



# TOWARDS A RISK MANAGEMENT APPROACH IN PUBLIC PROCUREMENT IN LEBANON

Infrastructure and Public Procurement Division  
Public Governance Directorate,  
OECD

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# OPENING REMARKS

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- Ms Erika Bozzay, Senior Policy Advisor, Infrastructure and Public Procurement Division, OECD





# HOW THE NEW PUBLIC PROCUREMENT LAW IN LEBANON PREPARES THE GROUND FOR RISKS IDENTIFICATION AND MANAGEMENT

- Ms Rana Rizkallah Fares, Senior Procurement Specialist, Institut des Finances Basil Fuleihan



# THE ROLE AND RELEVANCE OF RISK MANAGEMENT IN PUBLIC PROCUREMENT

- Ms Kenza Khachani, OECD
- Mr Elhadj Malick Soumare and Ms Aya Amer, IsDB
- Representative from civil society



OCDE  
DES POLITIQUES MEILLEURES  
POUR UNE VIE MEILLEURE

# Public procurement matters\*

## — **Why Public Procurement matters?**

Public procurement matters because it represents:

- ✓ A major **economic and governmental activity**
- ✓ A fundamental **pillar of good governance and service delivery**
- ✓ A **strategic lever** for achieving **public policy objectives**
- ✓ A **high-risk area**

# — **Public procurement matters for effective public service delivery (1/2)**

## Services to guarantee basic physical conditions

- Mobility
- Waste disposal
- Water
- Security
- Cleanliness

## Services to guarantee basic social conditions

- Health
- Education
- Housing
- Child and Elderly care

## Services supporting the quality of life

- Culture
- Green spaces

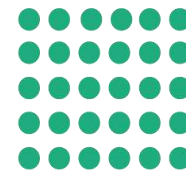
# — **Public procurement** matters for effective public service delivery (2/2)

Public procurement - a large share of the economy:

- **12.6% of GDP (OECD )**  
**15% in MENA countries**  
**6.5% in Lebanon**
- **30% of general government expenditures (OECD)**  
**20% of central government expenditure in Lebanon**
- **63% spent at the sub-national level**

Public procurement impacts many areas of public service delivery:

Share of procurement spending<sup>3</sup>



30%

Health



10%

Defence



17%

Economic affairs



10%

Social protection



12%

Education



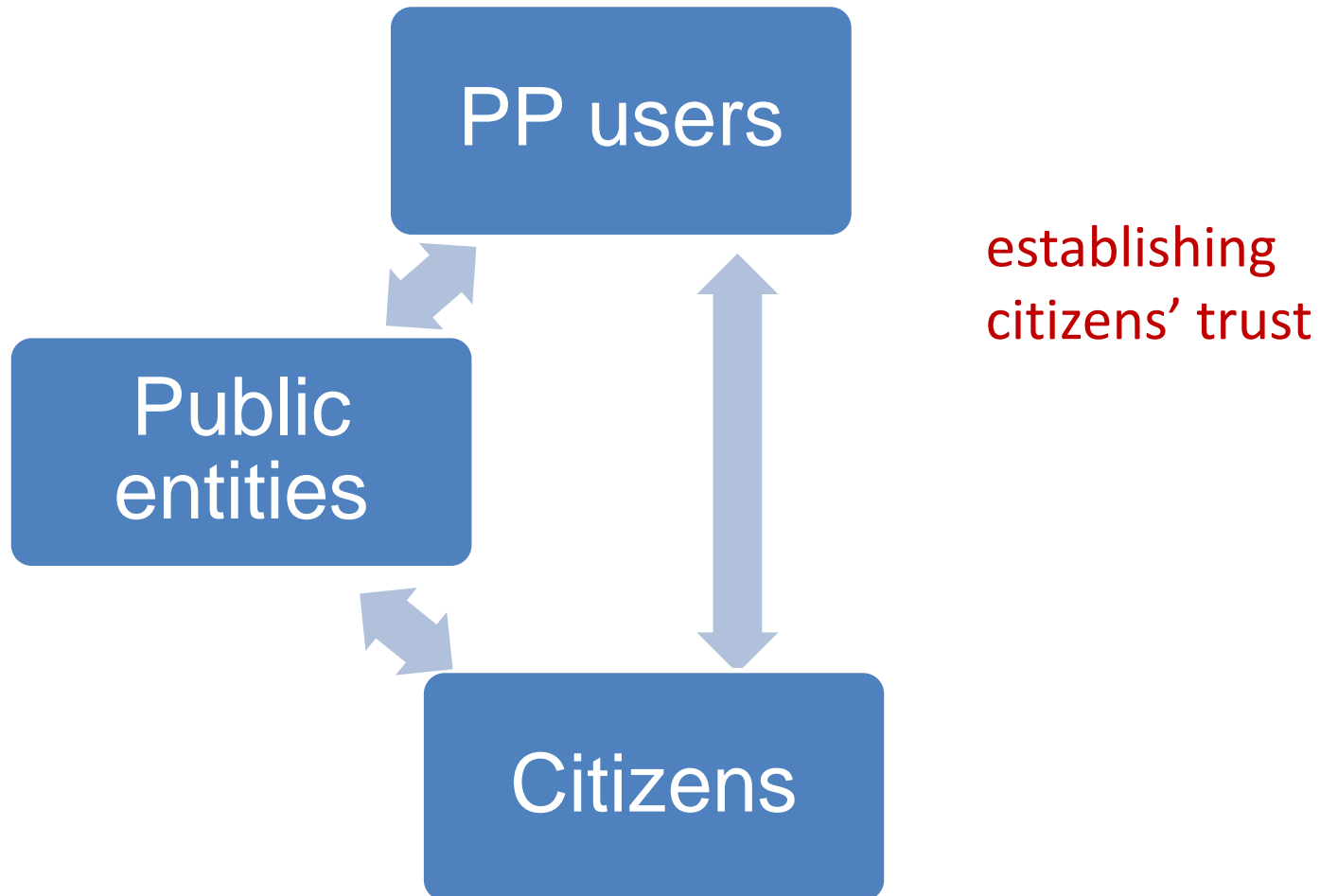
9%

General public services



— **It matters for everyone including citizens**

Public Procurement end users



# Public procurement is a high risk area

## — **Why public procurement is a high-risk area**

Public procurement is a high-risk area due to:

- the **amounts** involved
- the **complexity** of the procedures and the multiplicity of the **parties involved**
- the **interaction** and close contact between the public and private sectors
- the numerous **sectors** and **stakeholders** involved

## — **What is a risk/ risk management?\***

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

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

➔ “Managing risk is dynamic and assists organizations in setting strategy, achieving objectives and making informed decisions” - ISO 31000

# — The 2015 OECD Recommendation on Public Procurement



## — **The OECD Recommendation: principle on RM**

**\***

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

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

**ii) Publicise risk management strategies**

# — Numerous risks all over the procurement cycle

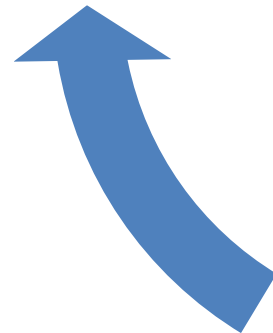
- Needs analysis
- Market Analysis
- Preparation of tender docs

**Pre-tendering**



**Tendering**

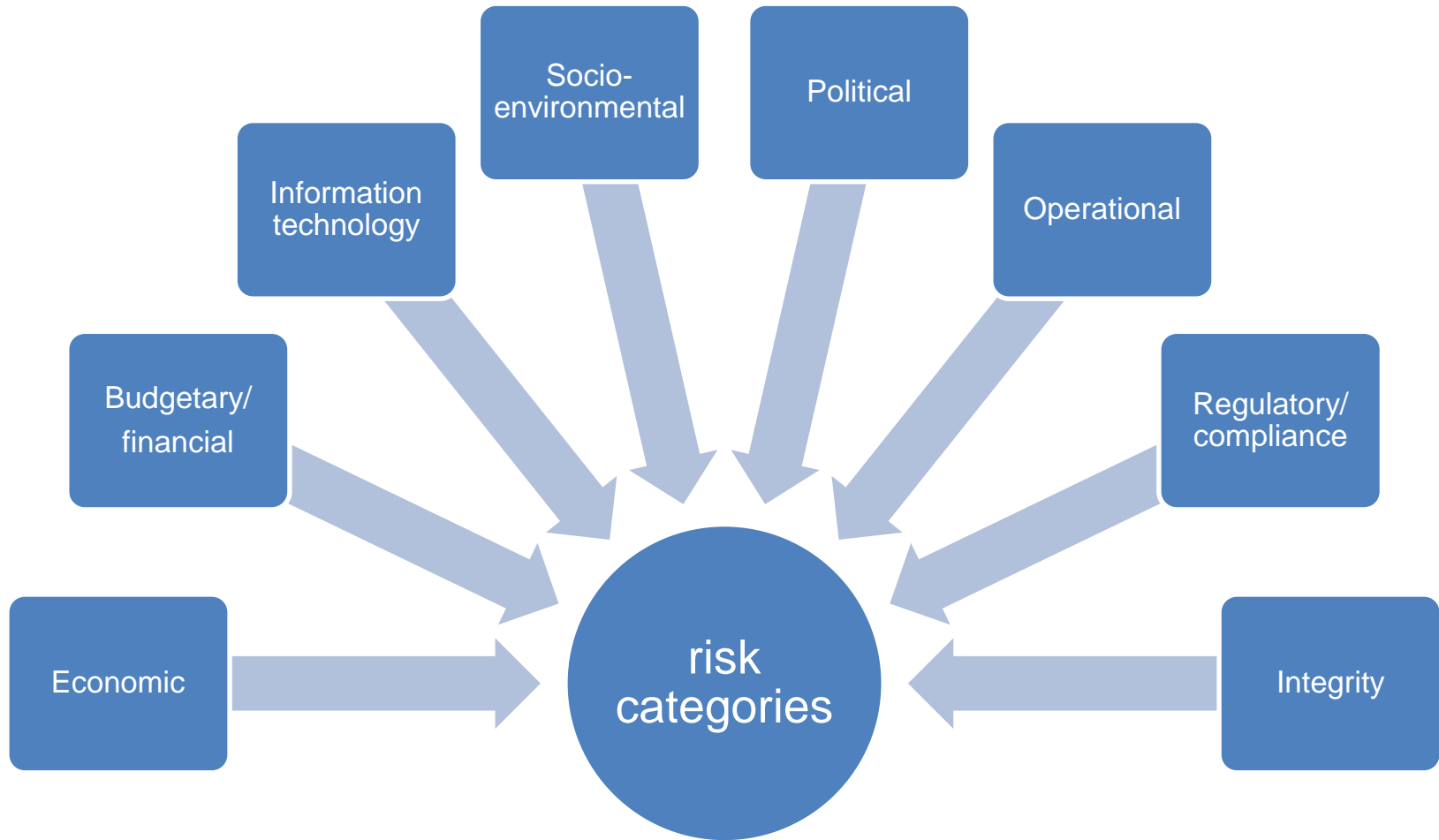
- Publication
- Bid submission
- Evaluation
- Award



**Contract performance**

- Management
- Delivery
- Payment

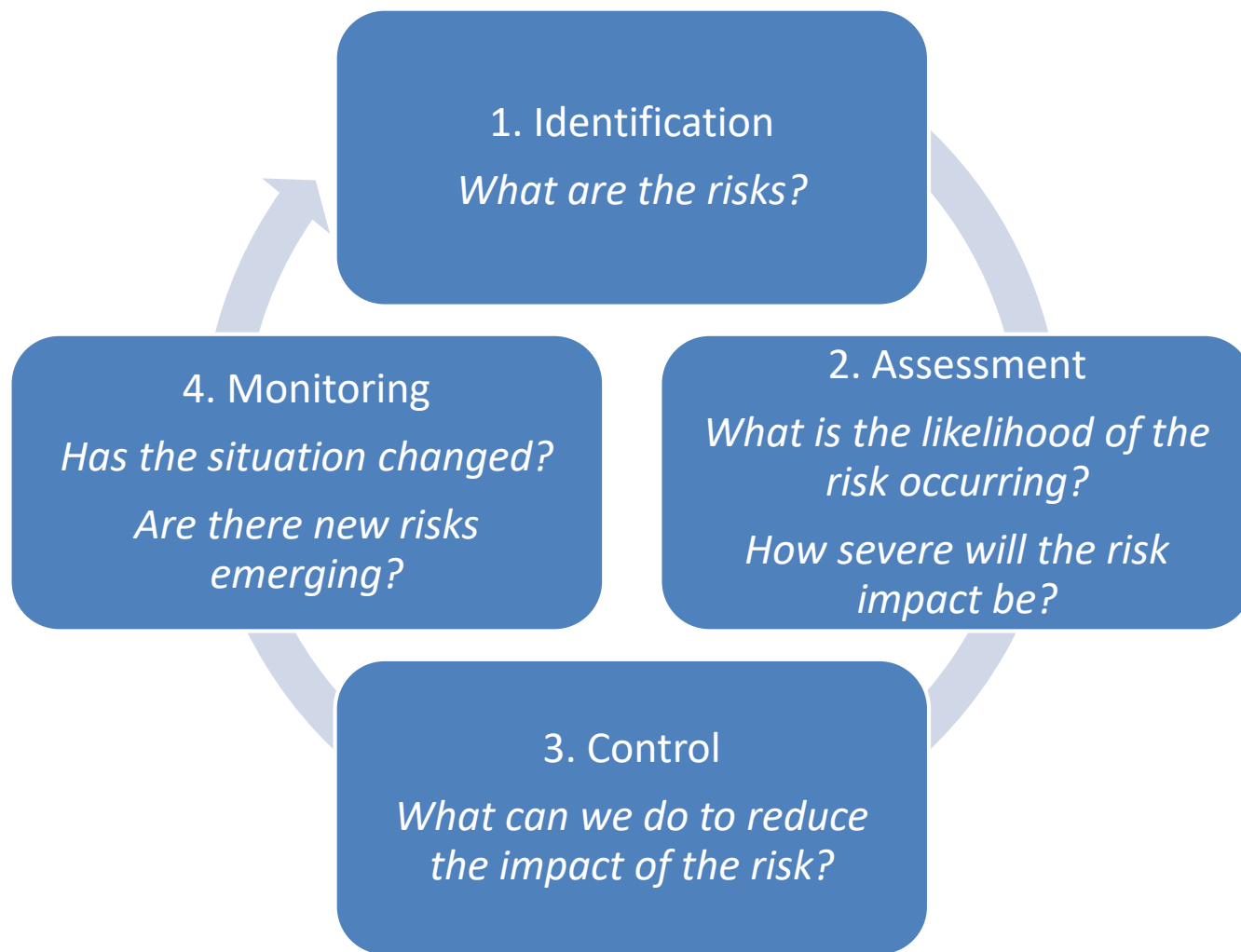
# — What are the risks impacting the public procuremet system and activities?





# The risk management cycle

# The risk management cycle



## — **Preliminary steps (1/3)**

- The **definition of the scope** of the risk management activities.
  - The **definition of risk criteria** (uniform for each public entity):
    - The **likelihood/ probability of occurrence** of the risk (V)
    - The **severity** or impact of the risk (G).
- ➔ the importance (criticality) of a risk:  $C = V \times G$

## — Preliminary steps (2/3)

- The definition **of the context** of each contracting entity.
- The **risk tolerance** of the entity

## — Preliminary steps (3/3)

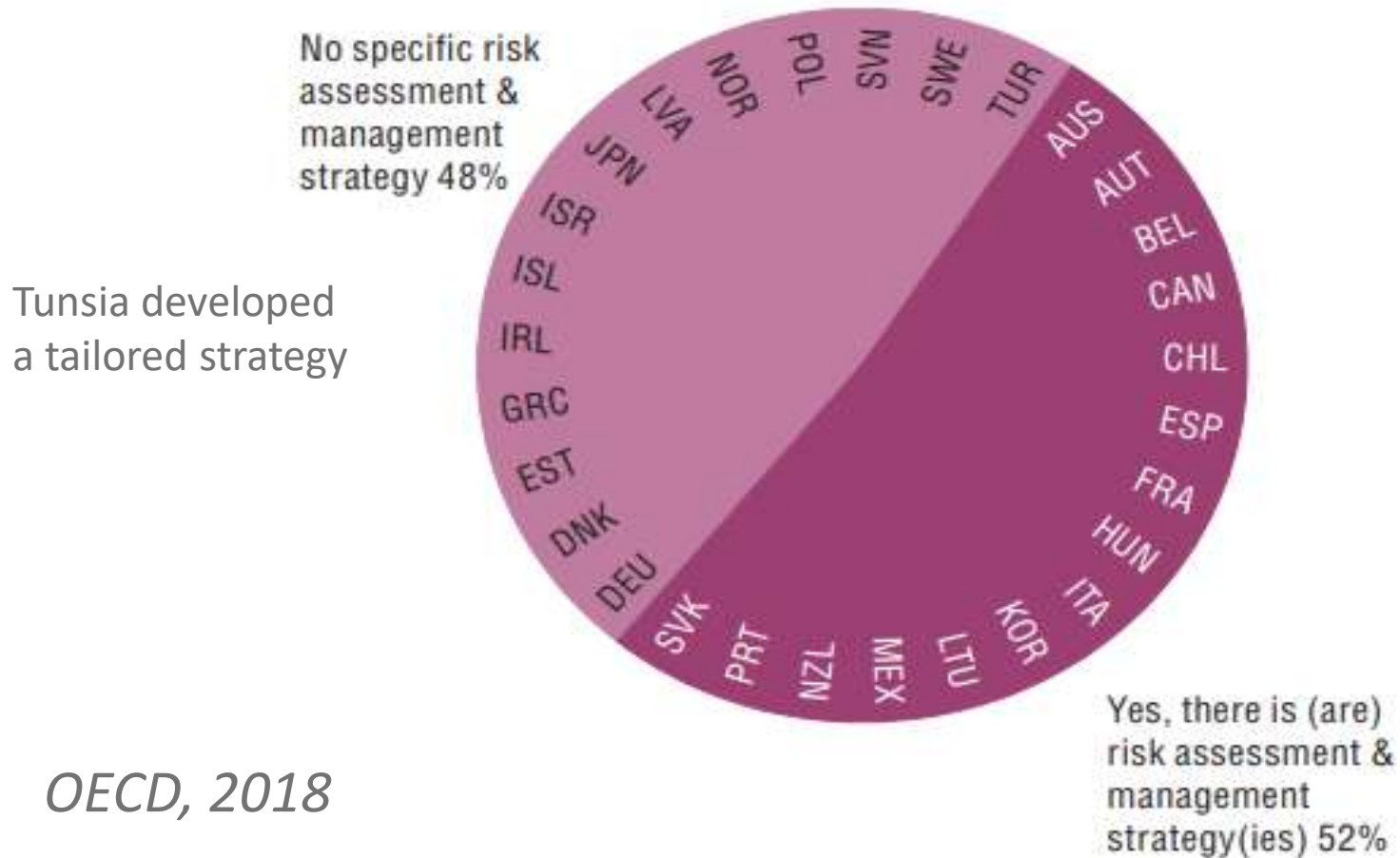
		Potential Severity Rating			
		Minor	Moderate	Significant	Catastrophic
Likelihood severity occurs	Very Likely	Moderate	High	Extreme	Extreme
	Likely	Low	Moderate	High	Extreme
	Unlikely	Very Low	Low	Moderate	High
	Rare	Very Low	Very Low	Low	Moderate



# THE DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT STRATEGIES IN PUBLIC PROCUREMENT

- Ms Kenza Khachani, OECD
- Ms Rim Zehri, HAICOP

# — Existence of a strategy for assessment, prevention and mitigation of PP risks



OECD, 2018

## — **The public procurement reform strategy for 2019-2023**

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



## — The development of a **risk management strategy** \*

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

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



# CLOSING REMARKS

- Mr Paulo Magina, Deputy Head of the Infrastructure and Public Procurement Division, OECD

# Thank you!

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

## THEMATIC REVIEWS



## COUNTRY PROJECTS



## TOOLS

