprecedented pressure on public finance, **Lebanon lacks substantial resources to manage the reform process and mobilize high-level expertise.**

The Way Forward

The Government of Lebanon's Declaration, issued on September 16, 2021, clearly commits to pursue efforts to reform Public Procurement including issuing secondary legislations necessary for enactment.

The following calendar presents the key actions that the Government of Lebanon needs to undertake towards the law implementation, and that requires efforts, funding, expertise and support from international partners.

Pillar	Action	To be completed by
National Strategy for Public Procurement Reform	1- Council of Ministers to issue a decision to endorse the National Reform Strategy and its Action Plan and call for the donor community to provide necessary funding	December 2021
	2- Council of Ministers to issue a decision to set up an inter-ministerial committee chaired by the Minister of finance and a technical committee headed by MoF/loF to implement the reform Action Plan	December 2021
Secondary legislations for PPA and RCA	1- Prepare needed secondary legislations for Public Procurement Authority (PPA) and Complaints Authority (CA) and conduct necessary public consultations	March 2022
	2- Council of Ministers to issue a decree on the secondary legislations of PPA and CA	May 2022
Standard Bidding Documents	1- Develop, test and finalize needed standard bidding documents (SBDs)	April 2022
	2- Council of Ministers to issue a decree to make the use of SBDs mandatory	June 2022
Professionalization	1- Mobilize urgent resources needed to start training all concerned stakeholders by the implementation of the Law by July 2022.	December 2021
	2- Council of Ministers to issue a decision endorsing the capacity building and professionalization strategy	January 2022
	3- Council of Ministers to issue a decree on competency framework and professionalization of procurement workforce	June 2022
E-Procurement	1- Council of Ministers to issue a decision endorsing the E-procurement strategy and workplan	February 2022
	2- Implement the e-procurement platform	July 2022

In line with the above-described actions, the Ministry of Finance / Institut des Finances Basil Fuleihan will pursue efforts to ensure a sound and effective implementation of public procurement reform, through:

1. Ensuring that priority reform actions are accomplished to allow for the good entry into force of the Law 244/2021 by July 2022.
2. Rallying international partners to providing needed technical and financial support to implement the National Reform Strategy and Action Plan.
3. Raising awareness and maintaining dialogue and consultation with all concerned stakeholders.
4. Encouraging a dynamic coordination with the business community in particular to promote the reform approach and harmonize efforts.