



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 31-May-2022 | Report No: PIDC262119



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P178801		Low	Lebanon Digital Procurement
Region	Country	Date PID Prepared	Estimated Date of Approval
MIDDLE EAST AND NORTH AFRICA	Lebanon	31-May-2022	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Finance	Institut des Finances Basil Fuleihan	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	0.57
Total Financing	0.57
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	0.57
MNA Region Umbrella 2.0 MDTF	0.57

B. Introduction and Context

Country Context

Lebanon faces a confluence of challenges, including an influx of refugees, an outflow of high-skilled workers, increasing internal and external debt, and a lack of capacity within public institutions. It finds itself in a protracted crisis characterized by deep and long growth stagnation. Existing pressures on public finances were further exacerbated in 2018 by the continuous repercussions of the Syrian refugee crisis, the protracted domestic political crisis and the adoption of a new salary scale bill for the public sector in 2017, as well as by increased geopolitical tensions. The Lebanese lira is depreciating fast in a context of depleting foreign reserves and tight banking capital controls, driving the country into a hyperinflation spiral. The budget deficit



is projected to widen sharply as revenue collection is collapsing and businesses are shutting down. The multidimensional poverty rate in Lebanon has nearly doubled from 42% in 2019, to 82% in 2021. Austerity measures, failed public services and widespread corruption, have triggered countrywide unrest in Lebanon as of October 17, 2019. Citizens are asking for the recovery of misused public funds, for more transparency in the management of public money and for the immediate implementation of financial governance reforms to address paramount financial, economic, and social challenges.

Sectoral and Institutional Context

Public procurement is one of the main cross-sectoral reforms that the Government of Lebanon committed at CEDRE held in Paris in April 2018, in order to improve fiscal governance and the quality of public services, encourage investment inflows, and strengthen accountability and transparency. The World Bank (2020) assigned a high priority to procurement reform as part of the agenda for “Stabilization, Economic Efficiency, and Restoration of Trust”.

Background

Lebanon has had an outdated and fragmented public procurement system with considerable capacity and technology gaps, resulting in inefficiencies and high risks of corruption. The legal framework is old (1959/1963), fragmented (various laws, decrees, decisions), and does not conform with international standards and guidelines. The institutional framework is weak with overlapping mandates and gaps in stakeholders’ roles. The policy and regulatory functions of the system are largely nonexistent, and the complaints review mechanism is weak and inefficient. Consequently, as per “World Bank Benchmarking Public Procurement Report (2017)”, the quality of the procurement system is below average (48/100) compared to the rest of the world and to a number of MENA countries. Several national efforts to reform public procurement were attempted in the past fifteen years but failed to achieve desired results due to the absence of national leadership. In July 2018, the Minister of Finance formed a Task Force of experts from the public and private sectors to follow up on the implementation of the recommendations raised at the “Conférence économique pour le développement, par les réformes et avec les entreprises” (CEDRE). Public procurement accounts for an average of 20% of central government expenditure and 6.5% of the Gross Domestic Product (thus, around USD 3.4 billion in 2019) at the central level, although this is likely to be a significant under-estimate.

A coherent and clear public procurement system in line with international standards and based on sound legal and institutional foundations is considered essential to improve competitiveness of the economy, attract quality service providers, strengthen accountability and transparency and achieve savings on yearly basis, allowing for more fiscal space to finance public investments and for enhancing service delivery to citizens. As a result, it would contribute considerably to helping resolve the current economic and financial crisis and create the basis for the implementation of the Government’s vision for economic recovery and sustainable development.

Reforms



The Anti-Corruption agenda delivered, amongst other things, a strengthened legislative framework by passing the Access to Information Law (2017), followed by Law on the Protection of Whistleblowers, the Law on Fighting Corruption. In May 2020, the Government approved the National Anti-Corruption Strategy (NACS), which cited modernization of procurement systems as one of its key pillars. Following a MAPSII assessment supported by the Minister of Finance the new Procurement law was drafted and voted in July 2021. It will come into force in August 2022. The National Procurement strategy and Action Plan were launched in January 2022 by the Prime Minister in the presence of WB, EU, AFD, UN, UNDP, government stakeholders, private sector and CSO representatives, calling for coordination and further financing for implementation of the strategy.

Partners

Our partners in the country are mainly the UN agencies, among which UNDP is leading the governance agenda, AFD for being one of the active financiers in the GPP MDTF, EU for extending between 2013 and 2018 financing out of which a component was allocated to public procurement reform and, Netherlands and United Kingdom. Monthly coordination meetings are held with UNDP for regular updates on the Anti-Corruption agenda which has advanced the legislation framework. Close collaboration is also maintained with AFD which is extending funding of 1.3 million euros for procurement reform. The essential entry point of the collaboration with donors is the public procurement reform strategy of 2021 (GPP-Type 1).

This Grant

The grant is focused on e-procurement which is a key element in the Procurement Reform and Anti-corruption Reform strategies adopted by Lebanon and supported by the World Bank and by the EU. The Office of Minister of State for Administrative Reform (OMSAR), with financial support from the EU in 2013-2018, and jointly with the Central Tender Board had adopted an e-procurement platform which is intended to be a full-fledged central e-procurement system covering registration, notices, tender preparation, tender management, tender evaluation, contracting, contract management and no objections. This was based on the Delta system of Scotland adapted to meet the Lebanese context. The platform needs significant adaptations to the newly endorsed Procurement Law and localizations.

- E-procurement establishes a means for transformative change of public procurement for Lebanon. E-procurement can make access to information, including bidding documents, more freely available. The system will simplify and streamline the bidding process for bidders by, inter alia, collecting submission requirements in electronic form, reducing or eliminating incomplete submissions and late bids, saving time and money to submit a bid and conducting bid evaluations. The system will be a valued business service directly benefitting a significant part of the National economy. The system will, crucially, strengthen public transparency and procurement control and governance.
- The e-procurement system can streamline all aspects of the procurement process (from planning to contract monitoring and payment) while applying stronger controls over spending and product preferences. Implementation of e-procurement can automate the internal and external processes



associated with major and minor procurement processes, including supplier selection for some types of procurement, and has been demonstrated to reduce the procurement cycle times by up to 30%. The Organization for Economic Cooperation and Development (OECD) estimated savings from implementation of procurement technologies to be in the range of 5-8 % of the procurement value.

- The e-Procurement Strategy is a response to the Lebanese reform agenda that touches all key objectives of the Country Partnership Framework and those of other donors. The e-Procurement Strategy sets out what a good-practice framework would be based on from the best cases worldwide and the lessons learnt over the course of the past two decades. The key elements of the development and implementation of the strategy includes scope, functionality, non-functionality, stakeholders, sustainability, monitoring and reporting, training, etc. The e-Procurement Strategy also addresses the business model, resources and the implementation strategy.

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Relationship to CPF

The Bank's Country Partnership Framework with Lebanon FY16-FY22 identified elite capture hidden under the veil of confessionalism as a critical developmental constraint. The CPF identified several areas of work, inter alia, public procurement, for analysis and engagement. With procurement, the CPF sought to reduce discretionary practices in the use of public resources, by working in the following areas:

- i. Continuing to engage with parliamentary committees to produce a "capture-proof" procurement law that removes opportunities for discretion. The public procurement law was indeed ratified in July 2021;
- ii. Facilitate the participation of SMEs in public procurement, thereby bringing more businesses into the public market;
- iii. Promote Open Contracting principles, including the publication of all bid awards as well as business opportunities;
- iv. Strengthen the capacity of civil servants responsible for the procurement process and contract management so that they are equipped to conduct procurement with efficiency and integrity; and
- v. Strengthen capacity of state institutions, including state-owned enterprises in terms of quality of designs, specifications and cost estimates as well as contract management and construction supervision.

The implementation of projects and programs under the CPF was slowed by the October Revolution in 2019 and the onset of the COVID-19 pandemic in early 2020 as well as the Beirut port explosion. The delays posed by these three mega events came on top of delays at that were experienced owing to the slow pace of government reform, including procurement reform. This ultimately led to the October Revolution.

C. Project Development Objective(s)



Proposed Development Objective(s)

The objective of the project is to enhance transparency, accountability and efficiency of the Public Procurement processes and improving procurement outcomes through greater use of technology.

Key Results

- The platform to foster transparency and governance in public procurement through compilation, analysis, free and systematic access to information and data. The consolidated database in the central electronic platform, aims at facilitating data extraction, analysis, allowing better monitoring and reporting for enhanced accountability.
- The platform to improve efficiency and savings in public procurement through enhanced process-efficiencies and more effective exploitation of competition in supply markets.
- Establishment of a facility for analyzing public procurement data and making it available to support evidence-based policy making.
- E-procurement capacity building of concerned stakeholders.

D. Preliminary Description

Activities/Components

The national public procurement strategy document includes a detailed action plan for public procurement reform for the period June 2021 until December 2023, covering the short and medium terms. The four priority reform actions identified for the short term, before entry into force of the new law, no later than 1 August, 2022, are the following:

1. Set up the Public Procurement Authority (PPA) and the Procurement Review Body (PRB), with their organizations, staffing and respective work mechanisms.
2. Prepare secondary legislations, guidance materials and standard documents for the new procurement approaches and procedures.
3. Launch awareness raising and capacity building for all stakeholders concerned, in preparation for the new procurement law implementation.
4. Set up the national platform which use is mandatory as per the provisions of the new law, where procurement notices, plans, documents, data and reports will be published and freely and systematically accessible to stakeholders; and start developing other elements of e-procurement.

Under the new law the e-procurement system is to be owned by the State, upgradable and adaptable from within. It needs also to be user friendly, simple, and straightforward, easy to manipulate and accessible to all procuring entities and procurement stakeholders for regular use, in the Arabic and English languages. The platform and the full range of capacity building measures will together constitute the main reform tool and best opportunity for genuine reform that will enable a sound implementation of the new procurement law, given the high technicality and complexity of the law and the currently low capacity at the level of procurement stakeholders.

To establish the National Platform as directed under the new law, four components are identified:

Component 1: Functional gaps and upgrading of the functionalities of the Lebanon e-procurement system and related technical support:

- Gap filling
- OCDS compliance
- APIs
- New modules (optional)

If these requirements cannot be delivered and fully tested in the timeframe the minimum goal will be targeted, which is to operationalize the public portal with the parameters nominated in the new PPL. If the systems behind those parameters are not available in time, then a protocol for manual entries will be provided. A preliminary assessment has been conducted but the scope of work will be further refined, and further detailed assessments of the current system is undergoing.

As part of risk management of this aspect, a platform Stage ZERO has been defined and can be put on its feet within a couple of weeks for the purpose of publications and dissemination of information (a portal type).

Component 2: Review options for IMPACT front end Portal for publication related to procurement. Investigating the **creation of a portal within the Lebanese IMPACT platform** this might further assist with transparency and information availability, analysis and open access to procurement data. This portal may simply be a duplicate of that within the PPA with links / hot buttons, regardless of what direction is taken with respect to the retention or otherwise of the Delta system.

Component 3: Testing the platform in a controlled environment to validate integrity of the system with respect to penetrations, performance, vulnerability, security, etc.

Component 4: E-procurement capacity building of relevant stakeholders including within the Public Procurement Authority, to-be-pilot-contracting authorities, engage with Training of Trainers, public communications, awareness to senior decision-makers, etc. The priority Capacity building is addressing PPA in its new mandate. Other capacity building will be following the national strategy roadmap. Of course, if financing permits, CB will be deployed on oversight bodies, etc. Further, a transition strategy has been developed that will assist with the required culture change and training requirements by establishing lead implementers (Champions) within the government.

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Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social	Relevant

**Risks and Impacts**

ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The project involves institutional strengthening related to e-procurement and capacity development related to Public Procurement governance. It is not expected to include activities resulting in environmental and social risks and impacts.

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Implementing Agencies

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