Discussion Document

The Basil Fuleihan Institute for Economy and Finance - INSTITUTE of FINANCE

A Success Model Enhancing Good Governance Practices in Lebanon

Expert Group meeting on Strengthening Good Governance Practices in Conflict Affected Countries: Current Priorities and Future Interventions

27-28 February, UN-House, Beirut-Lebanon
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I. Post war Challenges in Lebanon  
II. Improving financial governance  
III. Role of the Basil Fuleihan Institute  
   - Training: efficiency, performance, ethics, etc.  
   - Information: Access, transparency, participation  
IV. The Institute as a Regional Platform for promoting good governance practices in the MENA region  
V. Lessons Learned and Concluding Remarks  

The Institute as a success model enhancing good governance Practices in Lebanon
Challenging times

1993-1996
- Israeli attacks on Lebanon
- Recurrent attacks
- Damages to main infrastructure (electricity and water)

2005
- Assassination of PM Rafiq Hariri, PM Basil Fuleihan and others
- 7 billion USD in direct damages (buildings, electricity, road networks, more than 1 million displaced in less than a week, etc.)

2006
- Israeli war on Lebanon
- Political crisis: Parliamentary paralysis
- Parliamentary paralysis for 18 months.
- Government paralysis
- Closure of the Downtown district in Beirut.

2007
- Nahr al Bared Conflict
- Political divisions leading to social destabilization
- Undermined financial stability
- Obstructed economic growth

Today
- Escalation of political fighting
- Holdup of government reform agenda.
Fiscal imbalances and unsustainable debt accumulation

1. Increase in Ratio of Debt to GDP

2. Increasing Debt Service Ratio

3. Declining Economic Growth

- MoF's capabilities undermined by war damages in infrastructure and physical assets
- Premises scattered over 11 buildings throughout Beirut and other vicinities
- Average age of staff: 56 years
- Skilled personnel emigrated, retired, or died.
- Recruitment put to a halt since 1975
- No capacity building initiatives taking place ever since

<table>
<thead>
<tr>
<th>Income Inequality</th>
<th>Fiscal Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.36 gini coefficient</td>
<td>11.6% of GDP in 2007</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Poverty level</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>8% in 2006</td>
<td>20% 2006 estimate</td>
</tr>
</tbody>
</table>
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**The Institute as a success model enhancing good governance Practices in Lebanon**
Government priorities

Reform viewed as a complex interconnected policy package
where capacity building is a central issue

- Fiscal Adjustment: Reduce budget deficit and public debt
- Reform of PFM & Capacity building
- Integration with global economy
- Sustainable private sector led growth and Competitiveness
- Promote regional and social development
- Trade Facilitation
- Capital Markets Reform
- Improved Business Environment
- Modern Customs Procedures
MoF Starting Over…

A Comprehensive & Integrated Reform Program

- Tax Reform: VAT, LTU, etc.
  - New technologies
  - Awareness
  - Information dissemination

- Pension Reform

- Expenditure & Treasury Reforms
  - Expenditure
  - Payment system
  - Budget & Accounting
  - Treasury Management

- Technical Assistance
  - Coordination
  - Training/Recruitment

- Debt Management

- Customs
  - E-transactions
  - Trade statistics
  - Risk management

- Land registry & Cadastre
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Basil Fuleihan Institute of Finance

| Created in 1996 by a French Lebanese Cooperation Protocol |
| An Autonomous Public Agency under the tutelage of the Minister of Finance |

- 1000 m2 of learning space:
  - 4 Multi-purpose training rooms (100m2)
  - A U-shaped VIP meeting room for regional events (200m2)
  - A VIP Conference room
  - 3 IT training labs
- Conference hall (150 seats)
- Specialized Documentation Center: The Library of Finance
- Cafeteria
IoF Mission

1. Developing public employees’ qualifications at MoF

2. Developing capacities of governmental agencies in financial management

3. Improving service to citizens, internal and external communication, and transparency of information

4. Networking with local, regional, and international institutions

5. Regional platform (Regional training center for OMD, IBM, ADETEF, etc.)

Sustainable source of high quality specialized training in Lebanon and MENA

A total of 29,383 trainees participated in IoF trainings over its 12 years of service

Ministry of Finance 81%

Government Agencies 14%

Regional 5%
IoF Core Business

• Rallying stakeholders around the reform vision: Internal communication (newsletter, seminars, meetings, etc.)
• Access to information: pamphlets, Citizen's Guides, Library of Finance Activities, etc.
• Communities of knowledge: Youth programs, Consultative committees with private sector, etc.

• Capacity building by improving performance & upgrading skills: Training courses on IT, Languages, management skills, ethics
• Sharing knowledge of best practices in financial governance Specialized Technical Programs (fiscal, budgeting, customs)
• Engineering training programs as part of a visionary strategy towards an improved public sector
• Reinforcing abidance & respect for the rule of law: Training courses on laws of interest to MoF staff & to key stakeholders

• Advisory role on placement of new staff
• Leadership development: identification, performance tracking, tailored competencies development plans
• Upgrading Human resources in the Public sector: Targeting youth & competencies, Organization of internal placement procedures, Modernization of recruitment & Manpower planning, Link b/w recruitment and placement
## Training for better Financial Governance

<table>
<thead>
<tr>
<th>Good Governance Principles as Training Objectives</th>
<th>Good Governance Principles as Training Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direction</strong></td>
<td><strong>Strategic Vision</strong>: Civil servants are equipped with perspective on what is considered as best practice in their job and what is needed for such development</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td><strong>Efficiency</strong>: Capacity building in order to achieve results and meet needs with best use of available resources</td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td><strong>Responsiveness</strong>: The ability to serve the interests of all stakeholders</td>
</tr>
<tr>
<td><strong>Public Service Ethics</strong></td>
<td><strong>General understanding of legal frameworks</strong>: Civil Servants acquire sufficient understanding of the laws and regulations governing their work.</td>
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### Strategic Vision
Civil servants are equipped with perspective on what is considered as best practice in their job and what is needed for such development.

### Efficiency
Capacity building in order to achieve results and meet needs with best use of available resources.

### Responsiveness
The ability to serve the interests of all stakeholders.

### General understanding of legal frameworks
Civil Servants acquire sufficient understanding of the laws and regulations governing their work.
Training Policy

1. **Preparatory programs**: for entry and promotion exams
   - Tax auditors, accountants, assistant audits, Customs Officers, Customs soldiers, landscapers.

2. Orientation Training for new recruits
   - to MoF and Public Sector: Graduate Customers, Inspection Auditors, Financial management, etc...

3. Job-related training specialized:
   - Specialized, external, short training programs on Financial, legal, economic, and Customs related issues.

4. Continuous training:
   - A training policy that reflects the public policy on Human Resources’ Management at MoF.
Overall Trainees at IoF per year (1996-2008)

- **Trainers:**
  - Government
  - Universities
  - Private sector
  - Think tanks
  - private training institutions, Civil society, Media, etc.

- **Audience:**
  - MOF staff
  - Government officials
  - community leaders
  - regional audience

![Bar chart showing trainees per year from 1996 to 2008]
Benefit from International Expertise

In 2008, 56 participants took part in trainings outside Lebanon or in partnership with others.
Leadership Development

<table>
<thead>
<tr>
<th>Advisory role</th>
<th>“Automated Training Center” Efficient performance tracking through workflow automation</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Orientation training for new recruits (general, technical, management, field visits, field training)</td>
<td>➢ Identification of fast track/potential leaders</td>
</tr>
<tr>
<td>➢ Assessment of capabilities and qualifications (oral and written evaluation, projects, daily assessment)</td>
<td>➢ Leadership and skill development</td>
</tr>
<tr>
<td>➢ Monitoring and following-up training needs linked to individuals’ potential career paths</td>
<td>➢ Creation of a detailed database</td>
</tr>
</tbody>
</table>

Leadership Development

[Table content and diagrams shown]

16
Strategic Orientation

Promoting a new conceptual and strategic approach to human resources development

- Manpower planning system/module
- Modernizing recruitment
- Staff Mobility
- Internal placement examinations
- Annual Evaluation (entretien annuel)
- Re-thinking HR policies at the level of Government
- Development of new legislations governing learning and staff promotions
- The “Individual Right to training”

New Recruits at MOF
Communication & Information Dissemination
Communication activities to reinforce Good Governance

<table>
<thead>
<tr>
<th>Good Governance Principles as Communication Drivers</th>
<th>Activities</th>
<th>Good Governance Principles as Communication Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legitimacy &amp; Voice</td>
<td>Public Debates, Consultative Committees with Private Sector, &amp; Dialogue on policies &amp; procedures</td>
<td>Participation, Consensus building</td>
</tr>
<tr>
<td>Direction</td>
<td>Tendering to citizens’ feedback &amp; stakeholder opinions in devising policies &amp; procedures</td>
<td>Inclusiveness</td>
</tr>
<tr>
<td>Citizen Service</td>
<td>Satisfaction surveys, Call center, Clarity in service delivery, training manuals for Civil Servants</td>
<td>Responsiveness</td>
</tr>
<tr>
<td>Access to Information</td>
<td>Regular reporting on performance &amp; numbers, Citizens’ Guides, media awareness campaigns (VAT)</td>
<td>Transparency</td>
</tr>
<tr>
<td>Fairness</td>
<td>Citizens’ Guides, Workshops, Seminars, &amp; proper dissemination of info on legal &amp; procedural frameworks</td>
<td>Awareness of laws and regulations</td>
</tr>
</tbody>
</table>
Access to Information

Publications cover all aspects of MoF’s services & issues of PFM in Lebanon.

Objectives:

- Improved citizen awareness on PFM issues which leads to better participation in the process of devising policies and adopting practices at MoF
- Access to relevant information with professional clarity and accuracy.
- Networking researchers, civil servants, practitioners, and policy makers towards improved PFM.

Tools:

- Publications (MoF reports, Citizen guides, TV Spots, newsletter)
- Public events & seminars
- Library of Finance
- Website
Participation & consensus

Regular consultations with stakeholders and special programs to involve youth

Objectives:
- Giving stakeholders a clear view of policy, implementation, and results: a hands on tool for active influence on PFM.
- Promoting dialogue

Tools:
- Consultation Committees with Private sector on tax and customs issues
- Learning Partnerships (academia,
- Problem-solving partnerships (syndicates
- Friday discussions on budget issues
- Youth Programs
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The Institute as a success model enhancing good governance Practices in Lebanon
Contextual Orientations

- Reform plans developed by several Arab and MENA countries including economic and fiscal reforms.
- Post-war experience in Iraq speeded economic and fiscal reforms in countries of the region.
- Engagement of bilateral and multilateral donors to sustain governance reforms:
  - New strategies adopted by the EU: from Euromed partnership to “neighborhood policy” to the “Union for the Mediterranean”.
  - New schemes of economic integration: North-South and South-South.
- Evolving needs and demands at a regional level.
- New initiatives/partnerships.

Number of participants to IoF training from MENA countries:

- 2001: 30
- 2002: 180
- 2003: 120
- 2004: 654
- 2005: 152
- 2006: 123
- 2007: 117
- 2008: 124

Total = 1500
Various services

- Delegations visits
- Study tours to examine a specific practices
- Training activities
- Exchange of trainers
- Exchange of trainees
- Technical assistance
- Exchange of modules and publications

Number of partner institutions:

- Palestinian National Authority: 2
- Jordan: 2
- Tunisia: 1
- Morocco: 2
- Algeria: 1
- Libya: 1
- Egypt: 1
- Saudi Arabia: 1
- Kuwait: 1
- Yemen: 1
- Oman: 1
- UAE: 1
<table>
<thead>
<tr>
<th><strong>JORDAN</strong></th>
<th><strong>PALESTINE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provision of technical Assistance and coaching services for the creation and operation of a training center at the Jordanian MOF</td>
<td></td>
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<tr>
<td>• 2 years program for capacity building of the center’s staff</td>
<td></td>
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<tr>
<td>• Assistance in preparation of annual training plans</td>
<td></td>
</tr>
<tr>
<td>• Train the trainers programs</td>
<td></td>
</tr>
<tr>
<td>• Study tours and exchange of expertise</td>
<td></td>
</tr>
<tr>
<td>• TA and coaching services for the creation and operation of the training center at the Palestinian MOF (Ramallah)</td>
<td></td>
</tr>
<tr>
<td>• Development of specialized training modules</td>
<td></td>
</tr>
<tr>
<td>• Train the trainers courses</td>
<td></td>
</tr>
<tr>
<td>• Study tours and exchange of expertise</td>
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</table>
IRAQ

- Specialized training programs in public financial management
- Study tours through the UNDP Iraq and ESCWA Joint Capacity-Building Program for the benefit of the Public Sector
- Iraqi organizations benefiting from cooperation initiatives:
  - Ministry of Municipalities and Public Works
  - Ministry of Finance
  - Ministry of Construction and Housing
  - Ministry of Planning and Development Cooperation

YEMEN

- Delegations visits
- Hosting a study tour for the managing staff of the Finance Institute of Yemen and UNDP Staff member in charge of Public Finance Reform
Network of Training centers and schools of civil service in MENA

1. Strengthen the operational capacity and support the institutional development of its member institutions

2. Provide access to high quality training modules on governance related topics, preferably in the Arabic language

3. Promote networking and cooperation among member institutions, including exchange of trainers, trainees and training modules

4. Act as a forum for the dissemination of best practices among its members

- 17 MENA countries involved
- 38 member institutions (institutional members)
- 9 regional and international organizations as associate members
Localy driven initiative for South-South Cooperation

- **Problem identification**
  1. Old approaches
  2. Conventional training
  3. Limited cooperation between countries

- **Challenges**
  1. High expectations from citizens
  2. Efficient Public Service
  3. Transparent and Accountable public institutions

- **Approach**
  1. Create a network of reformers to act as drivers of change
  2. Benefit from local and international expertise

- **Tools**
  - TOT Programs
  - Exchange of trainers
  - Exchange of trainees
  - Exchange of training modules
  - Promote governance initiatives
  - Study tours
  - Web portal
  - Awareness

**Long term Objective:** Facilitate the creation of a space for exchange and cooperation between public sector institutions specialized in training civil servants in the MENA region.
# Projects in Progress

<table>
<thead>
<tr>
<th>Exchange of Expertise</th>
<th>Partnership building</th>
<th>Capacity Building and Training</th>
<th>Curriculum Development</th>
<th>Institutional Set-up</th>
</tr>
</thead>
</table>
| ● Exchange of trainees among member institutions  
● Development of a training management system  
● Organization of study tours to GIFT-MENA member institutions | ● Development of bilateral cooperation and agreements  
● Signature of 8 MoU’s among GIFT-MENA members | ● Completion of a needs assessment survey on urgent training needs among member institutions  
● Organization of 4 Regional Training of Trainers programs (88 participants)  
● Management skills training to senior officials from countries of the region  
● Organization of regional workshops on Performance Budgeting  
● Organization of a Regional Seminar on Coaching and Career Development of Senior Officials | ● An e-learning training module on performance budgeting  
● Technical workshops on public sector governance and State modernization | ● Ratification of convention and bylaws and incorporation of the network  
● Election of first official steering committee (June 2008)  
● Opening of a bank account and collection of membership fees by 2010  
● Implementation of a fundraising strategy |
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Internal gains – confidence building

- Effort started in 1993, and continuing
- Transformed administration from antiquated turn-of-century operation, to state-of-the-art process benchmarked by other countries (Customs, VAT, cadastre & Land Registry, etc.)
- Direct improvement in service
- Start of Macroeconomic stability

<table>
<thead>
<tr>
<th>INCREASING ECONOMIC GROWTH</th>
<th>Average GDP growth 1990-2007: 4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>7% 3% 0.5% 2% 6%</td>
<td>✓ Lower fiscal deficit</td>
</tr>
<tr>
<td>93 98 00 03 08</td>
<td>✓ Gross public Debt Stabilized</td>
</tr>
<tr>
<td></td>
<td>✓ Declining debt/GDP ratios</td>
</tr>
<tr>
<td></td>
<td>✓ Dramatic drop in IR (50%)</td>
</tr>
<tr>
<td></td>
<td>✓ 1/3 of Public Debt Re-profiled (equivalent to 57% of GDP)</td>
</tr>
<tr>
<td></td>
<td>✓ Av. Maturity of FX debt lengthened</td>
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</table>

<table>
<thead>
<tr>
<th>EXTERNAL IMBALANCES BALANCE OF PAYMENTS</th>
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<tbody>
<tr>
<td>3,386 M$ 2,700 M$</td>
</tr>
<tr>
<td>1,170 M$ 1,169 M$</td>
</tr>
</tbody>
</table>
Ingredients of Success

- Visible, tangible, desirable results
  - Transaction costs drastically reduced
  - Service delivery and public perceptions: beginning of a transformation – even in notoriously difficult areas such as taxation
    - VAT: 98% compliance starting 2004
    - VAT Revenues: 223 Bn LL in 2006 to 2,240 Bn LL by 2008
    - Regional Cadastre Offices upgraded & automated 6,327 maps & 900,621 parcels

- Communicating intentions and results clearly and persuasively
- Strong endorsement and personal support of the Minister
- Government ownership - Country led Agenda
- Responsive/credible staff: quality and commitment
- Consistently good performance (track record)
- Adapted (Arabic language) and enhanced computerized systems and work processes
- Established networks with int’l financial institutions, donors: driving coordination.

Citizen trust survey (2007)
VAT 79%
Revenues Dire 91%

Citizen Satisfaction (2007)
VAT 71%
Revenues Dire 63%
Lessons Learned

Capacity building is a cornerstone of Good Governance

country led agenda + Good donor coordination
- sustained over time -

Donor
Funding
Technical Assistance Provider

Reform agenda
GG
Knowledge Transfer

Political Authority
Political Commitment
Civil servants

Clear policy direction + Consistent action