



Action Plan for Sustainable Public Procurement In Lebanon

**Final Report
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Executive Summary

Sustainable public procurement (SPP) is the practice by which government entities include social, environmental, and economic considerations in their purchasing practices in order to promote sustainability in the national market. The Marrakech Task Force on SPP supports the development of SPP policies and their execution as part of the implementation of Sustainable Consumption and Production projects. Lebanon is one of the seven pilot countries for the SPP capacity-building project administered by the United Nations Environment Program (UNEP) on behalf of the Marrakech Task Force on SPP.

Lebanon stands to benefit significantly from the project as its present public procurement policies are not unified and do not formally take into account sustainability aspects. The impact of applying SPP will be considerable as public procurement spending amounts to as much as 12.08% of the Gross Domestic Product (GDP). Changes in public procurement targets and practices can therefore have a transformative effect on the local market, as well as setting an example of good governance.

In order to promote and achieve SPP in Lebanon in accordance with the Government Policy Statement, an Action Plan was prepared under the direction of the Institut des Finances Basil Fuleihan, with the support of the United Nations Development Program (UNDP) and UNEP.

Using the prioritization method of the Marrakech Task Force on SPP, six priority products were selected. Paper, IT (printers and toners), detergents, and pesticides are products where action can be taken immediately. The products associated with longer term projects are lighting, as well as water taps and flushing systems.

The readiness of the Lebanese market was assessed through a survey of businesses which provide these products, and a review of national initiatives. Ramzi El Hafez, The Consultant, contributed to the formulation of the Action Plan through face-to-face interviews and a workshop with private and public stakeholders, supplemented by desk research on international best practices.

The Plan sets out the objectives, measures, and actions to be adopted and implemented over the next three years. They are grouped under the following five themes: Capacity Building; Policy, Strategy and Communication; Procurement Process; Market Engagement; and Monitoring and Evaluation.

The implementation of the SPP Action Plan relies on leadership from the government and legislators, as well as leaders in procuring entities and effective partnerships between all stakeholders. One of its main achievements will be to improve the awareness of stakeholders and enrich the training of procurement practitioners. Improving communication and cooperation between suppliers and procuring entities, as well as among the procuring entities themselves, are some of the basic measures.

The current legal framework does not prohibit the immediate introduction of sustainability criteria into the public procurement process by way of government circulars. However, the unification of the entire procurement process in a way that integrates sustainable methods and criteria will require the adoption of new laws or the modification of existing laws. The legal changes will allow government institutions to follow a unified set of guidelines, but there will not be a single procuring entity. Public purchasing in Lebanon will therefore remain decentralized.

Effective monitoring and evaluation are critical as they substantiate the accountability of SPP leaders and procuring institutions. The Court of Audit will still be responsible for overseeing many aspects of tender preparation and awards, as well as contract management. The implementation of the SPP Action Plan will be monitored through a system of regular internal and external reviews which integrates core indicator benchmarks for capacity building and for the procurement process.

The implementation of the Action Plan will help to promote efficiency and sustainability in the production, distribution, and consumption of products and services procured by public entities, with positive spillover effects for the local market. It will encourage transparency in public administration and fair competition among government suppliers, and foster the protection of the environment and the responsible use of energy and water resources.

Policy Statement

The following is a suggested Policy Statement for the Lebanese Government:

“The Government of Lebanon acknowledges that procurement decisions by public bodies have social, environmental, and economic impacts on the entire country. It will agree and implement a sustainable and efficient public procurement process (SPP) through collaboration of all stakeholders. To this end, it has identified a Plan of Action with required budgets and timeframes, as well as monitoring systems.

The Lebanese government pledges to implement SPP by supporting the passing or adaption of appropriate laws and regulations, and their strict enforcement. It will encourage efforts to raise the awareness of procurement staff, corporate suppliers, and the general population. The government will promote the training of procurement practitioners at all levels of the administration in order to achieve a competent engagement with suppliers for the secure delivery of sustainable goods and services. It will undertake sustainability initiatives in collaboration with the private sector and non-governmental organizations.

By optimizing its purchasing methods and targets, the government will set an example for domestic companies and civil society. To do this, the government will endeavor to procure products that are sustainable by applying the appropriate criteria and incorporating life-cycle costing in its contract award decisions. It will also implement the responsible use and disposal of such products by its procurement staff and in its buildings. Through the adoption of SPP, the government will be able to stimulate

competition, and support the development of markets for sustainable products and of local sustainable industries.”

Introduction

Project Background

Sustainable Public Procurement has been identified as an important instrument for achieving sustainable economic development by enabling governments to manage public spending in a way that balances environmental, social, and economic considerations.

The Marrakech Task Force (MTF), led by Switzerland, has created a methodology to implement sustainable public procurement in developed and developing countries. The process is a global effort which was identified at the Johannesburg World Summit on Sustainable Development in 2002. A 10-year plan was initiated to develop programs on and to promote more sustainable patterns of consumption and production, in addition to supporting regional and national sustainable public procurement initiatives.

‘Capacity building for Sustainable Public Procurement (SPP) in developing countries’ is an endeavor by the United Nations Environment Program (UNEP) and the Swiss Government to help the development of SPP in seven developing pilot countries. The project aims to promote capacity building activities and support the development of a national sustainable public procurement policy by testing the SPP Approach developed by the Marrakech Task Force (MTF).

The project is intended to help policy makers, suppliers, and consumers understand the benefits of sustainable consumption and supply not only in terms of immediate environmental and social benefits but with regards to new innovative products and solutions in the market place. This in turn will stimulate competition while also improving the environmental and social performance of products and services.

Since Lebanon is one of the targeted countries, the United Nations Development Program (UNDP), UNEP, and the Ministry of Finance signed an agreement on the first phase of SPP capacity building. Institut des Finances Basil Fuleihan, which operates under the tutelage of the Ministry of Finance and supports its human and information resources, commissioned a study to identify opportunities for the contribution of public procurement to the achievement of national sustainable development targets. The expected result from the pilot project is the development of an SPP action plan and policy draft. The next steps include the creation of a website portraying SPP activities and reporting on lessons learned.

Importance of Sustainable Public Procurement

Sustainable Public Procurement is defined as “a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment.”¹

¹ UK Sustainable Procurement Task Force (Procuring the Future, June 2006)

To inject sustainability into the public procurement process, officials have to include environmental, social, and economic considerations at every stage of the procurement process, including the supplier selection and technical specifications in bidding documents.

Determining sustainability means taking into account the entire life cycle of a product or service, from its extraction and production through transportation to its use and maintenance, followed by its reuse, recycling or disposal. Life cycle costing also considers the negative and/or positive externalities of the product that affect society as a whole.

SPP requires that policy-makers and procurers appreciate the trade-off between product and performance criteria. Product criteria stipulate the design or composition of a product, whereas performance criteria specify performance aspects, such a higher level of energy efficiency, increased recyclability, or longer user life.

In many cases, government institutions can be more cost effective through SPP than through their usual business practices. Some environmentally friendly products and services are cheaper to use, maintain, and discard even though they sometimes present higher upfront investment costs. SPP is therefore a way to spend public money responsibly.

The business case for SPP rests on the argument that governments are major buyers of goods and services. Governments usually spend about 45% to 65% of their budgets on procurement. In Lebanon this figure is only about 33%, as a large portion of the government budget is consumed by interest payments, transfers (mostly to the loss-making national electricity company), and salaries, wages and related benefits. Based on the 2011 Government Budget Proposal, "Interest Payments", "Transfers", and "Salaries, wages and related benefits" represented about 67% of the annual budget. The World Bank estimates that 19% of public spending in Lebanon is outside of the regular budget, including the foreign-financed portion of public investments. In 2011, 37% of capital expenditures were foreign financed and outside the budget, and four percent of primary expenditures were foreign financed. Some of this spending is also on procurement, which increases the overall share of public procurement in funds available to the government.

Public procurement expenditure in Lebanon is projected at 12.08% of the Gross Domestic Product (GDP), according to World Bank estimates, compared to 15% in OECD countries and eight to 30% in most other countries. These percentages are usually higher in developing countries.

As they make up an important part of national consumption, governmental institutions have the potential to trigger demand for sustainable goods and services and send the right signals to the market that sustainable development is a national economic priority. The purchasing power of the public sector can therefore be instrumental in encouraging the development of a national or even regional market for sustainable products and services. With their market power, public officials can influence producers and importers to shift to green products and to respect environmental and labor norms. Especially in Lebanon, where the integration of whole-life costing into private procurement processes is still in its infancy, the onus is on the public sector to provide leadership.

Objectives of Sustainable Public Procurement

Sustainable Public Procurement (SPP) is intended as an efficient public policy that saves natural and financial resources and promotes sustainable patterns of consumption and production. By setting an example and choosing more sustainable options, governments can positively affect environmental and social outcomes. The idea is relatively new: The first real efforts on national SPP began in the mid- to late 1990s in the EU and US.

SPP is a multidisciplinary issue and can have positive impacts on a broad range of topics. It can signify financial savings for the government budget. Utility bills and operating costs can be significantly reduced by products, services, and buildings that use energy, water, and other resources efficiently. The purchase of eco-friendlier supplies can lower waste management fees and reduce spending on the cleanup of pollution.

For the local environment, SPP can reduce waste through reuse and recycling and encourage the use of renewable resources and of cleaner technologies. For example, using non-toxic detergents and insecticides provides healthier conditions for schoolchildren and government office workers. Using solar energy in public places can help reduce CO₂ emissions and air pollutants.

Positive social impacts include increased consumer awareness, improved gender and regional equity, greater corporate accountability, and greater respect for labor standards. The marginalization of certain groups, such as disabled workers, can also be addressed, particularly through service procurement. This can help in poverty reduction.

At the economic level, SPP can encourage local manufacturers to make use of environmentally innovative approaches and products, and stimulate the growth of new sustainable industries. This can help to give local producers a competitive advantage, nationally and internationally, which will create more jobs. Government spending can drive domestic market demand for sustainable products and support the transfer of skills and technology.

SPP is a win-win proposition that can also have positive impacts at the political level. Responsible purchasing by government institutions improves their image, enhances their legitimacy, and effectively demonstrates their commitment to sustainable development. The impact can also be felt at the regional and global level, through reduced greenhouse gas emissions and curbed deforestation.

Public procurement is a means to deliver sustainable development objectives, is usually faster than introducing new regulations or legislation, and is more easily accepted than the introduction of additional taxes or punitive fines for companies that pollute or violate labor laws. "Sustainable human development is development that not only generates economic growth but distributes its benefits equitably; that regenerates the environment rather than destroying it; that empowers people rather than marginalizing them."²

² James Gustave Speth, UNDP Administrator, UNDP 1994

Methodology

The Marrakesh Task Force Approach

The Marrakech Process, led by the UNEP and the United Nations Department of Economic and Social Affairs (UNDESA), was launched in 2003 as a global effort to promote progress on the implementation of more sustainable consumption and production patterns. The Marrakech Task Force on Sustainable Public Procurement (MTF on SPP) was launched by the government of Switzerland in 2005 as one of seven Task Forces under the Marrakech Process. It is an international initiative to promote sustainable public procurement in developing and developed countries.

The MTF approach to SPP is currently being tested in seven pilot countries. In 2008, the Swiss government and the UNEP initiated a project to implement the MTF approach in a number of developing countries. This project, entitled CapacityBuilding for Sustainable Public Procurement in Developing Countries, is supported by the European Commission, Switzerland, and the Organization of Francophone countries. It is being piloted in Mauritius, Tunisia, Costa Rica, Colombia, Uruguay, Chile, and Lebanon.

The task force members, including governments and international organizations, developed a specific methodology to enable governments to make their procurement more sustainable. The MTF Approach to SPP is a holistic, flexible tool allowing the incorporation of environmental and social considerations into the modernization process of public procurement. The approach draws on guidelines previously developed by a number of organizations for specific products and services, and can serve as a general framework under which more specific aspects are examined. Although it works primarily on a national level, it can be implemented on a local (regional or municipal) level as well.

The MTF Approach to SPP consists of a number of key elements, illustrated below:

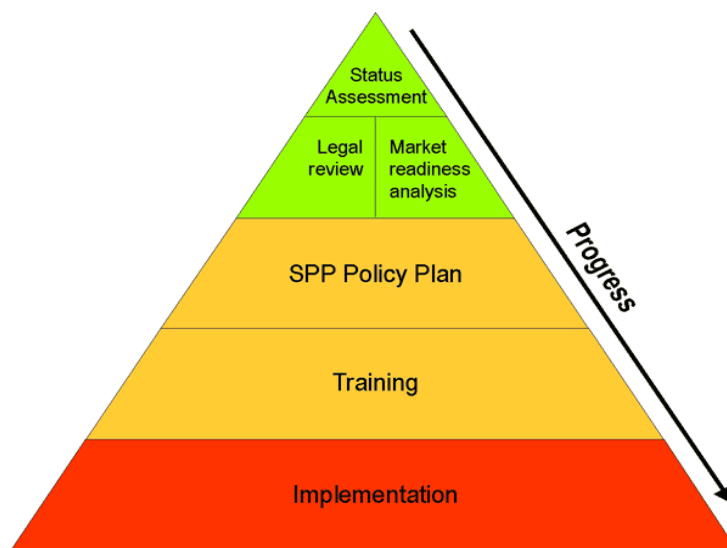


Figure 1: The Marrakech Task Force Approach to Sustainable Public Procurement

The first step is a Status Assessment, where pilot countries assess their procurement status through an online questionnaire. This is followed by a review of the legislative framework for procurement in the country to analyze the possibilities for integrating social and environmental criteria into procurement activities. Third, a national Market Readiness Analysis is carried out in order to define the existing production and import capacities for sustainable products and services and the potential responsiveness of the market to SPP tenders. Following the completion of these three steps, pilot countries develop their specific SPP policy plan and implement a capacity building program for procurement officers. Experts from the UNEP as well as the Marrakech Task Force assist each country in implementing the Approach and follow the implementation of its SPP policy over one year.

Detailed Methodology and Work Plan

The Consultant used a multi-faceted methodology which closely follows the MTF Approach to SPP. The process was carried out bearing in mind that stakeholder involvement as well as consensus building and local ownership of the strategy are crucial for the eventual implementation and success of the SPP Action Plan.

Background Research and Data Gathering

The process started with the review of all available national and international documentation on sustainable public procurement. This included the assessment of case studies and best SPP practices applied in other countries. Specifically, project documentation, national and international reports, and scientific publications pertaining to the environment, sustainable development, and sustainable public procurement were reviewed. The Consultant also delved into the history of sustainable public procurement in Lebanon and examined trends in government expenditure on procurement. Action plans developed by other UNEP pilot countries were also analyzed.

This research was conducted in order to obtain information on SPP processes applied nationally and internationally, to allow a comparative assessment of Lebanon versus other countries, and give insight into strategies that might be applied locally.

Legal Review

A review of the legal study carried out by UNDP / UNEP / Institut des Finances Basil Fuleihan was performed by The Consultant. This review entailed an assessment of the report, laws, and decrees highlighted therein and pertinent to sustainable public procurement, in addition to an analysis of the recommendations and conclusions.

In order to make a proper assessment, The Consultant inspected available documentation pertaining to the environment, sustainable development, and public procurement in Lebanon. The Consultant also carried out in-depth interviews with entities responsible for managing Lebanon's procurement law as well as with main procuring entities, including the Office of the Minister of State for Administrative Reform (OMSAR), the Council for Development and Reconstruction (CDR) (), and the Central Bank.

The legal analysis and interviews were carried out with a view to identifying supporting policies and national initiatives relative to the priority products, the criteria for sustainable/green procurement currently developed or in development, key challenges or changes to be considered in the existing

legislation for the implementation of SPP, and standard clauses to be incorporated in bidding documents. Any required modifications in the legal framework were made in consultation with the UNDP / UNEP / Institut des Finances Basil Fuleihan.

Review and Update of the Market Readiness Analysis Study

In parallel with the legal review, The Consultant carried out an assessment of the Market Readiness Analysis that was done by the consultant Sofres. The list of priority products as determined by the experts was maintained, but The Consultant re-evaluated and completed the rest of the market readiness analysis, including the business survey.

This was done through in-depth interviews with key suppliers and importers approved by the UNDP / UNEP / Institut des Finances Basil Fuleihan shown below to assess the availability and pricing of alternative sustainable products across the priority products identified.

Product	Supplier
Paper	Uni-Carton, Sicomo, Gemayel Frères, Papyrus, Oriental Paper Products, REAM Trading, Craft (NGO)
IT (printers and toners)	Imagesystems, Teletrade, Computer Information Systems
Detergents	Life, Spartan, Zizette Group, E S Trading
Pesticides	AKL Frères, Robinson Agri ,Faraj Agri Trading, Agrinova, Unifert
Lighting	Al Bonian General Contracting, Trading & Industry, G. Ayanian Lighting, Harb Electric, Light Incorporated and Trading, Rafic Gazzaoui, SAKR Lighting systems
Water taps / Flushing systems	Georges Khoury, Geahchan Bath & Kitchen, GROME, Georges Nassr

During the interviews, the suppliers and importers were informed of the ‘Capacity building for Sustainable Public Procurement (SPP) in developing countries’ project, its vision, and the purpose of the SPP policy plan.

The suppliers and importers were asked to provide their analysis on the availability of alternative sustainable products, and information on whether these products are produced locally or imported. The interviews also explored market receptiveness towards these products, current and expected sales trends, existing certification entities, and the availability of public programs promoting sustainable production in the specific sector. Executives were queried about any company-internal systems that could help meet sustainable development requirements, and their experience with public procurement in Lebanon as a whole. The data on the specifications and prices of the various products was reviewed and, where necessary, the businesses interviewed were re-contacted to gather additional information.

The interview guides for the governmental institutions and the corporate suppliers were prepared by The Consultant and approved by the UNDP / UNEP / Institut des Finances Basil Fuleihan. The interviews helped in identifying the productive capacity of sustainable products in Lebanon, and in assessing whether all stakeholders are willing to collaborate with an SPP policy plan.

After a thorough assessment of the initial Market Readiness Report and the finalization of all stakeholder meetings, the information gathered was compiled, analyzed as per the approach of the Marrakech Task Force, and then integrated into the Market Readiness Analysis Study.

Preparation of a Draft SPP Policy and Action Plan

Next, The Consultant, in collaboration with the UNDP / UNEP / Institut des Finances Basil Fuleihan, drafted a SPP Policy and Action Plan for achieving the targets and ensuring that public procurement fully contributes to sustainable development and a green economy in Lebanon.

Consistent with the terms of reference and the technical proposal, the approach and methodology employ a diverse range of assessment instruments for a SPP Policy and Action Plan which include short, medium, and long-term objectives that focus on capacity building priorities.

The plan covers sustainable development priorities, political support and definition of responsibilities, communication, the procurement cycle, market engagement, monitoring and evaluation, and the budget.

SPP Policy Workshop

Institut des Finances Basil Fuleihan, in collaboration with The Consultant, organized a workshop during which an overview of the draft SPP policy plan was presented. Other objectives of the workshop included highlighting proposed priority products and ensuring stakeholder agreement; identifying currently held misconceptions and addressing them; and encouraging stakeholders to raise additional issues of concern and to provide their input on various issues discussed that might assist in better acceptance of the SPP policy plan.

In preparation for the SPP workshop, the following tasks were carried out:

- Preparation of a list of topics to be discussed in the workshop with specific targets and objectives
- Identification of panelists / speakers that will present each topic
- Preparation of the workshop agenda
- Preparation of the presentations introducing the Draft SPP Policy and Action Plan
- Developing material for participants
- Compiling a mailing list of contacts from the public and private sectors
- E-mailing invitees
- Conducting follow-up telephone calls in order to confirm invitation receipt and attendance
- Compiling a list of members of the local and international press to be invited to cover the conferences

Finalization of the Draft SPP Policy and Action Plan

A final SPP Policy and Action Plan was drafted in collaboration with the Institut des Finances Basil Fuleihan and UNDP/UNEP, including feedback from the workshop and setting milestones, cost estimates, and specific target dates.

Establishment of Indicators and Monitoring Systems

The document review provided information on international process deficiencies, the type of monitoring systems put in place, and their efficiency. The interviews carried out with stakeholders helped in assessing gaps in the procurement flow process. The assessment helped to establish the optimal indicators and monitoring systems for the procurement process in Lebanon.

Market Readiness

Summary of Priority Product Selection Process

The MTF Approach to SPP includes a robust methodology for undertaking a risk-based prioritization methodology. It was applied by the consultant Sofres when establishing the short and medium term priority products for Lebanon.

As an initial step, the consultant Sofres identified all Lebanese government priorities regarding sustainability issues. This complete inventory was reduced to a shorter list of top priorities. These were ranked by seven experts in the three main areas of sustainable development, i.e. economical, ecological, and social. The ranking was based on the anticipated importance of the issue to the government, the scope for improvement, and the ability of the market to respond to the particular issue. Related issues were combined, resulting in six top priorities shown in the table below.

Top Six Priorities
Minimization of regional disparities
Renewable energy promotion
Transport and traffic sector improvement
Water management (production and residential use)
Waste management (hazardous/non-hazardous)
Coastal area preservation

In a third step, these issues were converted into risk questions. These questions were formulated in a generic way in order to include a broader range of public procurement. The types of public procurements were regrouped into major categories (i.e. Construction, Maintenance, Acquisitions, Health, Material & Equipments, Service Purchases, Rentals, and Others).

At the same time, an analysis of the types of public expenditure related to these issues was also carried out using the economical classification by sector. Expenditures based on the 2011 government budget are shown in the table below.

Expenditures Based on the 2011 Government Budget Proposal

Budget article number	#	Description	Million LBP	USD	%
17		Interest Payments	5,776,000	3,832,780,358	32.88
14		Transfers	5,029,292	3,337,287,367	28.63
13		Salaries, Wages, and Related Benefits	2,432,564	1,614,176,377	13.85
227	9	Other Establishments	1,278,520	848,387,525	7.28
227	5	Electricity Establishments	831,125	551,509,622	4.73
16	7	Hospitalization Expenses - Private and Public Sector	334,285	221,821,500	1.90
223		Allocations for the Construction/Public Works of Roads, Ports & Airports	203,500	135,036,496	1.16
11	4	Medical and Laboratory Supplies	181,658	120,542,468	1.03
228	3	Maintenance - Roads	180,095	119,505,640	1.03
16	3	Transportation and Travel Expenses	155,556	103,222,429	0.89
227	3	Construction of Roads	144,010	95,560,717	0.82
229	1	Expenses for Studies, Consultations, and Supervision	143,850	95,454,545	0.82
227	3	Buildings: Construction	114,270	75,826,145	0.65
226	2	Technical Equipment	106,434	70,626,410	0.61
11	2	Administrative Supplies	94,128	62,460,650	0.54
227	4	Water Establishments	92,130	61,134,705	0.52
12	1	Rent and Common Services	87,700	58,194,816	0.50
11	7	Water, Electricity, and Wireless / non Wireless Communication	77,390	51,353,934	0.44
228	2	Maintenance - Buildings	58,133	38,575,315	0.33
224	3	Allocation for Water Networks	50,000	33,178,500	0.28
12	4	Printed Advertisements and Public Relations	46,567	30,900,464	0.27
226	3	Computer Equipment	35,861	23,795,952	0.20
226	1	Furniture and Office Equipment	14,132	9,377,571	0.08
11	3	Transportation Expenses	12,879	8,546,317	0.07
16	4	Delegations and Conferences	11,326	7,515,395	0.06
228	7	Maintenance - Computer Equipment	10,766	7,143,663	0.06
11	5	Pesticides	10,434	6,923,689	0.06
12	9	Cleaning	9,887	6,560,907	0.06
11	8	Specialized Supplies	9,645	6,400,133	0.05
16	3	Transportation and Travel Expenses	7,100	4,711,347	0.04
228	8	Maintenance - Means of Transportation	7,059	4,684,141	0.04
11	1	Office Supplies	5,482	3,637,359	0.03
		Other Maintenance	4,233	2,808,560	0.02
12	6	Car and Machinery Rental	3,312	2,197,412	0.02
228	4	Maintenance - Water Constructions	2,490	1,652,289	0.01
16	5	Studies	1,957	1,298,607	0.01
226	5	Heating and Cooling Equipment	1,606	1,065,693	0.01
228	1	Maintenance - Land	1,000	663,570	0.01
12	5	Insurance	885	587,459	0.01
222		Building	500	331,785	0.00
		Total⁽¹⁾	17,567,759	11,657,437,832	100

Source: 2011 Budget Proposal

⁽¹⁾ Total in the 2011 Budget Proposal is LL 19,773 billion. Certain items were not included in the above table.

The top three budget items - interest payments; transfers; and salaries, wages and related benefits – had to be eliminated from the outset since they are not relevant to SPP, even though they constitute three-quarters of the expenditures budgeted for 2011. Salaries, wages, as well as public debt servicing consume a large portion of public spending in Lebanon.

The fourth item, “Other Establishments” concerns expenditures for projects undertaken by the Council for Development and Reconstruction (CDR) and was therefore retained by the consultant Sofres. Although they constitute a non-negligible part of the budget, CDR expenditures are not detailed. This is a factor that constrained the prioritization. Another limitation was that the budget is only for the central government and does not reflect all of the expenditures of municipalities and autonomous public institutions. Additionally, a lot of procurement spending is outside the budget as it is funded by international grants. In 2011, 37% of capital expenditures were foreign financed and outside the budget, and four percent of primary expenditures were foreign financed.

Fuel expenses are a major drain on public finances. Despite the large government transfers to the national electricity company (EDL), there is no constant public supply of electricity. The rationing system privileges the capital at the expense of the periphery, exacerbating regional inequalities. The increasing cost of fuel, high technical losses in generation and transmission, ineffective distribution and low levels of billing and collection, and theft drive up the price of state electricity, and together with the cost of secondary electricity sources such as private generators, represents a heavy financial burden on local residents and companies. In energy-intensive industries such as paper and glass, electricity can constitute up to 30% of total costs. Although fuel is therefore a very important factor in private and public procurement, it had to be omitted from the list of products considered for prioritization as it could not be addressed in the short term, as it would require the formulation and implementation of a national policy, which would be beyond the scope of the SPP Action Plan.

Among the remaining preliminary list of 37 types of expenditures, those accounting for more than 0.5% of the total were selected, which led to the retention of 33 spending areas.

The fifth step consisted of the selection of the types of public expenditure having the highest impact on sustainable development, in other words those that are the most relevant for each of the six sustainability priorities.

The consultant Sofres interviewed three sets of experts for each priority, according to their respective field of expertise, in order to assess the level of risk associated with the procurement of goods and services. The final step was the formulation of strategic recommendations based on the mapping for the risk, scope, and influence of each type of expenditure.

The development experts proposed products for each spending category. The steering committee chose short-term products where quick implementation is possible by consensus and medium-term products by using a scoring methodology. The final choice of priority products is shown below.

Short Term	Medium Term
1- Paper 2- IT (Printers and toners) 3- Detergents 4- Pesticides	5- Lighting 6- Water taps / flushing systems

Some other national and local entities that used the MTF Approach to SPP have made similar product choices. For instance, Mauritius chose paper and printing, IT devices, and cleaning products and services as part of its seven flagship products and services for SPP. Tunisia has IT materials and cleaning products among its six priority products. The French city of Lille selected paper, printing ink, cleaning products, and street lighting, among other priorities.

Sectoral Assessment of Priority Products

Local Production and Government Consumption

Among the priority products that were identified, only a few are manufactured locally. Detergents have a relatively high rate of local production with 60% to 70%. There is no local production of office paper, IT machines, pesticides, lamps, water taps, or flushing systems.

The share of government procurement of the priority products, estimated based on the interviews conducted with the private sector, is shown in the table below. Government institutions are important buyers of the short term products, in particular paper, but have a smaller presence in the market of the medium term products. With the possible exception of detergents, public purchases are large enough in each sector for the government to be able to influence the rest of the market through its spending decisions.

Product	Share of Government Procurement
Paper	50%
IT (printers and toners)	20% to 30%
Detergents	5%
Pesticides	15% to 20%
Lighting	20%
Water taps / flushing systems	10%

Availability of Alternative Products

The Central Bank of Lebanon, which is the only institution that has sustainability elements in its procurement process, identified product availability as the biggest obstacle. Although sustainable products can be found in the local market, their market share is estimated by the private sector as small in many cases, and most of them have to be imported.

In some sectors, such as lighting, there is a clear distinction between sustainable and non-sustainable products, allowing the consumer to make a conscious choice. It is not so clear-cut in sectors where there are degrees of sustainability, such as in paper, detergents, and pesticides, or where sustainability is built-in together with other technological advances, as in IT machines and water taps.

Product origin also plays an important role. Importers of European and American products asserted that their source countries automatically guaranteed a certain level of sustainability, whereas Chinese goods are more questionable.

Product	Market Share of Sustainable Products
Paper	2% to 5%
IT (printers and toners)	10% to 15%
Detergents	70%
Pesticides	10%
Lighting	35%
Water taps / flushing systems	5%

Recycled paper is quite common in packaging and tissues, but recycled paper for printing is still rare in Lebanon. There are several NGOs that collect paper for recycling and channel it to the four local recycling plants. To produce recycled office paper would require a technology upgrade. The necessary investments have not been made so far due to a lack in demand.

IT products are generally becoming more sustainable. Lower power consumption and energy saving features apply to at least 80% of current IT products. However, sustainability attributes pertaining to the manufacture of office machines are rarely found in products available locally, and are not specifically demanded. As a result, printers made with recycled or bio-based (as opposed to petroleum-based) plastic or featuring induction heating technology still have a small market share.

A choice the end user has to make is how to dispose of IT machines, which have a life cycle of only two to three years. Once that point is reached, the machine can be disassembled into its plastic, iron, aluminum, and copper components. In Lebanon, there is an NGO that collects IT machines for recycling and is utilized by some of the suppliers interviewed.

Most available toners in the market are sustainable if acquired through official dealers of well known brands. Sustainability can also be achieved through the re-use of cartridges. Some local companies collect old cartridges from clients and refill them. As long as the ink used in the refill has low toxicity which is not the case in Lebanon, they contribute to protecting the environment and human health. Some re-manufactured cartridges, for example the American Katun brand, are also imported.

In detergents, sustainability comes from the raw materials. Cleaning products made from bio-renewable sources are not available locally and ammonium is still used as an ingredient, but a large share of detergents in the domestic market is sustainable up to a point in that they are phosphate-free, biodegradable, and non-toxic.

In the pesticide sector, bio-pesticides or bio-control agents are the sustainable alternatives to chemical fertilizers. They are sourced exclusively from abroad and are being used only on a trial basis, hence their low share in the local market.

In lighting, there are a wide variety of available substitutes for conventional incandescent lamps, such as compact fluorescent lamps (CFL) or Light-Emitting Diodes (LED) lamps. These are often chosen by

consumers in order to save electricity, not necessarily the environment. The 35% market share of sustainable lighting products is composed of LED (10%) and mercury-free CFL (25%).

Sustainable water taps and flush cisterns are usually bought because of their design or quality, not because they save water or have recycled content. They are available locally, but their market share is low.

Prices of Alternative Products

The companies that were interviewed by The Consultant indicated that recycled paper costs about 10% to 20% more than non-recycled paper, and the premium can be reduced for large quantities by an average of 5 percent. The situation is similar for water taps and flushing systems. In the IT sector, highly sustainable products have a price premium of about 30%. For detergents, the premium depends on the level of sustainability of the product, the highest being cleaning products made from bio-renewable sources. Organic pesticides can be 20% to 35% more expensive than conventional products.

The purchase price of sustainable lamps is several times that of conventional lamps, but the running cost is lower due to their lower energy consumption and longevity. As a result, the sustainability premium in lighting is not as dissuasive to the buyer as it is in the case of paper.

Product	Sustainability Premium
Paper	10% to 20%
IT (printers and toners)	30%
Detergents	10% to 30%
Pesticides	20% to 35%
Lighting	500% to 800%
Water taps / flushing systems	10% to 20%

Demand for sustainable products is fairly elastic, meaning that a small change in price can signify a large change in demand. A financial incentive for sustainable products or a tax on their non-sustainable substitutes could therefore be an effective way to affect local market demand.

Barriers to Implementation

For the majority of the interviewed companies a lack of awareness among the general public and also in government agencies is the main barrier to the implementation of SPP. A singular focus on price by both private and public buyers is another obstacle. Corporate access to public procurement is also made difficult by the heavy and corrupt bureaucracy. It makes the government a difficult client.

Lack of Awareness

Executives of companies importing and/or producing the priority products identified a low level of consumer awareness of sustainability. Efforts of “going green” are made mostly by international and some large, high-profile local firms, typically for reasons of image and prestige rather than authentic concern.

The lack of awareness means that there is little market demand for sustainable products, or services such as recycling that would assist in responsible consumption. As importers and manufacturers do not see sufficient demand, the sustainability characteristics of the products they buy or produce do not result from explicit criteria, but is often inherent in the quality or origin of the product or its raw materials.

The private and public awareness deficit is apparent in the lack of sustainability criteria in product and process standards. Although it has existed since 1962, the Lebanese Standards Institution LIBNOR has developed a number of guidelines, but their enforcement is still lacking as indicated by some of the suppliers interviewed. As in some other developing countries that have experienced SPP, the lack or weakness of environmental or social certification hampers the implementation of SPP.

In government tenders, product specifications are sometimes not very clear or up to date, which allows bidders to offer low quality products. In addition, in many cases technical specifications such as the speed of the machine are given more weight than the quality, durability, or sustainability of the product.

Focus on Price

Lebanese consumers are very price-conscious. The majority of interviewed suppliers asserted that local buyers will usually buy the cheapest product and disregard any other criteria. This implies that even for goods where the price difference between the conventional product and its sustainable alternative is small, such as detergents and water taps, the first choice will be the cheaper, non-sustainable product.

The public sector has a similar mindset. Government tenders are most often awarded to the lowest bidder, in application of procurement law but also due to preference. This has happened in other countries too. As SPP experiences across the EU and Scandinavia indicate, sustainable procurement is frequently impeded due to a lack of capital to pay the premiums for environmentally- and socially-preferable alternatives.

Moreover, public budgetary and financial mechanisms in many countries are found to be biased against sustainable products, for the lowest purchase price is often favored over those with higher capital costs but reduced operating costs, which would make them the most cost-effective option over the lifetime of the product or service being procured.

In Lebanon as well, after-sales and operating costs are usually neglected. In printing, for example, the price of the toner, the maintenance, and the electricity consumption can be several times the cost of the machine, but that is not considered in the purchase decision, just the upfront price. Only rarely is the total cost of ownership calculated. However, the situation is better in lighting due to the constraints in electricity supply.

Bureaucracy

The decentralization of the procurement system in Lebanon means that companies have to apply to each institution separately in order to become a pre-approved supplier, which they say consumes a lot of time and money. Since there is no central public procurement entity and no standard public procurement (PP) mechanism, companies often experience difficulties in locating the department or

person responsible for procurement in a certain institution and in determining at what times the institution is buying.

The stringent pre- or post-qualification criteria and the onerous documentary requirements for bids prevent many companies from even considering bidding in government tenders. The resulting lack of competition in some tenders means that the government is not accessing the best provider for any given goods or services it is buying. Although the brands of detergents, printers, and paper are often explicitly stated in tenders (an illegal but common practice), the companies that produce or import them often do not bid directly, but through brokers, wholesalers or trading firms. The firms that are acting as intermediaries agree on package deals covering several types of products with the government institutions, and solicit quotes from the manufacturer or importer whose brand was specified in the tender terms.

Small and medium enterprises (SMEs) often feel left out of large public works and infrastructure projects such as those commissioned by the CDR, because bidders are subject to rigorous financial criteria and the contracts are not split into smaller lots. On the other hand, some major firms consider it not worth their while to get involved in tenders for items such as paper or tissue because while the amounts involved are small, they still represent an administrative hassle. Combining such tenders into larger contracts would encourage the participation of the major companies.

The delay in payment by the government compared to private clients also dissuades companies from dealing with public sector institutions, even in sectors like IT where the government is a very major buyer. Many firms do not have the capacity to finance the product value during the six months needed to complete the tender process. Nonetheless, despite the payment delays, some companies view the government as a safe customer, as they always get paid in the end.

Transparency

Government tenders are perceived as being influenced by special interests. Most tenders are prepared by the public institution together with a private sector company acting as consultant. The companies perceive this consulting function as part of the sales process. Consultants can influence tender terms and conditions to a large extent. Specifications can be stated in a way that privileges one model or brand over another, so that business is awarded to a specific firm.

Companies also have other ways of manipulating tender outcomes. Most tenders require a minimum of three bids. Sometimes traders make multiple offers, each under a different company name, while in effect being the only bidder.

In some cases, tenders are cancelled for insubstantial reasons if the desired outcome is not obtained. Companies cited unscheduled increases in quantity and an insufficient budget as reasons given for cancellation. When the tender is re-issued, the product specifications or any of the other conditions can be changed to better suit a certain bidder. Even if a company wins a tender, it might be informed afterwards that its goods are not needed anymore, although it might already have ordered them from its supplier. Companies have no recourse in such cases and the government institution is not penalized.

Public Procurement Policy vis-à-vis SPP

National Strategies and Policies for Sustainable Development

A number of national sustainability initiatives are being undertaken by international and local NGOs and the private sector. In some instances, these are subsidized by the Lebanese government whose involvement is felt especially through pilot projects, educational campaigns, and private-public partnerships.

Environmental

The creation of the **Ministry of the Environment** by Law 216 on April 3, 1993 was a significant step forward in the management of environmental affairs. Its main responsibilities are the formulation of a general environmental policy and the proposing of measures for its implementation in co-ordination with the various concerned government agencies; the protection of the natural and man-made environment in the interest of public health and welfare; and fighting pollution from any source by taking preventive and remedial action.

Among all the various Ministries, the Ministry of Environment receives the smallest part of the government budget, only 0.1% of primary expenditures in 2011 Budget Proposal. Staffing levels and operational resources of the Ministry remain very limited. All of its disbursed financial resources are used up for salaries, which leaves no funds for implementation of environmental initiatives. Budgetary constraints are one of the obstacles to the development of environmental management, including monitoring and enforcement. But slow disbursement is, among other things, due to a low absorption capacity at the Ministry of Environment. The small size of the Ministry of Environment budget also reflects the magnitude of the budget demands made by the Ministry, which did not request allocations it said it did not need.

Of the other institutions that have direct or indirect involvement in environmental management, the **CDR** is one of the most important. It has been entrusted since 1977 with the recovery and rehabilitation of programs all over the country. Its action focuses on physical development, with evident impacts on the environment. It is the CDR's mandate to draft the overall framework for land use and urban planning, but no such framework has been developed. CDR staff prepare tender documents, negotiate contracts and project financing, and supervise contractors and government implementing agencies.

The **Directorate General of Urban Planning (DGUP)** is responsible for preparing master and detailed land use plans for towns and villages, within the overall land use plan. The Higher Council for Urban Planning (HCUP) reviews and comments on proposed master and detailed land use plans for cities and villages. However, the work of DGUP and HCUP is complicated by the lack of an overall land use plan.

With technical and financial support from UNDP's Capacity 21, the Ministry of the Environment drafted an **Environmental Impact Assessment (EIA)** decree and procedures. The EIA law was approved in March 2012.

Previously, only projects financed by major international donor agencies, including the World Bank and the European Investment Bank, were subject to an EIA. Examples of such projects include wastewater and drainage in Tripoli, Kesrouan, Saida, and Sour, electricity generation (new power plants in Beddawi and Zahrani) and distribution (nationwide), and solid waste management (composting and incineration in Beirut; landfill disposal in Saida and Zahle).

Strategies, initiatives, and programs dealing with the environment are generally viewed as the domain of central government. Land use and environmental policies are mainly reactive, focusing on urgent issues that put human health at risk, such as hazardous waste and water contamination. Environmental management has so far focused almost entirely on 'brown issues': solid waste management, quarries, air quality, and protected areas.

The UNDP is especially involved in environmental initiatives in Lebanon, with ongoing projects valued at over USD 24 million. One of its major projects is **CEDRO III** (Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon) (www.undp-cedro.org.lb), a USD 3.5 million program managed in collaboration with the **Ministry of Energy and Water** (MEW), the Ministry of Finance, and the CDR. It focuses on renewable energy for public hospitals and schools, street lighting, solar water heaters, wind turbines, photovoltaic systems, and energy efficiency. One example of its activities is the launch in June 2011 of a renewable energy competition "Madinati Khadraa" (my green city) for municipalities to submit a project on renewable energy or an energy efficient proposal to win a grant of up to LBP 60 million to implement the project.

The UNDP also supports the **Lebanese Center for Energy Conservation** (LCEC) (www.lcecp.org.lb), a local technical agency affiliated with the MEW. The LCEC addresses end-use energy conservation and renewable energy at the national level. It supports the government in developing and implementing national strategies promoting efficient and rational uses of energy and the use of renewable energy by consumers. The LCEC has conducted a pilot project in collaboration with the UNDP to install 500 solar heaters in private households which were donated by the Chinese government. In another project, the Swedish government donated solar water heaters to non-profit facilities such as the civil defense, the Red Cross, hospitals, and orphanages.

The **Lebanese Cleaner Production Centre (LCPC)** (www.lebanese-cpc.net) was established with the support of the European Commission-LIFE Programme (EC-LIFE), the United Nations Industrial Development Organization (UNIDO), the Austrian Government, and the Ministry of Environment (MoE) in Lebanon. It assists local industrial enterprises in increasing efficiency and reducing production risks to humans and the environment. The aim is for the companies to be able to export their products in the wake of Lebanon's efforts to access the World Trade Organization. The LCPC's main activities are awareness-raising events, in-plant demonstrations, and training and capacity building. Until the end of 2009, the LCPC targeted seven main industrial sectors: Agro-food and Canning, Dairy, Paper & Cardboard, Plastic Production & Recycling Sectors, Textiles, and others. In the Paper & Cardboard sector, it helped Kfoury Paper Converting, Sicomo, Solicar, and its parent Gemayel Frères.

A **National Energy Efficiency Action Plan (NEEAP)** was developed by the LCEC and has been adopted by the Council of Ministers. The plan, which covers the 2011 to 2015 period, is the first comprehensive strategy in energy efficiency and renewable energy to be adopted in Lebanon. The NEEAP calls for the development of renewable sources of energy, the adoption of an energy conservation law, the banning of incandescent lamps, and the development of financing mechanisms for energy efficiency projects.

The NEEAP paves the way towards achieving Lebanon's target of having 12% of its energy consumption come from renewable energy by 2020.

In 2011, the Central Bank launched the **National Initiative for Energy Efficiency and Renewable Energy** (NEEREA) to support the financing of energy efficiency and renewable energy projects across Lebanon through commercial banks. These could include solar power, liquid or solid waste, recycling ecotourism, or the construction of green buildings that conform to LEED standards. In May 2011, the Central Bank approved the first project in energy efficiency under NEEREA. Credit terms for new projects include a credit period of a maximum of 10 years plus a six month to four year grace period.

The LCEC has also been charged by the MEW to replace three million incandescent lamps with three million Compact Fluorescent Lamps (**CFL project**). This initiative will allow banning the import of incandescent lamps to Lebanon by the end of 2012.

The **Transport Ministry** funded and supervised an USD 1.072 million project for the installation of 766 solar-powered street lamps in the Hermel region. The lamps have one-year guarantee from the company which installed them, but residents are skeptical about the quality of the equipment used, and whether the municipalities' union will have sufficient funds to maintain the lights after the guarantee is up.

In December 2011, the MEW launched **NET Metering**, an electricity scheme for consumers who own renewable energy production facilities, such as wind or solar power generating cells. Under the program, users of renewable power generators sign a contract with the Electricité du Liban (EDL) which allows them to receive discounts on their electricity bills according to the amount of energy they produce. Subscribers to the net metering would be exempted from regular electricity subscription fees if their output of renewable energy was at least equal to 75% of their energy consumption. The project will be followed up with a FEED IN project, which allows EDL to buy surplus power from customer using NET Metering.

The MEW, in partnership with the LCEC and with support from UNEP and the UNDP among others, in 2010 started a yearly event, the Beirut Energy Forum. The forum is an opportunity for exchanging information on renewable energy development in Lebanon. Another conference with an environmental theme is EcOrient, which focuses on environmental technologies, sustainability, alternative energy, water technology and clean energy. It is supported by the Ministry of Environment, the Paris Chamber of Commerce & Industry (CCIP), the Order of Engineers & Architects in Beirut, the Lebanese Center for Energy Conservation, the Lebanese Solar Energy Society, the Lebanese Green Building Council and the Arab Sustainability Association.

The **Lebanese Association for Sustainable Energy (LASE)** (www.lebanonenergy.org) is a non-profit organization established in October 2009 in collaboration with the Ministry of Interior to support the finding of solutions to the energy generation problem in Lebanon. It is involved in the **Mediterranean Solar Plan** (MSP), a key component of the Union for the Mediterranean (UM), which was launched in July 2008. The UM's interests include water and energy resource management, environmental challenges, and more broadly the development of economy and trade. The MSP includes sixty projects involving the countries of the south and south-east Mediterranean. It mainly aims at security and energy independence of the Mediterranean basin, the control of energy consumption and the promotion of renewable energies.

The Ministry of Environment is fighting deforestation and promoting the **National Reforestation Plan** (NRP) (www.moe.gov.lb/Reforestation). Under Law 326 dated 28 June 2001, the government allocated LBP 25 billion of the national budget to the execution of reforestation projects at the national level over a period of five years. The program was extended under Decree 40 of 22 February 2007 with LBP 25 billion in funding scheduled over five years.

Existing classification of **Protected Areas** in Lebanon includes eight Nature Reserves, 24 Natural sites including forests, landscapes and rivers, five Himas, 12 Protected Forests, 14 touristic sites, and a multitude of other sites that are worth protecting. Seven Nature Reserves have been established by laws and one by ministerial decision, aiming at the protection of endangered species and the conservation of their habitats. They cover nearly five percent of the country's overall area.. March 10 was declared a National day for Nature Reserves by a Council of Ministers Decision in 2002.

The Ministry of Agriculture is promoting the **Hilly Areas Sustainable Agriculture Development** (HASAD) with the support of the International Fund for Agricultural Development (IFAD), which was approved in September 2009. The total project cost is USD 21.4 million, including an approved IFAD loan of USD 4 million and grant of USD 598,000. IFAD's investments in Lebanon aim to assist the government in its efforts to alleviate poverty by making the rural economy more competitive at the levels of smallholder production, processing, and marketing. To achieve that goal, IFAD has focused on enabling poor rural people to improve their access to rural credit and on fostering participation through the formation of cooperatives and access to markets and services, as well as reducing soil and water erosion, improving the socio-economic prospects of rural women, and rehabilitating the livestock sector. IFAD has assisted 8,500 families in the Bekaa Valley in rebuilding their lost herds, replacing existing stock with improved breeds, and strengthening animal health services.

The **Ministry of Education** has developed a plan in line with the second phase of the Decade for Education for Sustainable Development, entitled 'stage of commitment and construction', which lasts from 2008 to 2011. The plan includes the carrying out of workshops and meetings at local and national levels with the participation of local and regional organizations and civil society groups, in order to promote the culture of sustainable development. The Educational Center for Research and Development has developed teaching packages for each level of basic education including activities consistent with academic subjects, and aiming to educate students and equip them with information, skills, and attitudes related to sustainable development.

The private sector has also stepped forward to help protect the environment. Lebanon Opportunities magazine in June 2011 announced the **Green Business Initiative**. It consists of a series of workshops, lobbying efforts, and petitions that aim to foster a more eco-friendly economy. A certificate is delivered in local conferences in order to publicly acknowledge those organizations going green. At the heart of the campaign is the 'Green Pledge' where signatory companies agree to undertake some extra operational measures, including minimizing waste and toxic emissions, measuring environmental impacts of operations, and raising awareness among staff members.

Projects initiated under the Green Business Initiative are the **Green Web Portal** (<http://green.opportunities.com.lb/>) and the **Green Business Guide and Directory**. The Green web portal is dedicated to sustainable business behavior in Lebanon. The portal includes practical information on all aspects of sustainable business conduct, a directory of suppliers, links to other green portals, information on NGOs involved in the promotion of sustainable business, best green practices,

laws, certifications, and much more. The **Green Business Guide and Directory** contains a comprehensive directory of suppliers in Lebanon with product details and contact information.

Non-governmental organizations are also doing their part in spreading awareness and assisting local organizations to move to environmentally friendly products and services. Among these is **Beeatoona** (www.beeatoona.org) whose primary aim is the promotion of good environmental practices among the Lebanese and Arab communities for a sustainable development. Among its ongoing projects is the ecycle-me electronic waste management campaign (www.ecycle-me.org) targeting computer retail shops and students in particular. NGOs that advocate and practice paper recycling include **Craft** (<http://craft-lebanon.com>) and **Terre Liban** (<http://terreliban.org/>). In the agricultural sector, the Association of Importers and Distributors of Supplies for Agricultural Production in Lebanon (**ASPLANTE**) contributed towards the creation of pamphlets on the safe use of pesticides as part of the Agriculture Extension Project in Lebanon.

The **Lebanon Green Building Council** (LGBC) (www.lebanon-gbc.org) is a local NGO that provides stewardship towards a sustainably built environment. It promotes and helps implement high performance construction concepts that are environmentally responsible, healthy, and profitable. LGBC acts on market, educational, and legislative issues to achieve its goals. In partnership with the IFC, it came up with the ARZ Building Rating System (www.arzrating.com) designed to measure the extent to which existing commercial buildings in Lebanon are healthy, comfortable places for working, consuming the right amount of energy and water, while having a low impact upon the natural environment.

Social and Economic

The Ministry of Social Affairs (www.socialaffairs.gov.lb), among others, is formulating and implementing pilot projects which focus primarily on sustainable aspects, including the protection of children and the reduction of regional disparity and poverty.

The UNDP is involved in pro-poor projects worth over USD 27 million. One project of particular interest is **Live Lebanon**, which aims at the channeling of Lebanese expatriate monetary support to local community and development projects.

The UNDP is also funding governance projects totaling over USD 24 million. It supports the Administrative Reform Program which aims to assist the government and the Office of the Minister of State for Administrative Reform and Development (OMSAR) (www.omsar.gov.lb) to plan and coordinate the country's **National Administrative Rehabilitation Programme (NARP)** both in the short and medium to long term. The objectives of the project are to formulate and implement an institutional development strategy; to efficiently manage and execute technical cooperation, including office and information technology, technical assistance, training, and other components; to develop a resource mobilization strategy to assist OMSAR in its public sector management reform efforts; and to coordinate external assistance and provide support to management of rehabilitation projects programmed under NARP and financed by the World Bank, the Arab Fund, and the European Union.

QUALEB (www.qualeb.org) is a EUR 15 million EU-funded project that was established in October 2004 for a 38-month period at the Ministry of Economy and Trade. QUALEB is a quality program providing support and expertise to both local organizations and the public sector by promoting quality, conformity, and excellence, thereby helping local producers to export their products and services. With an overall budget of EUR 2 million, QUALEB was extended for 18 months from January 2008 to June

2009. QUALEB seeks to align Lebanese practices with those of the EU in the fields of Standardization, Testing, Certification and Inspection, Accreditation, Technical Regulations and Conformity Assessment, and Market Surveillance. It has provided direct support to 16 private and public testing and calibration laboratories, supported the drafting of several laws needed for the quality chain, and assisted 50 national companies in the implementation of ISO 9001:2000 and ISO 22000:2005 standards.

The Lebanese Standards Institution **LIBNOR** (www.libnor.org), which is attached to the Ministry of Industry, issued a number of Lebanese standards for different sectors including medical, building and civil engineering, packaging, environmental management systems, and food and agriculture. The Lebanese standards are voluntary in principle. However, for reasons of public health, public safety or national interest, the Lebanese government made some of them mandatory.

Alongside the public sector, different organizations in the private sector are taking individual initiative in order to project a good image as a socially responsible partner and a good citizen through ISO certification and by adhering to the standards set within their industries or LIBNOR.

National Procurement Process

Lebanon does not have a central public procurement authority. Public procurement in Lebanon is a decentralized process managed by institutions individually. This is linked to the fact that every public administration has its own specific financial system.

The main buying institutions include the various Ministries, the Council of Development and Reconstruction (CDR), the Army and the Internal Security Forces, and the municipalities. Procurement is not centralized within the Army: Each of the nine army sports clubs manages its own purchases. The Central Bank, the Electricity Company, the airport, government hospitals, public schools and universities, and prisons also each have their own procurement. None of the present public procurement methods formally takes sustainability aspects into account.

Procurement Funding

Large portions of public investments are off-budget, which reduces the transparency in public operations. According to World Bank estimates, 19% of public spending is outside of the regular budget, including the foreign-financed portion of the public investments executed by the CDR and ministries. In addition, expenditure ceilings voted by Parliament are not binding because of the ability to carry over budget appropriations indefinitely.

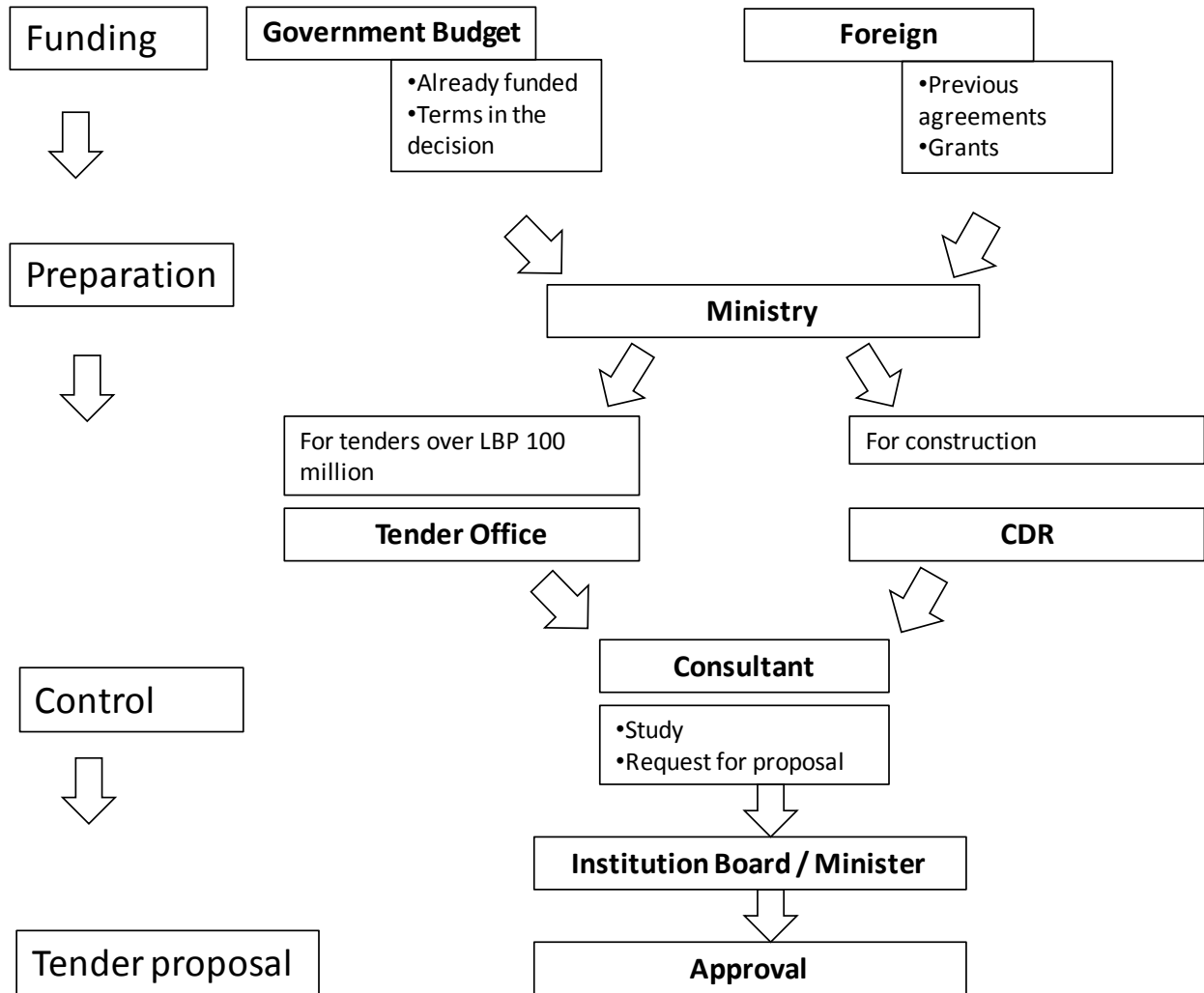


Figure 2: The Procurement Approval Process

Expenditures of all ministries have to be in the yearly government budget, except for projects with foreign funding. The 2011 government budget proposal has not been approved yet. The delay means that sometimes procurement funding is not available. Sometimes a public tender is not completed because there are no funds. The Ministry of Finance pays for all government institutions. The CDR, the Council of the South, the Displaced Fund, Higher Relief Commission, and the Central Bank all have independent budgets.

For a project or expenditure that is included in the government budget, the financing terms of the tender are contained in the decision. Foreign-financed projects involving NGO or state sponsors are funded under previous bilateral agreements or through grants. In rare cases, funds for a specific purpose or project are allocated under a protocol.

The CDR has a Tenders Department which is part of its Legal Division. OMSAR has a dedicated procurement staff. The ISF has a technical department which receives bids. At the Central Bank, the services and procurement departments take care of procurement.

The Institution usually commissions a private consultant to carry out a study and write a request for a proposal. These two documents are submitted to the Institution’s Board or the Minister for approval. In the CDR, the file passes through the Projects Division or the Planning and Programming Division for fine-tuning before it is submitted to the CDR Board.

The Tender Board (of the Central Inspection Board) has limited jurisdiction. It handles all procurements that are over LBP 100 million. This excludes most tenders, which are small. In addition, the Office has no authority over the Ministry of National Defense, the Internal Security Forces, or General Security.

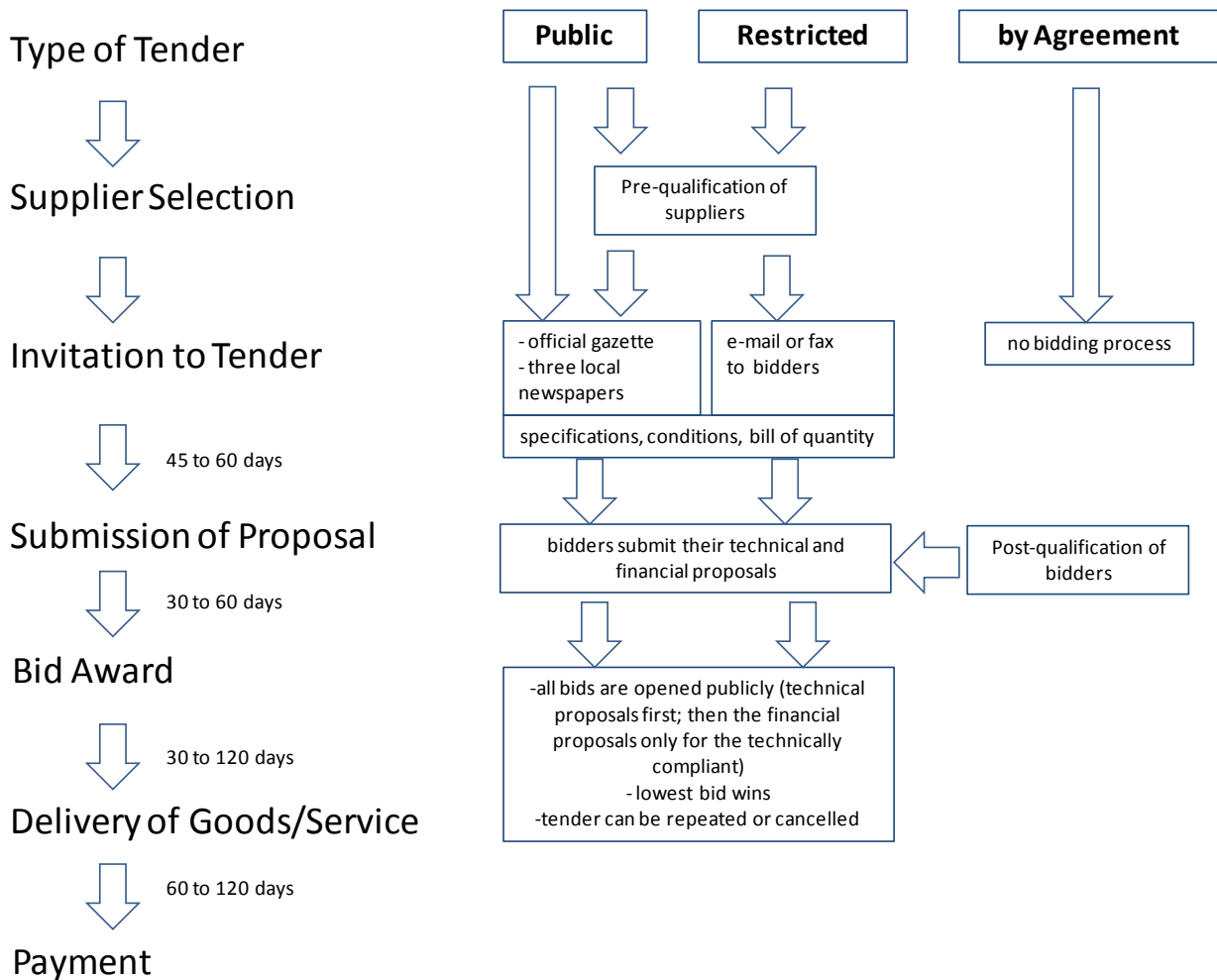


Figure 3: The Current Tender Process

Tender Types

Public procurement is often carried out through a tender process. The tender is either public (open), under which all suppliers may submit a bid; restricted (closed), where invitations are sent only for a short-list of suppliers that are contacted individually by the contracting authority; or by single sourcing (mutual agreement), in which case no competitive bidding takes place.

Public tenders are mandatory for foreign-funded projects. Restricted tenders are usually used for technical or specialized projects. Sometimes a list of pre-qualified companies is supplied by the funding entity.

Procurement by mutual agreement covers about half of all procurement contracts. It is used most often by the Ministry of Finance and the Ministry of Public Works. When he assumes his functions, a Minister can decide to have all procurements for his Ministry done by agreement, with the approval of the Council of Ministers. In addition, if a tender is repeated twice without being awarded, then the Ministry can decide to procure by mutual agreement. Under the Public Accounting Law of 1963, transactions can be concluded by mutual consent if they relate to supplies and services by the needy or disabled.

Bidder Selection

In order to participate in tenders, companies often have to be pre-approved by the government institution where they want to bid. The pre-qualification criteria differ between organizations, and there is no basic or unified list. Pre-qualifications are especially common among technical institutions such as the Electricity Company (EDL) and the Ministry of Telecommunications. Examples of the types of criteria are shown in the table below.

Common Pre-qualification Criteria
Balance Sheet Information
Annual Turnover in LL
Field(s) of experience
Years of experience
List of previous projects
Brands for which the company is an authorized dealer/representative
Age of the company
Number of employees
Commercial Registration
VAT Registration

At the CDR, the company accreditation process takes about a month and the CDR Board approves companies twice or three times a year. Once it is registered, a company can start bidding in tenders right away. Any changes in corporate information are supplied voluntarily by the firm and there is no internal CDR review. As a result, the supplier classification list of CDR is outdated. The CDR has resorted to blacklisting some underperforming companies.

At OMSAR, companies can register on-line, and thereby gain the right to participate in tenders. The Central Bank has developed its own database of supplier companies using some of the criteria of the above table. It gathers company information on its own.

Companies that want to be suppliers to the army have to pay a yearly fee of LL 50,000 to the Ministry of Defense to be admitted to the tenders. The documents the army requires for pre-qualification have to be delivered every year, which guarantees updated information, but represents a burden for potential contractors.

If there is no pre-qualification, there is usually post-qualification, for which the financial, technical, and legal conditions can differ from project to project. This is practiced by OMSAR.

Common Post-qualification Criteria
Average annual turnover
Years of experience in sector
Years of experience in the same kind of project
Cash and/or Letter of Credit to meet cash flow

Bid Process

In open bids, the tender is announced in the official gazette and in three local newspapers. It is sometimes also posted on the website of the funding entity, for example the World Bank or the European Union. CDR has a list of projects in the procurement process on its website (www.cdr.gov.lb/eng/select_procurement.asp).

In restricted bids, pre-approved suppliers are notified directly by fax or e-mail.

The bidding documents contain the technical specifications of the product. In Lebanon, like in Europe, it is illegal to list specific brands, but it is nevertheless a common practice. The bidding documents also contain a bill of quantities (BOQ).

Sometimes the companies have to pay a fee to obtain the bidding documents, which can range from a few hundred to a few thousand dollars. Some bids have to be accompanied by a Bid Security payment of several hundred or thousand dollars, depending on the size of the contract. This is the case for some CDR projects.

Companies usually have 30 to 60 days to bid. Submission of bids must be received in sealed envelopes. A number of company documents, a selection of which is listed below, have to be provided along with the product or service offer and price. Once again, different institutions have varying documentation requirements.

Common Bid Submission Documents
Selection of products / Description of Service
Price list
Financial Disclaimer notice
Confirmation of income tax payments from the Ministry of Finance
Confirmation of VAT payments from the Ministry of Finance
Quitclaim from Social Security
Industrial certificate
Proof of membership of the Association of Lebanese Industrialists
Proof of membership of the Chamber of Commerce
Authorized signatory list of the company
Company production capacity
Company turnover
Age of company

Bids are collected and opened publicly and in the presence of the bidders' representatives, at a pre-announced time and date. In theory, the envelopes containing the bids stay sealed until they are opened in public. In some army tenders, instant re-bidding is possible after the lowest price is announced in the initial bidding round, with a total of three tries.

The lowest bid is the winner in the vast majority of cases. The currently applicable legal texts stipulate that contracts are awarded to the lowest bidder. Sometimes bidders can make an offer for the project as a whole or just one part of it, which helps smaller companies to compete. In a few cases there is a company grading system for technical projects, for example in Central Bank tenders and with EU and World Bank projects.

Once the bid is awarded, the company has between 30 to 120 days to deliver the goods, depending on the product origin and quantity. The government pays 60 to 120 days after acceptance, and sometimes later. If there is a problem with the product or service delivered, payment is delayed until it is solved.

Monitoring

The Court of Audit assesses the consultant study in the tender preparation phase. It also checks technical specifications in bidding documents and the correctness of the tender award and final acceptance. Currently the court carries out these tasks without the inclusion of sustainability criteria.

The CDR commissions consultants who supervise the project. The consultants are private companies which are hired by tender or by agreement. The consultant gets a percentage of two to three percent of the value of the contract, or less if the contract is large. The CDR has criteria for accreditation of consultants, such as experience and yearly turnover. At the Central Bank, the internal auditing department monitors the execution.

Legal Framework for Sustainable Public Procurement

Current Lebanese legislation does not include specific texts on applied mechanisms for sustainable public procurement. The laws do not stipulate practical mechanisms of public procurement, and there is no link between them and the economic and social laws or the related conventions that were ratified by Lebanon. However, the legislative system is not totally devoid of sustainability principles.

The Preamble of the Lebanese Constitution, which dates from 1926, states that Lebanon is a founding and active member in the League of Arab States and the United Nations and abides by their covenants. The Constitution incorporates principles of social justice and equality in rights and obligations among all citizens. It calls on the State to maintain balanced cultural, social, and economic development in all regions. The Constitution does not provide texts on the environment or detail equity in work and health. It would be difficult to change as this would require a majority in both the Parliament and government.

Regulations on sustainable procurement can be embedded in procurement regulations, or in environmental, social, and economic laws. Each of these is examined below.

Procurement Regulations

Relevant Laws

The Public Accounting Law promulgated by Decree no. 14969 dated 30 December 1963 is considered as the basic piece of legislation on the subject of public transactions. It determines the shape of the public budget, its implementation, its account distribution and public money management. It contains a special chapter on supplies, works, and services expenditures. Public bids are named as the main means of contracting. The principal terms and conditions are identified. The lowest bid wins and certain locally made goods (some defined foods, minerals, pesticides and pipes) are given a 10% preference over foreign goods.

The Law sets forth some traditional principles that govern public transactions: Publicity, competition, and equality. It also allows for the adoption of trade-off standards other than price to settle a transaction, without, however, detailing these standards. This is an opportunity to insert SPP. Transactions can be concluded by mutual consent if they relate to supplies and services for the needy or disabled, provided that the prices do not exceed market prices. However, it does not contain any explicit sustainability criteria. The Public Accounting Law is applied by the central government and large municipalities. Most other municipalities apply Decree 5595 dated 22 September 1982 which determines accounting rules in municipalities and municipalities' unions that are not subject to the general accounting law, and whose articles closely follow the general law. The same applies to public institutions, which each has its own financial system that determines the forms of preparation and execution of its budget and management of its finances.

Law Decree Number 3688 of 1966 on the Categorization of Entrepreneurs determines the conditions and qualifications of registration on the competence and categorization list in executing public works transactions and relevant studies, including on routes, harbors, airports, public building, water projects, and electrical works. The classification is based on previously executed works and years of expertise only. This law decree is still being applied despite the issue of the Law Decree 9333 of 2002 which introduces new standards and bases the classification on previous experience, human resources, company organization, equipment, its financial situation, and field inspection. Sustainability standards are not being taken into consideration in registering the entrepreneurs on the list of qualified entities

who can participate in public transactions. These standards could be included in the text in order to give extra points to qualify or increase the classification degree.

The general provisions and bidding document imposed on public works entrepreneurs dates from May 20, 1942. It requires the presentation of proof to the administration on the payment of wages for workers in accordance with the laws (article 15). It insures workers against work accidents (article 16) and limits the work schedule to the regular work shift according to the type of work (article 11).

The monitoring of public procurement is covered by the Public Budget Law 326 dated 28 June 2001. Its article 73 stipulates the submission of the accounts of public institutions and utilities to an internal and independent review by audit offices. These are private offices that audit on public institutions which are also subject to the monitoring of the Ministry of Finance and the General Accounting Office. It includes the accounts and their documents, such as public transactions contracts, and their implementation.

The Army and the Internal Security Forces have special provisions regarding the principles of contracting, including bid committees and bidding documents. The public administrative bidding document for the contracting of Army equipment was certified by Decree no. 11574 dated 30 December 1968, and for Army works by Decree no. 11573 of the same date. The public administrative bidding document for the contracting of Internal Security Forces (ISF) and the tender regulation therein was certified by Decree no. 2868 of April 16, 1980.

These documents make reference to the obligation of the contractor/entrepreneur to inform the administration of his labor force requirements. Employers have to apply labor legislation, including minimum wage regulations.

Bid Conditions

The bidding documents of all public institutions contain some references to sustainability issues, such as the contractor's obligation to comply with environmental laws and regulations. The felling of trees is allowed only with the knowledge and approval of the administration. Contractors have to ensure public safety during work hours. The contractor's registration with the taxation authority and the presentation of a quitclaim from Social Security are mandatory. Some bid documents also refer to international standards for the required materials.

However, other sustainability criteria are lacking. Technical specifications define the required job, measures and material without mentioning saving energy (buildings insulation) or the source of the rocks (illegal quarries), or wood (protected forests.) Specifications are not related to performance over the presumed lifetime of the product. For example, cars are qualified by the year of manufacture and engine capacity, and not by their rate of consumption or carbon dioxide emissions. There are no requirements concerning the use of non-chemical or ecological materials, or recycled or recyclable paper. The decisive factor is the minimum price and environmentally friendly specifications are not given preferential treatment. The bidding documents do not specify details such as the provision of energy. Moreover, there is no support for SMEs. Some transactions, such as major road works, exclude them due to their value, which can reach a billion USD, especially if the contract is allocated to a single bidder instead of being split into units.

Enforcement

At the judicial level, enforcement is generally weak due to the lack of a clear distribution of roles and responsibilities. The Court of Audit, in its inspection of public transactions and its consultancy opinions, applies some sustainability principles. These include approvals of transactions based on lots, a refusal of exaggerated supplier selection criteria, and enabling contractors to pay raises in workers' salaries.

The judiciary system in general, through the regional Labor Judgment Councils, protects workers' rights in terms of salary, compensations, and leave. It punishes illegal logging and pollution and awards indemnities for damages resulting from emissions of toxic gas and soil erosion. In 1997, the Criminal Court in Mount Lebanon ruled on a case concerning the shipping of toxic hazardous chemical material to Lebanon.

Environmental Laws

The Environmental Protection Law (no. 444 dated 29 July 2002) includes fundamental principles regarding the environment. Among these is the implementation of a national policy on environmental protection. The law aims to ensure that the effects of any project on the environment are evaluated and that the necessary measures to mitigate negative effects are taken. The law requires the development Environment Management Plan, that is, the application of a set of mitigation measures, the elimination of negative environmental effects, and the enhancement of biodiversity. The law posits the right to a healthy and stable environment, and the principle of safeguarding natural resources and of prevention of damage to the environment. It prohibits the leakage or emission of air pollutants and protects beaches and water. It calls for pollution control efforts to avoid the degradation of natural resources. It also puts forward the idea of relying on economic incentives as a tool to monitor and promote a sustainable development policy. The Environmental Protection Law also provides guidance on using energy and alternative materials. It grants customs reductions of 50% for equipment and technologies that reduce pollution and process waste. The law stipulates the development of a mechanism to determine a list of fertilizers and pesticides allowed to be used and a list of types of waste considered as hazardous. The law also aims to develop conditions of regulating noise pollution. The law is not well applied. It requires 36 implementation decrees, none of which have been promulgated yet.

Other environmental laws include Law no. 64 of 08 December 1988 on the protection of environment against pollution; Resolution no. 52/1 dated 29 August 1996 which determines the specifications and proportions to reduce air, water, and soil pollution; Resolution no. 90/1 issued in 2000 specifying the environmental conditions for residential buildings permits. Other laws deal with the mitigation of air pollution resulting from the transport sector, the discharge of sewage and waste, construction (Law no. 646 dated 11 December 2004), urban planning (Legislative Decree no. 69 dated 09 September 1983). The Protection of Forests and Land and Marine Common Properties, the regulation of the electricity sector, and the law of Investment Promotion in Lebanon (Decree no. 9311 dated 21 December 2002) also have environmental aspects.

Lebanon has also signed a number of Environmental Conventions. These include the Convention on the Protection of the Mediterranean waters from pollution; the Vienna, Montreal and Copenhagen Conventions on the protection of the ozone layer; the Convention of the conservation of biodiversity; the United States Framework Convention on Climate Change 05 June 1992, and the Kyoto Protocol; the United States Convention to Combat Desertification signed in Paris on 15 October 1994; the Stockholm

Conventions for the Protection of human health and the environment from persistent organic pollutants; and the Convention on the Physical Protection of Nuclear Material dated 26 October 1979.

Poor enforcement is a major weakness of the environmental management system. Deficient enforcement is sometimes due to lack of clarity and internal inconsistencies in legal and regulatory texts. It also results from institutional weakness, such as leaving most, if not all, enforcement powers to the Ministry of Interior. The inability or unwillingness of personnel associated with the Ministry of Interior to enforce existing requirements is compounded by the power of special interests, and political interference. In some instances, for example enforcing the ban on hunting and controlling the use of dynamite for fishing and construction activities in the public domain along the coast, the Lebanese Army has been charged with enforcement. In these cases, strict adherence to legal requirements has generally been observed.

Social and Economic Laws

There are also a number of social and economic laws that are relevant to SPP. They include the Law on the Rights of Disabled Persons no. 222 dated 29 May 2000. It ensures a proper environment for the handicapped. It calls for the employment of a proportion of disabled wage earners. However, this is not being applied in practice.

The Labor Law of 23 September 1946 limits the work done by women and children, and determines the duration of work and of leave. The salaries, rights, and leave of employees and child workers are not quite ensured. The Social Security Act makes obtaining a quitclaim from the social security a condition for participating in public transactions. The Income Tax Act is designed to further the development of the various regions.

Lebanon has also ratified numerous Social and Economic Conventions covering labor rights and the rights of disabled persons. These conventions rank above national laws, and have a positive impact on domestic legislation. However, they often require applied texts which have not been formulated, and their application is lacking.

For many environmental and social issues, the national laws were neither sufficient nor forceful enough. Although the environmental and social provisions are sound, they are either not at all or insufficiently applied.

At the multilateral and regional levels, there is no strategic legal framework that is focused on sustainable procurement. Most international agreements and associations have made efforts to enable transparency within the government procurement framework. However, by being silent on the issue of sustainable procurement, there is some ambiguity as to the legal validity and the scope of policy flexibility available domestically to develop and implement such policies.

Key Challenges and Solutions

Market Readiness

Consumer Priorities

The companies that were interviewed to determine market readiness indicated that the idea of sustainability is still new in Lebanon. This is due to the consumer’s priorities. Product users are primarily concerned with their own cost of living and health, and that of their family and employees. The impact of their consumption patterns on their residential or business community and their municipality is less important. The larger natural, economic and social environment is at the bottom of the list of priorities.

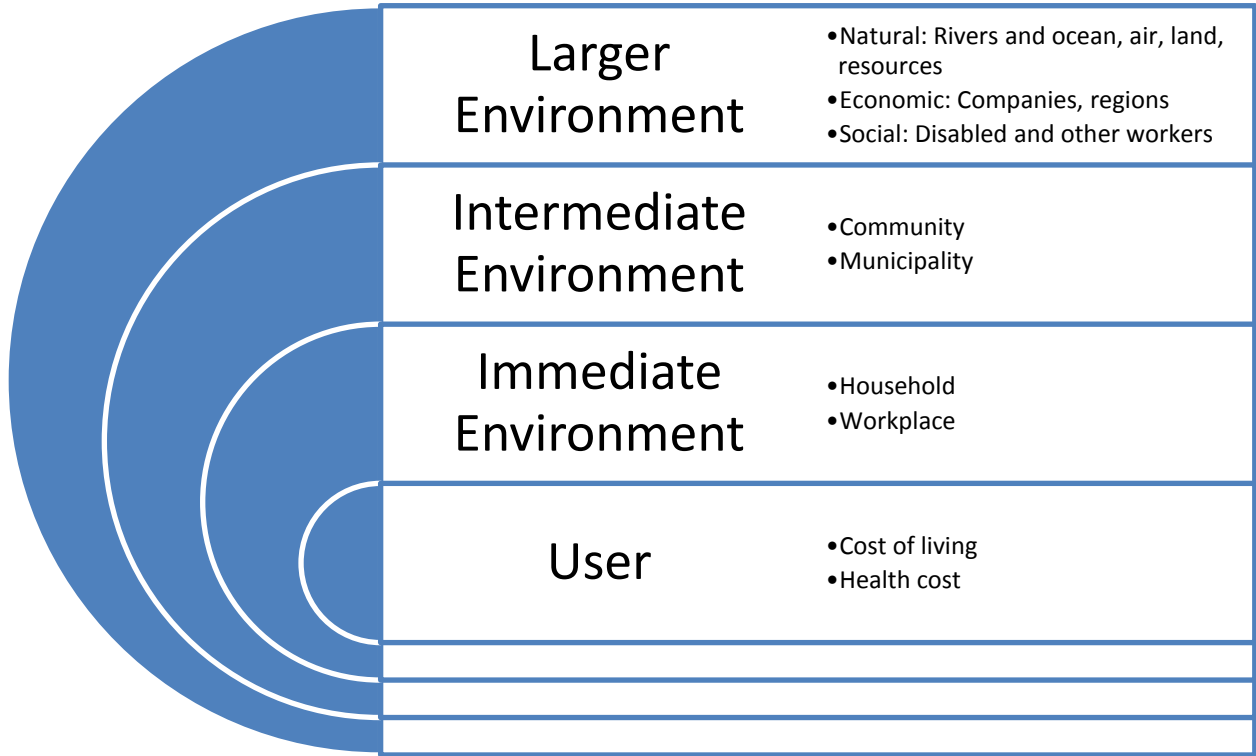


Figure 4: Consumer Priorities

For consumer purchasing, this set of priorities implies that buyers might look for products that save electricity or water in order to limit their utility bills. They might check that the detergents, insecticides, or toners that they or their household members or workers use are non-toxic. Responsible waste disposal and recycling are of lesser interest as they will affect only the intermediate and larger environment. Products that are made with recycled or bio-based content which reduces CO₂ emissions or by companies located in underprivileged regions or employing disabled people are completely off the radar screen.

In short, local consumers are not very sophisticated when it comes to environmental or health issues and they will often ignore these issues in favor of the lowest price. Government entities make their

procurement decisions in much the same way. Companies see the low level of awareness of private and public consumers as limiting the demand, and therefore the potential market, for sustainable products.

Strategies to Reshape Priorities

The public sector as a whole is well placed to set an example in sustainable procurement, as it is a major buyer of each of the priority products. Moreover, many of the surveyed firms called for government involvement to compel, guide, or encourage private initiatives.

Some aspects of sustainability were seen to require state coercion in order to be adopted by the private sector. The Ministry of Economy and Trade should generally be more active in consumer protection and control the quality of imports in cooperation with Customs. For example, the Ministry of the Environment or the Ministry of Economy and Trade should ban the import of non-sustainable fertilizers or detergents or their chemicals ingredients, and impose an age limit on imported printers, as was done for cars. On the other hand, the government could remove or reduce customs duties on sustainable products, which would help to reduce any price advantage of non-sustainable products. Customs duties are currently five percent on any kind of lamp and two percent if it has a European certificate of origin. Plastic flushing cisterns have a 10% customs duty, while steel, copper, or aluminum water taps have a five percent customs duty. In cases where the customs rates are already low, they could be increased for non-sustainable products.

Companies look to the state for setting benchmarks. LIBNOR was cited by several executives, but it is viewed as ineffective and its role in need of strengthening. Firms also suggested the introduction of sustainability criteria in government buildings and tender specifications, with the next step being their extension to the rules for company procurement. Auditing could also be a way to check if companies are environment-friendly.

Government support would also be appreciated in helping SMEs to obtain Good Manufacturing Process (GMP) or ISO certification. This would promote the acceptance of locally manufactured goods in the domestic market and could also encourage exports.

The state could also do much more to spread awareness, assisted by international agencies like the UNDP. Despite the fact that no assessment of its impact has taken place yet, the three million lamp campaign was mentioned by several as a good example to be followed. Marketing and advertising could spur demand for sustainable products. Holding information sessions about ecological and other sustainability issues in public schools could also help in alerting citizens and in deepening their understanding, with a view to influencing their consumption patterns.

Institutional

Public procurement in Lebanon faces the problem of both active and passive waste. The public organizations themselves are aware that the procurement process is not very efficient and that it is not necessarily the best products or companies that win tenders.

Active Waste

Active waste occurs when procurement officials directly or indirectly benefit from the government contracts they negotiate. Research from other countries has provided ample evidence that corruption in public procurement is a significant barrier to the implementation of SPP. In these cases, the interaction between public and private sectors does not come under sufficient scrutiny.

A study on direct administrative corruption in Lebanon carried out by The Consultant in 2010 found that 38% of SMEs in the Greater Beirut area pay bribes to get government contracts. In most cases, these bribes make up one to ten percent of the contract value. Due to their size, SMEs are less often party to government deals compared to larger firms in their sector, so these results are probably only the tip of the iceberg.

Corruption can take various forms. It can be structural, meaning planned (like in the case of a cartel) or situational, meaning unplanned. Although Lebanon has its share of cartels, including some for non-sustainable substances (for example perchloroethylene (PCE), a chemical used in dry cleaning, which in the EU is considered a risk to human health), corruption in public procurement is mostly situational, due to the decentralized nature of the procurement process.

Active waste can affect the entire cycle of public procurement, from the needs assessment or demand determination phase; over the process design and contractor selection and award phase; to the contract implementation; and final accounting and audit. In Lebanon, the contractor selection and tender award stage of the process appears to be the biggest concern. Procurement by mutual agreement, due to its lack of transparency, is highly susceptible to corruption.

Passive Waste

Passive waste does not result in a benefit for procurement officials, but still reduces the effectiveness of government spending. Within OECD countries, it accounts for about 80% of total public procurement waste. Passive waste is due to inappropriate skills sets of procurement officers, including a lack of procurement tools and absence of market information. It results in a misalignment of the public organization's procurement and strategic goals.

In Lebanon, the absence of a central public procurement entity means that companies have to apply to each institution separately in order to become a pre-approved supplier and face many different sets of bid conditions. This is cumbersome for companies and excludes those with limited financial resources from the tender process. Companies noted that the creation of one public procurement agency might not be necessary or achievable, but that a standardization of the registration and tender processes is indispensable.

Since there is no little sharing of information or coordination between the different ministries and other government agencies when it comes to public procurement, they can verify neither the corporate standing nor the product or service quality of the various suppliers. As each institution has to make its own relationship with contractors, resources are also wasted at the public level. A common company registration template from which information is fed into a shared data base might be a solution.

Another issue is the absence of dedicated supply officials. Firms interviewed by The Consultant remarked that they do not know whom to address. There are no provisions for an occupation specific to public procurement. The lack of dedicated - or at least easily identifiable - procurement officers could be

remedied by amending the laws covering occupational structures and general administrative cadres in order to create the position of procurement official. Another possibility would be the establishment of a national body entrusted with the administration of sustainable procurement.

The institutional constraint is a major one, conditioning the loosening of all other constraints facing the country. The National Administrative Rehabilitation Project (NARP), launched in 1994, aims at eliminating corruption, improving efficiency within the Civil Service, as well as securing a greater separation between political and administrative functions. The Office of the Minister of State for Administrative Development was created in order to build capacity and promote institutional strengthening in central administration. But the vast influence of politics, politicians, and private interests in the country's institutions remains a major obstacle to the reform process.

Like in other emerging and developing states, the implementation of SPP will inevitably raise concerns over transparency in Lebanon. It therefore needs to be merged with reforms related to preventing corruption and streamlining the public sector.

Institutional Leadership: The Central Bank

Government agencies in general could follow the lead of the Central Bank to implement best practices in SPP for the purchase of consumables and fixed assets. Although it has no formal SPP procedure, the Central Bank has injected sustainability into its procurement process in several ways.

One way is the administrative procedure. The Central Bank's service department has established and is maintaining its own database of companies wishing to participate in tenders, giving it superior market information and encouraging clear communication with the private sector. Bids are chosen not only for price but also using a company grading system. The Bank's procurement department implements the supply agreement which is drawn up by the legal department. The internal auditing department monitors the execution, not an external consultant as in the case of the CDR.

Another way the Central Bank has introduced sustainability is through its product choices. In all its purchases, including fuel, paint, paper, toner, toiletries, detergents, insecticides, lamps, and water taps, the Bank looks for environmentally friendly and local products. A new Central Bank building has been designed as a green building. A third way is by working with NGOs for the recycling of paper and batteries.

The Central Bank's leadership in SPP is linked to its sustainability initiative in its own sector, the National Initiative for Energy Efficiency and Renewable Energy (NEEREA), which helps finance ecological and renewable energy projects throughout the country.

Legal

Initial results of the SPP project in other countries have shown that existing legal frameworks, however deficient, do not prevent the implementation of sustainable public procurement. In Lebanon, the main problem remains in the lack of implementation of existing legal texts. Stricter enforcement of the Environmental Protection Law and closer monitoring of the implementation of Social Security, Labor, and other social laws would do much to improve the situation. Nevertheless, the difficulty of gathering all of the wide concepts of sustainability in one transaction remains.

The plurality of laws and competent authorities is also an obstacle to effective SPP. There is currently no comprehensive legislation that regulates the environmental, labor, and economic sectors. Due to the decentralized nature of the public procurement process, there are large differences in the means and methods of procurement from one department to the other. This is evident in the adoption of widely varying bidding documents. The result is a disparity in implementing best practices in public procurement.

A closely linked challenge is the lack of central government control over public procurements. The answer is an audit system and inspection of public procurement that allows it to be evaluated on the basis of results achieved.

While continuing to implement SPP within the existing legal boundaries, Lebanon should also pursue the necessary legal changes to facilitate the integration of sustainability criteria into public procurement. In the legislative process, the main responsibility for the introduction of SPP lies with the Ministries of Environment, Finance, and OMSAR which formulate proposals that are subsequently adopted by the Council of Ministers and approved by Parliament.

Public Procurement Draft Laws

Like many other developing countries, Lebanon is currently going through a process of reform and modernization of its procurement process, granting the opportunity for SPP to be embedded in such reforms. A Public Procurement Draft Law is currently approaching adoption, twelve years after its conception. It would centralize the organization, but not the execution, of public procurement of supplies, works and services. The Law encourages SPP but does not make it mandatory. Article 13 of the Draft Law stipulates:

“The contracting authority may utilize public transactions as a means to achieve national objectives such as providing creativity, supporting small and middle-sized institutions, supporting rural and regional development, achieving social objectives and environmental protection, provided that the frameworks and implementation mechanism are determined by virtue of decrees adopted by the Council of Ministers.”

The law enables sustainable procurement but is conditioned on a regulatory framework for its implementation to be fixed by the Council of Ministers. The Law could be made more rigorous by stipulating that certain environmental standards should be adopted whenever possible, thus making non-sustainable procurement the exception.

The Draft Law describes the mechanism and conditions of contracting and introduces new items that have not been regulated thus far, such as performance guarantees from the successful bidder, the procedure for cancelling contracts and revocation of bids, settlement of the contract value, and a dispute resolution procedure.

Article 42 of the Draft Law authorizes contracting by mutual consent for services provided and products manufactured by disabled persons who are registered. This would facilitate an obligation for contractors to employ a ratio of disabled people in the works they perform. There is no obligation of bidding on the basis of lots, which would encourage small enterprises to participate.

Article 74 defines the terms and conditions, but does not explicitly mention any environmental or social terms that could be set as specifications or qualifications.

The accompanying Draft Law on the Establishment of a Public Procurement Department assigns responsibilities for the execution and for the terms and conditions of public procurement as well as for staff training, and of the development of regulations under the Law. It does not mention any obligation concerning sustainable procurement either. However, it unifies the procedures applied to the procurement transactions of all public entities, which is an important step forward. The Public Procurement Department would oversee public departments, municipalities, municipalities' unions, as well as public institutions and enterprises, and could be given a monitoring role.

In addition to the Laws, five model conditions booklets have been prepared by the Ministry of Finance represented by Institut des Finances Basil Fuleihan. There are three booklets for large transactions and two simplified booklets for small ones. The standard bidding documents that would be used under the new Law relate to the transactions of goods, works, and consultancy services. Bidder criteria include social and environmental work conditions, but again without specifying any details or obligations. Contractors have to adopt all necessary measures to protect the environment in and around the worksite and to avoid annoying or causing damage to people or their property through pollution or noise.

The Draft Law has been signed by the Minister and will go before the Council of Ministers. Once it is approved by that entity, it will be voted on in Parliament.

Inserting the concept of sustainable procurement into the current Draft Law would be one way of introducing SPP into the legislative framework. The required adjustment is comparable to the French system in this area. It takes into account environmental sustainability criteria, in addition to criteria previously laid down by national or international institutions. It also contains performance-based technical specifications. Price comparisons take the expected maintenance and operational expenses of the lifespan of the procured good into account. The French provisions encourage the participation of disabled persons and the respect of workers' rights. Furthermore, it enables the participation of SMEs by allowing for transactions to be split into units, provided that quality and price competitiveness are maintained.

In their final form, the Laws should set a certain percentage of preference given to tenders commensurate with the required environmental and social conditions. In such a system, the competent administration is responsible for justifying the reasons for not adopting sustainable criteria.

Other Legal Remedies

Amending the laws of public procurement in order to introduce the concept of SPP could also be achieved through an amendment of the current text of the Public Accounting Law or by adding a special provision for sustainable procurement.

Pending such a modification or the issuance of a new law, a Cabinet decision could be adopted or a circular issued that is based on the Swiss model. It would posit the development of environmental, social, and economic criteria without obligation. It would also ensure that the equality between bidders is not breached through requests for a certain type or brand of product, as is currently the case in some tenders. Naming specific brands in tender documents is prohibited in Lebanon, but this rule needs to be better enforced. Candidates contracting with the state should respect the environmental, social, and economic conditions contained in various laws and regulations, especially with regards to the rights of the disabled, labor rights, as well as health and social working conditions, preservation of the environment, and whenever possible, awards on the basis of several units making up one transaction in order to encourage the participation of more companies.

Regardless of what form the legislation takes, details have to be left to the law decrees that will be issued by the government. They will clarify the points the laws do not cover, such as the preference ratio that is given to the bids that meet or exceed the required environmental and social terms, the exact terms and weight of environmental, social, and economic standards and specifications, and the division of transactions into units where it is practical.

SPP Action Plan

The SPP Action Plan has four facets: Capacity building, which concerns itself with the people involved; policy, strategy, and communication; the procurement process; and market engagement. The objectives and measures for each theme are detailed in the table below. The execution of the action plan is contingent on funding identification, should funding identification be delayed the timings proposed may not be met.

Theme	Objectives	Measures
1. Capacity Building	Leadership and accountability	Awareness raising for decision makers
	Practical capacity building	Awareness raising and training for procurement practitioners
	Recruitment	Ministries and Procuring entities
2. Policy, Strategy and Communication	Policy	Unify PP process
		Introduce sustainability in PP
	Communication	Improve communication between suppliers and public institutions
		Improve coordination among public institutions
3. Procurement Process	Adjustments in legislation	New Government Circulars
		Changes in Standards
		Changes in Laws
	Integration of priority products in PP	Focus on priority products
	Unified and Sustainable Procurement Process	Establish unified PP guidelines
4. Market Engagement	Engage with suppliers to secure delivery of sustainable products	Increase cooperation with suppliers
	Increase access to PP for companies and NGOs	Facilitate direct PP access for local manufacturers
		Increase cooperation with NGOs
	Develop sustainable industries	Encourage sustainability in local industries
Promote new sustainable industries		

Theme 1: Capacity Building

Decentralization means that a large number of officials are empowered to make decisions on procurement. This gives individual institutions and local governments the desired flexibility to decide how their budgets are spent and thereby increases opportunities to enlighten procurers and policy-makers. Being closer to local suppliers, it is easier for municipalities to implement SPP options such as local sourcing in order to further regional equality. SPP experiences in sub-Saharan Africa have shown that local governments have developed important relationships with local stakeholders including local businesses, suppliers, and civil society groups, which give more momentum and purpose to SPPs. At the municipal level, the bureaucratic structure tends to be simpler and the reporting hierarchies smaller. This facilitates decision-making and follow-up and makes new ideas such as SPP easier to introduce. In

Lebanon, the Central Bank might not have been able to realize its own SPP drive if it were not funded and allowed to operate independently.

But decentralized procurement can also present an obstacle for the implementation of SPP. Its deployment has proven complex in countries where procurement departments are not well developed or which are struggling to improve transparency and governance in public spending. Decentralization makes it difficult to assign responsibility in terms of implementing a national action plan and integrating elements of sustainability into established procurement processes. The action by individual institutions cannot substitute laws, policies, and action plans at the national level. The necessary information and technical expertise on full-life costing can only be available at that level. SPP initiatives in other countries have demonstrated that modernized public procurement featuring framework agreements and centrally coordinated procurement tends to make SPP easier to implement.

Although the execution of public procurement is likely to remain decentralized in Lebanon in the foreseeable future, there is scope for the procurement process to be unified at the national level, as well as streamlined and made more transparent. The plan to achieve that is detailed below.

Objective	Measures	Target	Actions	Responsibility
Leadership and accountability	SPP leadership	By the end of August 2012, establish SPP leadership	Create a task force built on the continued Steering Committee	Institut des Finances Basil Fuleihan / Public Procurement Department / Ministries of Environment, Social Affairs, Finance, Economy and Trade, and Industry / UNDP / UNEP / LIBNOR / Chamber of Commerce
		By the end of September 2012, appoint leaders in institutions	Appoint a leader of unified SPP in each Ministry and procuring entity	Ministers and heads of procuring entities / coordinated by Procurement Department
		By the end of October 2012, define yearly SPP targets	All Ministries and procuring entities to define yearly SPP targets	Ministers and heads of procuring entities/ Head of procurement department or head officer
	Organize training and funding	By the end of August 2012, identify training providers and funding sources	Identify training providers and funding sources	Task force
		By the end of September, train the trainers	Train-the-Trainers workshop on SPP and adaptation of UNEP's Lebanese SPP training toolkit	Institut des Finances Basil Fuleihan / UNDP / UNEP / Public Procurement Department / Experts

		By the end of March 2013, assess all procurement practitioners	Assess procurement practitioners across all procuring entities to specify training requirements	Institut des Finances Basil Fuleihan / Public Procurement Department
Awareness	Awareness raising for decision makers	By the end of September 2012, decision makers are aware of SPP and UNEP's Lebanese SPP training toolkit	Workshop on the basics and importance of SPP for Ministers	Institut des Finances Basil Fuleihan / Public Procurement Department / OMSAR / UNDP / UNEP
			Workshop on the SPP action plan and the unified SPP process for Ministers	
	Awareness raising for procurement practitioners	By the end of October 2012, all procurement heads and practitioners are aware of unified SPP and UNEP's Lebanese SPP training toolkit	Workshop on the basics and importance of SPP	Institut des Finances Basil Fuleihan / Public Procurement Department / OMSAR / UNDP / UNEP
			Workshop on sustainable use of products	
Workshop on the unified SPP process				
Training	Training for decision makers	By the end of October 2012, decision makers are trained in SPP	Training on unified SPP, UNEP's Lebanese SPP training toolkit and basic life-cycle costing	Trainers and IOF / Public Procurement Department / OMSAR / UNDP / UNEP
	Training for procurement practitioners	By the end of March 2013, all procurement heads and practitioners are trained in unified SPP	Training on unified SPP, UNEP's Lebanese SPP training toolkit, priority products, communication channels and life-cycle costing for procurement heads / practitioners / officers / new trainees	Trainers and Institut des Finances Basil Fuleihan / Public Procurement Department / OMSAR / UNDP / UNEP
			By the end of March 2013, include SPP in basic PP training of new practitioners / officers	Basic PP training program
Recruitment	Recruit employees for main procurement entities	By the end of 2012, recruit employees for Public Procurement Department and Tender Board	Interview and hire employees	Civil service board

	Recruit SPP leaders for procuring entities if necessary	By the end of 2012, recruit employees SPP leaders in case of unavailability or lack of skills of procuring entity employees		
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The creation of a task force by the Institut des Finances Basil Fuleihan, the Public Procurement Department, various implicated Ministries, and the UNDP and the UNEP is the first step.. The task force should build on the Steering Committee, which should continue its activities. As the creation of the Public Procurement Department requires the passing of the relevant Draft Law, OMSAR or the Institut des Finances Basil Fuleihan might temporarily take on some of its responsibilities in case the law does not enter into force in time.

To guide and direct the SPP implementation effort, an SPP leader must be appointed in each procuring institution. If such leaders are not available or lack the required skills, they have to be recruited via the civil service board. Employees for the Public Procurement Department and the Tender Board also have to be hired.

Raising awareness is prerequisite for the implementation of SPP. A number of companies that were interviewed by The Consultant noted that SPP awareness is sorely lacking at all levels of public administration. Getting decision makers to understand SPP is fundamental for them to support it in their respective Ministry or Institution. This is obvious at the Central Bank, where the driving force of SPP is Governor Riad Salameh. Increasing the awareness of procurement practitioners is also important.

The executives, together with their procurement department or head procurement officer, also have to be responsible for contributing to the design of a new PP process which will be part of the training material for procurement practitioners and officers. The Institut des Finances Basil Fuleihan and the Public Procurement Department will assess procurement practitioners across all procuring entities to specify training requirements. The Capacity Building task force will identify training providers and funding sources.

Sustainability could be integrated into the preparatory courses for the application to civil service positions with the Civil Service Board. SPP could also be institutionalized by training individuals responsible for procurement in various ministries and procurement entities that provide appropriate courses. An example is OMSAR which trains civil servants and their trainers on procurement.

Procurement practitioner / trainees would be familiarized with the common supplier registration system and other communication channels as well as UNEP’s Lebanese SPP training toolkit and the unified and sustainable procurement process, with a special focus on priority products and life-cycle costing.

Theme 2: Policy, Strategy, and Communication

Once awareness of and political support for SPP have been ascertained, the next step is the formulation and adoption of a policy for its implementation, as shown below.

Objective	Measures	Target	Actions	Responsibility
Policy	State basic policy	By the end of October 2012, make policy statement	Policy statement is endorsed by the Council of Ministers	Council of Ministers
	Introduce sustainability in PP	By the end of 2012, agree on a unified and sustainable PP process	Workshop on common guidelines for priority products groups and unified PP process including SPP criteria	Procurement heads and practitioners / Institut des Finances Basil Fuleihan / Public Procurement Department / UNDP / UNEP
		By the end of March 2013, sustainability in PP is applied by Ministries and procuring entities	Issue government circular(s)	Council of Ministers / Ministers and heads of procuring entities
			Ministries and procuring entities create individual Action Plans	Ministers and heads of procuring entities / Head of procurement department or head officer
Strategy	Unify PP process	By the end of June 2013, a unified PP process is applied by Ministries and procuring entities	Issue government circular(s)	Council of Ministers / Ministers and heads of procuring entities

The basis of the SPP policy is the policy statement that will be issued by the government and endorsed by the Council of Ministers. The current legal framework allows the immediate introduction of sustainability criteria into the public procurement process by the way of government circulars which can be issued by each Ministry. In this manner, every procuring entity can start introducing sustainability and creating individual Action Plans even in the absence of a unified process. The unification of the public procurement process will be realized through the adoption of new laws or the adaption of existing laws, and the issuance of further government circulars.

Effective communication between the main SPP stakeholders, particularly procuring institutions and their corporate suppliers, is essential in achieving SPP. The communication strategy is outlined below.

Objective	Measures	Target	Actions	Responsibility
Communication	Organize communication measures	By the end of August 2012, create a task force	Create a task force	Institut des Finances Basil Fuleihan / Public Procurement Department / Ministry of Information / UNDP / UNEP
	Improve communication between suppliers and procuring entities	By the end of October 2012, inform the private sector of SPP	Hold an SPP conference	Task force
		By the end of 2012, create a yearly seminar and training calendar	Create calendar which includes seminars and training sessions on sustainability and the priority products	Task force
		By the end of 2012, inform contractors of unified SPP process	General information posted on procuring entity websites, newsletters, and in the press	Head of procurement department or head officer / Institut des Finances Basil Fuleihan
			Publish booklets on SPP and distribute to suppliers	Task force
		By the end of 2013, unify contractor registration	Establish a common online input interface for contractor registration linked to an SPP website	OMSAR / Institut des Finances Basil Fuleihan / Chambers of Commerce
		Continuous updating of contractor information	Remind existing suppliers to update their registration with any change in information via a quarterly e-mail	Procurement officers / Suppliers
		By the end of 2012, publishing of tender announcements and results in standard format	Publishing in various media easily accessible to suppliers	Procurement practitioners
		Yearly supplier reward event	Event awarding the efforts of suppliers who deal with sustainable products	Task force
		Continuous updating of market information	Yearly market research assessment to identify any new suppliers or new technologies / products	Task force

	Improve coordination among procuring entities	By the end of 2012, create a yearly workshop and training calendar	Incorporate workshop and training information from procuring entities	Task force
		By the end of March 2013, launch SPP website	SPP website linked to input interface for contractors, UNEP knowledge center, and procuring entity websites	Task force
		By the end of 2013, unify contractor information	Establish a common contractor database from the contractor input	OMSAR / Institut des Finances Basil Fuleihan
		Continuous updating of contractor information	Procuring entities add tender award information and performance feedback into contractor database after contract completion	Head of procurement department or head officer
		Yearly review of contractors	Recognition of contractor achievements	Meeting of head of procurement department or head officer / Institut des Finances Basil Fuleihan
			Blacklisting of nonperforming contractors	
	By the end of 2012, PP guidelines are available	Publishing of PP guidelines and distribution to procuring entities	Task force	
	Improve public awareness of SPP	By the end of March 2013, publish priority product guidelines	Publishing of guidelines on sustainability and distribute in Ministries, universities/schools, and companies	Task force
		By the end of March 2013, start student competitions and seminars	Competitions and seminars at public universities and schools	Task force
		By the end of September 2013, launch a media campaign explaining SPP to the general public	Media campaign or televised documentary together with (a) new SPP initiative(s) in one (or several) priority product (s)	Task force / Ministry of Information / Procuring entity procurement departments or head officers

The organization of communication measures requires the formation of a task force by the IOF and the Public Procurement Department, in conjunction with the Ministry of Information. The task force will be responsible for many of the communication actions, including holding an SPP conference, launching an SPP website, creating a workshop and training calendar for suppliers and procurement practitioners, publishing PP guidelines for the procuring entities, and guidelines on sustainability for the general public.

Suppliers have to be informed of the unified PP process and of the need to register in order to be able to participate in tenders. The online input interface could be adapted from that used by OMSAR. The companies should be reminded to regularly update their information.

Unification of the tender process entails the standardization of tender announcements and results published in various media easily accessible for suppliers, such as the official gazette, the Ministry and Institution websites, and newspapers.

Coordination among public institutions also has to be improved. This can be done through a common contractor database, based on the information provided by registering suppliers, which can be accessed by any government entity. The procurement departments of the various institutions have to update this database with tender award information and performance feedback for contractors. It will facilitate an evaluation and performance ranking of contractors on the basis of which they can be rewarded or barred from participating in future tenders. Supplier excellence can be recognized at an award ceremony.

Another way to encourage coordination would be via the creation of a forum for PP practitioners to communicate and exchange SPP experiences of newly established procedures and methods. To give procuring entities the resources they need, the SPP website should be linked to the knowledge portal of UNEP.

Improvement of public awareness of SPP is another feature of the communication strategy. A media campaign explaining SPP would preferably be launched in conjunction with a new initiative in which both public and private SPP stakeholders participate and which focuses on one of the priority products. The media campaign should be designed around an appropriate slogan. A documentary would need to be created, preferably by the Ministry of Environment. Students could be targeted with competitions and seminars at public universities and schools.

The Internet is a major component of the communication strategy. At its center is the SPP website, which contains all of the information that needs to be conveyed, and is linked to the websites of other involved entities, as shown in the figure below. It will be managed by the SPP team and in relation with UNEP's SPP Knowledge management centre.

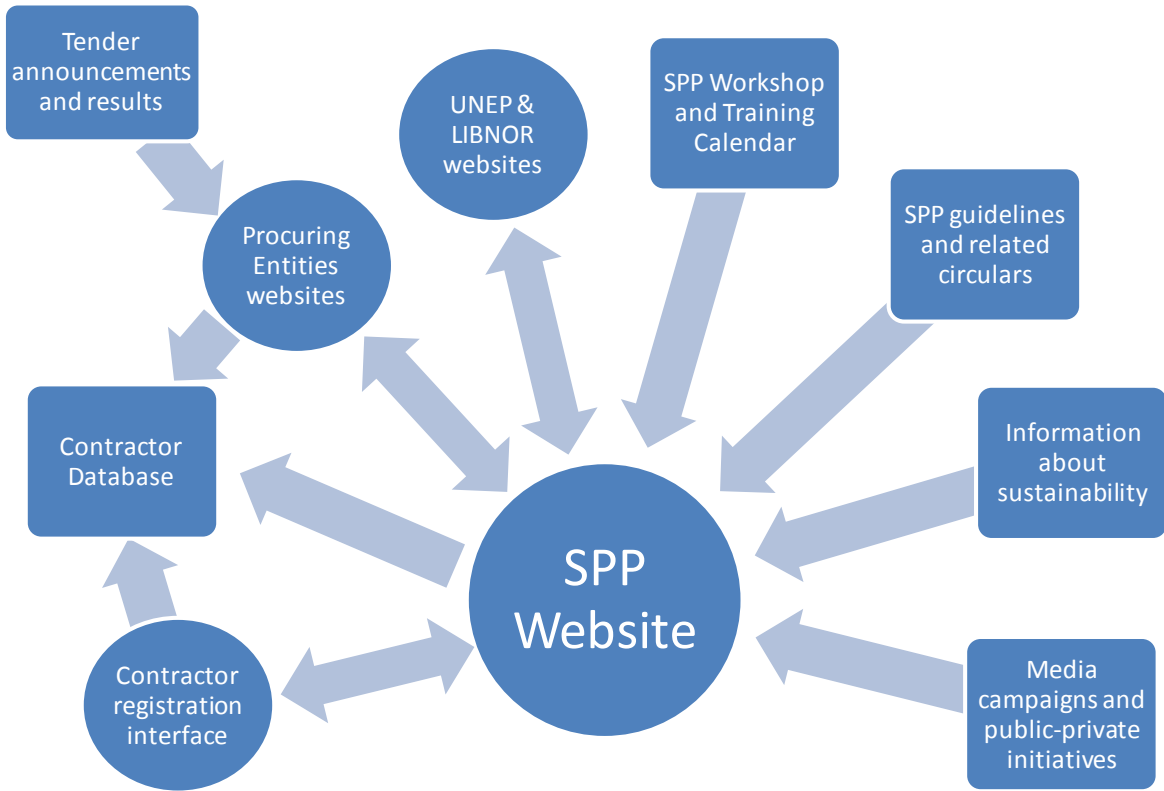


Figure 5: SPP Website Information and Links

Theme 3: Procurement Process

Procurement systems can legitimately and objectively recognize social and environmental considerations alongside those of transparency, non-discrimination, and fair competition. To achieve this in Lebanon, three objectives have to be met, as shown below.

Objective	Measures	Target	Actions	Responsibility
Adjustments in Legislation	New Government Circulars	By the end of 2012, sustainability in PP is applied by Ministries and procuring entities	Issue Government Circular(s)	Council of Ministers / Ministers and heads of procuring entities
	Changes in Standards	By September 2013, raise local standards and ensure compliance	LIBNOR updates and upgrades standards	LIBNOR with input from suppliers and their representatives
			Create eco-label and/or certificate bodies	Ministry of Environment
			Enforcement of standards	Committees responsible for receipt of goods at procuring entities / Public Procurement Department
Changes in Laws	By the end of 2014, amend laws to include SPP	Amend and pass PP Draft Laws or amend Public Accounting Law	OMSAR and various Ministries / Council of Ministers / Parliament	
Integration of Priority Products in PP	Focus on Priority Products	By the end of October 2012, short, medium and long-term recommendations for government practices and policies are formalized	Set up task forces to determine sustainability criteria, PP contract performance clauses, and supplier self-declaration or manufacturer declaration	Procurement practitioners / IOF
Unified and Sustainable Procurement Process	Establish Unified PP Guidelines	By the end of October 2012, unified Supplier Registration and PP processes are agreed	Workshop on common product specifications and bidder qualifications including SPP criteria	Procurement practitioners / IOF / UNDP / UNEP
		By the end of 2012, PP guidelines - a code of conduct for procurement - are available	Publishing of PP guidelines and distribution to procuring entities	Communication task force

Adjustments in Legislation

The available options for changes in the current legislation relating to public procurement and sustainability are shown in the figure below.

There are several approaches to introducing SPP regulations into the legal system, which could also be used in combination. One way is a better enforcement of the current national laws and international conventions on the environment, labor, social security, and the disabled. This would entail establishing mechanisms to monitor pollution and the infringement of social and economic laws. Another mechanism has to be put in place to make corporate and individual citizens, the state, and experts share information about actual and potential threats. Finally, punitive fees have to be imposed in cases of non-compliance.

Modifying the laws that relate to public procurement might be the most effective way to introduce SPP, but it is also the most time-consuming. The change could be achieved by adapting the Public Procurement Draft Laws currently under discussion, amending the text of the existing Public Accounting Law or adding a sustainability provision to it. Lawmakers can draw on international best practices for the content of the new laws or clauses. All the relevant laws would ideally be combined into a single code that could be used as a reference by procuring entities, including Ministries and municipalities.

Lobbying the lawmakers might be required to accelerate the legal process. An awareness seminar for decision-makers, including the General Directors and Ministers of the various procuring entities, could be helpful.

Existing and future new laws are the bases of Government Circulars, which are needed to detail the laws but can also accomplish much on a stand-alone basis. The current law does not prohibit the Prime Minister from signing a Circular introducing sustainability in the PP process. In the short term, the government can therefore introduce sustainable product and bidder specifications. In the long term, it can impose sustainability standards in government buildings based on LEED or ARZ criteria, and the use of alternative energy in public locations such as army camps and public works building sites. It can also exonerate sustainable industries such as paper recycling from taxes, and provide tax and other incentives to industries that adopt specific environmental specifications, particularly in paper, detergents, and pesticides.

Finally, the Lebanese Standards Institution LIBNOR could be instrumental in drawing up environmental standards and specifications on public institutions and the companies that supply them. To realize this, it could rely on globally accepted standards such as the ISO – 1400 Environmental Systems Handbook. LIBNOR does not have jurisdiction to enforce the standards. That will have to be done by a newly created eco-label and/or certificate bodies, with the support of the Ministry of Environment.

Priority Products

Six priority products were chosen for SPP in Lebanon with a view to ensuring that limited resources are not wasted on sectors where there is low environmental or socio-economic risk, little scope to influence the market, or where there are no environment-friendly alternatives at a competitive price.

For each product, the sustainability criteria to be included in the technical product specifications for government tenders have to be assessed, documented, and disseminated to the procuring entities.

Available suppliers for each priority product have to be identified and made aware of the SPP initiative. These suppliers will be given the opportunity to provide information about their sustainable solutions or products in the common contractor database. In order to engage with suppliers for a clearer understanding of SPP, they should be offered training on the sustainability of priority products.

Suppliers should deliver their products in bulk and in reusable containers. Where possible, they should be involved in the collection and recycling of packaging materials and used products. Products such as detergents and pesticides must indicate dosage to avoid overuse.

The market analysis and supplier interviews generated a number of recommendations for government practices and policies for each priority product, shown in the table below.

Product	Short term	Medium term	Long term
Paper	<ul style="list-style-type: none"> - Sustainability in PP specifications - Give paper for recycling to NGOs / local recycling plants 	<ul style="list-style-type: none"> - PP targets for increased recycled content - National recycling initiative 	<ul style="list-style-type: none"> - Tax incentive for sustainable manufacturing - Tax incentive to produce recycled office paper
IT (printers and toners)	<ul style="list-style-type: none"> - Sustainability in PP specifications - Age limit on imported printers - Give printers to recycling - Give toner cartridges for refilling - Prohibit import of toxic and non-biodegradable toners 	<ul style="list-style-type: none"> - Sustainability in import specifications 	<ul style="list-style-type: none"> - Raise level of sustainability in LIBNOR standards
Detergents	<ul style="list-style-type: none"> - Prohibit import of toxic and non-biodegradable detergents and chemical raw materials - Public awareness campaign 	<ul style="list-style-type: none"> - Update and enforce LIBNOR standards - Facilitate direct PP access for local detergent manufacturers 	<ul style="list-style-type: none"> - Raise level of sustainability in PP and LIBNOR standards - Tax incentive for sustainable manufacturing
Pesticides	<ul style="list-style-type: none"> - Prohibit import of toxic and non-biodegradable pesticides and chemical raw materials 	<ul style="list-style-type: none"> - Update and enforce LIBNOR standards 	<ul style="list-style-type: none"> - Raise level of sustainability in PP and LIBNOR standards - Tax incentive for sustainable manufacturing
Lighting	<ul style="list-style-type: none"> - Sustainability in PP specifications - Increase customs duties for non-sustainable products 	<ul style="list-style-type: none"> - Update and enforce LIBNOR standards - Prohibit import of incandescent lamps - Follow-up initiative on three million lamps 	<ul style="list-style-type: none"> - Raise level of sustainability in PP and LIBNOR standards - Green government buildings (ARZ/LEED)
Water taps / flushing systems	<ul style="list-style-type: none"> - Increase customs duties for non-sustainable products 	<ul style="list-style-type: none"> - National water-saving initiative 	<ul style="list-style-type: none"> - Green government buildings (ARZ/LEED)

For the effective integration of the six priority products into the procurement process, an effective tool would be the use of producer declaration, trader self-declaration, and product testing by the procuring entity. If they lack the required expertise for controlling products, the committees that receive the

goods can consult third parties. For detergents and pesticides, testing can be done by laboratories or the national Industrial Research Institute (www.iri.org.lb), which is linked to the Ministry of Industry.

The creation of a Lebanese eco-label through a national certification body in conjunction with the Ministry of Environment is a future possibility. Another recommendation is the drawing up of specific product guidelines for each of the six priority products containing sustainability criteria and specifications for tender terms and conditions.

Unified and Sustainable Public Procurement Process

Joint public procurement could be beneficial to government institutions. Several of the larger suppliers, especially of office paper, mentioned that some tenders are too small to be of interest. If public entities would combine their buying, they could attract more bidders and get better discounts. Companies are not clamouring for a single procuring entity, but they would like to avoid having to register separately with each public institution and to be able to use a unified tender process. Procuring practitioners would also welcome a single code of conduct for procurement and guidelines for making specifications in tender documents sustainable. As part of the streamlining and unification of public procurement, procedures and documents can also be adjusted to allow the effective implementation of sustainability criteria. The unified procurement process will be made accessible and comprehensible for all stakeholders with a set of common guidelines agreed by the various state authorities and published by the IOF.

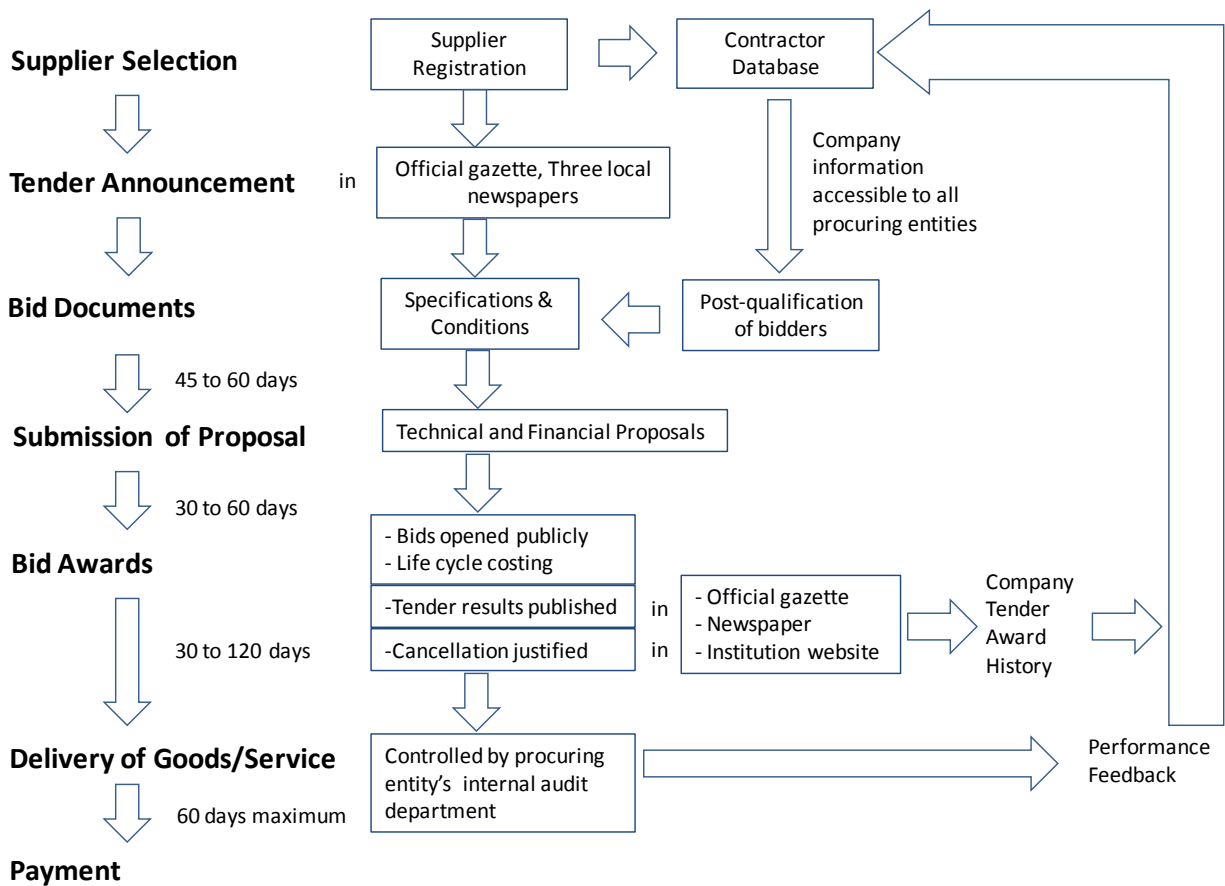


Figure 6: The Unified Tender Process

In the unified process, a free supplier registration with a common online form adapted from that of OMSAR (<http://www.omsar.gov.lb/proc/CompanyProfile.aspx>) would remove the need for the cumbersome individual pre-qualification of companies with each institution. The data from the forms would be fed into a contractor database accessible to all government institutions, as well as international NGOs such as UN bodies involved in tenders. Suppliers would be under obligation to update their information in case of any change, with cancellation of their registration as the penalty for non-compliance.

Procurement by agreement should be eliminated completely. Post-qualification will be applied even to technical tenders. Bid invitations would therefore no longer be addressed to a restricted list of suppliers, but published in a standard format in various media easily accessible to suppliers, such as the official gazette, the newspapers, and the (funding and) procuring institution's website(s).

There should not be any fees for obtaining bid documents. These should be available to all registered companies free of charge, either online or upon demand by fax or as a physical copy from the procuring public entity.

The technical specifications in the bid documents, which provide measurable requirements against which tenders can be evaluated, can incorporate sustainability criteria, provided that they are formulated in a way that does not lead to discrimination against certain suppliers. In the present system, specific brands are mentioned in the product criteria, although this is illegal. Such practices can be discriminatory, especially if there are only a reduced number of authorized dealers in a certain brand. In the EU this is not allowed, and it is advisable to ensure that it does not happen any more in Lebanon. Product specifications should clearly state requirements and be open, fair and transparent. They should ideally set performance criteria. There should be an open dialogue between the government and suppliers to specify product criteria.

At the selection stage, technical and financial capacity criteria are specified in tenders. The stringent supplier qualifications currently keep out many companies, especially regional and new firms, to the point where there are fewer than the required three bidders in some tenders. The bid document conditions and supplier post-qualification conditions should therefore be adjusted. Government institutions should encourage participation from as many different companies as possible in order to get the best quality and price of product. This will improve competition and hence also benefit the government.

At the award stage, the quality of offers is evaluated against the award criteria and the most appropriate offer is chosen. The institution that called for bids has to be sure to include life-cycle costing in its price comparison.

The public opening of bids is a good practice and should not be changed. The same kind of transparency must also apply to the publication of tender results. They should appear in a standard format and in the same media as the tender announcement.

The possibility of withdrawing or cancelling a tender after it has been awarded and later re-issuing it with amended specifications or conditions was identified by a number of companies as a back-handed way to pass the business to another firm. This practice should therefore be stopped. The companies that

lose out should have the right to complain to the Procurement Office if they suspect any foul practice. Cancellations, together with their justification, should be published in the media, just like tender announcements and results. The resulting public scrutiny should help in reducing the number of cancellations.

Effective contract management ensures that suppliers keep the commitments they have made in their bid. Execution should be controlled by the purchasing authority’s internal audit department. The authority should also be held accountable for its side of the contract. Settlement of contractor’s invoices should take a maximum of 60 days.

Contract evaluation allows an assessment of performance against targets to be reached over time and the undertaking of necessary corrective measures. After completion of the contract, the institution will enter the performance feedback and information on the tender award into the contractor database. This will help other institutions in gathering information about potential suppliers. It will also save companies the effort of having to detail their previous contracting experiences every time they make a bid.

The contractor database will be reviewed yearly in a meeting of the heads of procurement departments or head officers of government institutions, together with the IOF. Eventually, contractors who underperform or who do not respect social and environmental standards could be disqualified and de-registered.

Theme 4: Market Engagement

In general, importers and manufacturers in the local market do have the necessary sustainability know-how, through their studies or their interaction with foreign suppliers. However, this technical competence often fails to translate into a focus on sustainability in the import or manufacture of products because clients, including government agencies, are perceived as neglecting sustainability in their demand criteria. In order to promote public demand and thereby encourage the development of a local market for sustainable products in the domestic market, it is therefore important to foster cooperation between the productive and the public sectors. Various channels of cooperation are shown below.

Objective	Measures	Target	Actions	Responsibility
Engage with suppliers to secure delivery of sustainable products	Increase cooperation with suppliers	Exchange of information and encouraging more suppliers to participate	Target suppliers through a website linked to contractor registration interface	Communication task force
			Fairs and exhibits for sustainable products	
			Suppliers provide information about sustainable solutions in common contractor database	Suppliers
			Training on the sustainability of priority products	Procurement practitioners / Supplier representatives / Suppliers / IOF / Public

			starting by June 2013	Procurement Department
		Joint initiatives	Public-private initiatives in priority products	Ministers and heads of procuring entities / IOF / Supplier representatives
	Increase cooperation with NGOs	By the end of 2012, all Ministries and procuring entities start recycling	Ministries and procuring entities enter paper and IT recycling contracts with NGOs	Ministers and heads of procuring entities / Procurement practitioners / NGOs
		By September 2013, Ministries and procuring entities establish green public places plans	Plan green government buildings	Procurement practitioners / Lebanese Center for Energy Conservation / NGOs
			Plan use of alternative energy in public locations	Procurement practitioners / Lebanese Center for Energy Conservation / NGOs

Public entities must increase their cooperation with suppliers through a better exchange of information and collaboration on common initiatives. The database compiled through contractor registration provides a point of contact with individual suppliers. It can be linked to a supplier information portal. To ensure face-to-face interaction, workshops for procurement officers and suppliers of the priority products will be organized by the IOF.

At a higher level in the procurement hierarchy, the Ministers and Institution Leaders should interact directly with supplier representatives such as the Chambers of Commerce and the Association of Lebanese Industrialists (ALI). The government could be associated with private awareness raising efforts which are in many cases ahead of the public sector, as for example ALI's Green Business Initiative.

The market readiness analysis identified the need for improvement of corporate access to public procurement. This can be achieved through the simplified registration procedure and the application of the unified public procurement procedure by Ministries and Institutions.

The public sector should make its purchases with the aim to engage with suppliers. To do this it has to put procurement in a flexible framework which privileges performance rather than technical specifications. Although it can be more difficult to evaluate, performance leaves a greater scope for variation and encourages innovation more than precise technical criteria.

The public administration must also increase its cooperation with NGOs. The main role of many NGOs is to promote and raise awareness on recycling, but they are not always in the implementers of these programs. Implementation is the realm of the national government and of municipalities. Local NGOs are available to assist governmental organizations in recycling their paper and IT machines, but so far some private companies have made better use of their assistance than the public sector. National and international NGOs can also help government institutions to plan green buildings and to use alternative energy in public locations.

A medium and longer term objective is the development of sustainable industries by encouraging sustainability in existing production and promoting the growth of new sustainable industries. Local production standards have to be raised by updating and upgrading the national standards issued by LIBNOR, and by the stricter enforcement of the standards. For public procurement, this also means identifying contractors who have a high sustainability impact. The information can be drawn from the contractor database, provided it is updated correctly by suppliers and the public authorities that awarded them projects.

The development of new sustainable industries, for example the production of recycled office paper, can be encouraged by the state with tax exonerations and other incentives.

Combining several approaches to market engagement into one initiative might be the most effective way to get suppliers involved. Paper could be used for a project involving a national, government-led paper savings initiative, pooling of government disposal contracts and incentives for producers.

Monitoring and Evaluation

Transparency and verifiability are essential elements of sustainable procurement. This is also reflected in the monitoring and evaluation phase, which is detailed below.

Objective	Measures	Target	Actions	Responsibility
Monitor PP preparation and contracts	Tender preparation	By March 2013, enforce monitoring of PP preparation and contracts	Assessment of consultant study	Court of Audit
			Tender decision (for tenders over LBP 100 million or other limits specified by any new law)	Tender Board
			Check technical specifications in bidding documents	Court of Audit
	Tender award	By the end of 2012, enforce monitoring of PP tender awards	Check correctness of tender award and final acceptance	Court of Audit
	Contract Management	By March 2013, enforce monitoring of PP contracts	Include penalties for non-fulfillment of contract	Court of Audit
			Supervision of public works	Procuring entity controller
			Inspection and testing of supplied goods	Committee of procuring entity that receives the goods, private laboratories, Industrial Research Institute
			Verification of warranty	Court of Audit

Objective	Measures	Target	Actions	Responsibility
Monitor implementation of the SPP Action Plan	Auditing and Reporting	Bi-annual assessment	Progress on SPP commitments, targets and delivery	Public Procurement Department
		Yearly assessment	Internal PP audit includes SPP	Internal audit departments of procuring entities
			Assess compliance with SPP	Independent private companies / Public Procurement Department
			Assess the SPP process	
			Review of priority products	IOF / OMSAR / Heads of procurement departments or head officers
			Review of common contractor database and information website	
			Progress report on individual Action Plans	Heads of procurement departments or head officers / IOF
			Review and update of national Action Plan	Capacity Building task force
			Compare SPP progress with other countries	
			Core Indicator Benchmark for capacity building and procurement process	
Budget review	Internal audit departments of procuring entities / Public Procurement Department			
Set SPP targets	Integrate sustainable development priorities in PP process	Alignment of SPP targets on development priorities and planning	IOF involvement in national development strategy	IOF and Ministries of Economy, Energy and Water, Industry, Agriculture and the Environment
Study impacts of SPP	Determine SPP impact on PP, sustainable development, and the domestic market	Completed by the end of 2013	Carry out case studies and analyze overall impact	IOF / UNDP / UNEP

The audit and reporting functions are important mechanisms to ensure legally compliant preparation of tenders and contract execution, implementation of the SPP Action Plan, setting of SPP targets, and studying the impact of SPP. Monitoring and evaluation demonstrates the accountability of SPP stakeholders and the value of the program itself. The Court of Audit will be responsible for overseeing many aspects of tender preparation and awards, as well as contract management.

The implementation of the SPP Action Plan will be monitored internally and externally. The Public Procurement Department and the IOF will need to measure the function and impact of SPP activities and the level of success in meeting defined targets. Once implementation starts, the outcomes and impacts of the projects must be monitored. They should also carry out a yearly assessment of the various priority sectors to update the database of existing suppliers in the market and add new ones. The review of priority products should include the number and value of green contracts that were concluded and a review of sustainability criteria that were used. These will be measured against the percentage target of sustainable procurement contracts. Any new sustainable products which might be potential alternatives should also be researched. The common contractor database and linked supplier information portal will also be reviewed, and remodeled if necessary.

Procuring entities should provide a yearly report to the task force or any other valid proposition on the progress they are making on their individual Action Plans. This will help the Capacity Building task force in reviewing and updating the overall Action Plan and comparing the national progress in SPP with that of other countries.

To measure what progress is being made, the task force will use core indicator benchmarks. For Capacity Building, this could be the percentage of procuring entities who have gained knowledge of life-cycle costing, sustainability criteria in bidding documents, and the unified database. For the procurement process, this could be the percentage of bids that incorporate sustainable products.

The IOF also has to ensure that the SPP targets are aligned with and integrated in national development objectives. It can be a partner of other departments in the Ministry of the Finance, as well as other Ministries, in the formulation of the national development strategy.

Finally, the IOF, with help from the UNDP and UNEP, should carry out case studies and analyze the overall impact of SPP on the procurement process, as well as the development of the national economy and domestic markets.

Budget

An overview of the required budget, broken down by year and by theme, is shown below. The budget is the highest in the first year, since it includes a one-time awareness raising and training expenses and publishing and distribution costs that will not recur before another three to five years. The global three-year budget is USD 604,026 excluding recruitment and website costs. The budget for each theme is detailed in Appendix B.

Budget						
	Capacity Building	Policy	Communication*	Procurement Process	Monitoring	Total
Year 1	Workshops/ training \$24,656	Workshops \$8,620	SPP conference \$14,000	UNEP's Lebanese SPP training toolkit \$7,000	Compliance with SPP & process \$50,000	
			Calendar \$5,250			
			IT employee \$30,000			
			SPP booklets \$30,000			
			Market research \$20,000			
			Supplier Event \$13,000			
			Uni/schools \$50,000			
			TV documentary \$15,000			
			Total \$177,250			
Year 2			Calendar \$5,250		Compliance with SPP & process \$50,000	
			IT employee \$30,000			
			Market research \$20,000			
			Supplier Event \$13,000			
			Uni/schools \$50,000			
Total \$118,250		\$168,250				
Year 3			Calendar \$5,250		Compliance with SPP & process \$50,000	
			IT employee \$30,000			
			Market research \$20,000			
			Supplier Event \$13,000			
			Uni/schools \$50,000			
Total \$118,250		\$168,250				
Total	\$24,656	\$8,620	\$413,750	\$7,000	\$150,000	\$604,026

*Excluding website costs

Conclusion

In Lebanon, as elsewhere, the state is a major consumer of the economy. Due to the leverage it has in the domestic market, the public sector is the ideal target for the introduction of a sustainable mode of consumption. By practicing sustainable public procurement (SPP), government institutions can achieve value for money on a whole life basis not only in terms of efficient spending of public funds, but also by generating benefits to the environment, society, and the entire economy.

Institut des Finances Basil Fuleihan, which is linked to the Ministry of Finance, is the national focal point for the achievement of this goal, supported by the United Nations Development Program (UNDP) and the United Nations Environment Program (UNEP). The method employed to implement SPP is that developed by the Marrakech Task Force on SPP (MTF). Lebanon is one of the seven pilot countries where the methodology has been tested.

Following a status assessment, a legal review was carried out to determine the current SPP framework. The review shows that the public procurement process is currently decentralized and lacks formal sustainability criteria. Nevertheless, the existing legal framework allows the immediate introduction of such criteria into public procurement by the way of Government Circulars. On the legal front, the SPP assessment comes at an opportune time for Lebanon, since a Public Procurement Draft Law is approaching the adoption stage.

The MTF risk-based prioritization methodology yielded six priority products: Paper, IT (printers and toners), detergents, pesticides, lighting, as well as water taps and flushing systems. A market readiness analysis, which includes a sectoral assessment of the priority products, was carried out. It showed that except for detergents, none of the priority products are produced locally and have to be imported. The public sector is the most important buyer of office paper, followed by IT products, and its influence is therefore especially large in these sectors.

Companies cited a lack of awareness of sustainability issues and a focus on price, among the general public but also in government agencies, as barriers to the implementation of SPP. The heavy and often corrupt bureaucracy excludes many companies from competing for government business. By unifying the process and making it more transparent, the state could encourage greater supplier engagement. The government could also support the development of a local market for sustainable products, and their adoption by the private sector, by buying such products itself.

Based on the legal review, the market readiness analysis, and feedback from a workshop organized by The Consultant, a national Action Plan was developed. The plan centered on the leadership, responsibilities, and technical capacities of the people involved, the policy, strategy and communication, the procurement process, the engagement of suppliers, and measurement and results. The steps in the Action Plan include the responsible actors for implementation, as well as the timing over a three-year period, and the budget.

Starting with a policy statement by the government, the Plan will help to improve how and what the Lebanese public institutions buy. The benefits of responsible procurement, use, and disposal will spread beyond the public sector to the larger economic, social, and natural environment.

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Appendix B: Detailed Budget

Capacity Building Task	Budget	
Train-the-Trainers workshop on SPP	Daily Rate	\$800
	Number of Days	5
	Number of Participants	30
	Coffee Break	\$1,200
	Lunch Break	\$2,250
	Lodging for Expert	\$750
	Dining for Expert	\$500
	Total	\$5,500
Awareness-raising workshop for Ministers and heads of procuring entities on the basics and importance of SPP	Daily Rate	\$600
	Number of Days	1
	Number of Participants	46
	Coffee Break	\$368
	Lunch Break	\$1,380
	Lodging for Expert	\$150
	Dining for Expert	\$100
	Total	\$2,598
Awareness-raising workshop for Ministers and heads of procuring entities on the SPP action plan and the unified SPP process	Daily Rate	\$600
	Number of Days	1
	Number of Participants	46
	Coffee Break	\$368
	Lunch Break	\$1,380
	Lodging for Expert	\$150
	Dining for Expert	\$100
	Total	\$2,598
Awareness-raising workshop for procurement practitioners on the basics and importance of SPP	Daily Rate	\$600
	Number of Days	1
	Number of Participants	40
	Coffee Break	\$320
	Lunch Break	\$600
	Lodging for Expert	\$150
	Dining for Expert	\$100
	Total	\$1,770

Capacity Building Task (cont.)	Budget	
Awareness-raising workshop for procurement practitioners on sustainable use of products	Daily Rate	\$600
	Number of Days	1
	Number of Participants	40
	Coffee Break	\$320
	Lunch Break	\$600
	Lodging for Expert	\$150
	Dining for Expert	\$100
	Total	\$1,770
Awareness-raising workshop for procurement practitioners on the unified SPP process	Daily Rate	\$600
	Number of Days	1
	Number of Participants	40
	Coffee Break	\$320
	Lunch Break	\$600
	Lodging for Expert	\$150
	Dining for Expert	\$100
	Total	\$1,770
Training for Ministers / Directors on unified SPP, UNEP's Lebanese SPP training toolkit and basic life-cycle costing	Daily Rate	\$800
	Number of Days	1
	Number of Participants	25
	Coffee Break	\$200
	Lunch Break	\$750
	Lodging for Expert	\$150
	Dining for Expert	\$100
	Total	\$2,000
Training for procurement practitioners on unified SPP, UNEP's Lebanese SPP training toolkit, priority products, communication channels and life-cycle costing	Daily Rate	\$800
	Number of Days	5
	Number of Participants	40
	Coffee Break	\$1,600
	Lunch Break	\$3,000
	Lodging for Expert	\$750
	Dining for Expert	\$500
	Total	\$6,650

Policy Task	Budget	
Introduce Sustainability in PP - Workshop on common guidelines for priority products groups with specific criteria	Daily Rate	\$800
	Number of Days	3
	Number of Participants	40
	Coffee Break	\$960
	Lunch Break	\$1,800
	Lodging for Expert	\$450
	Dining for Expert	\$300
	Total	\$4,310
Unify PP Process - Workshop on unified PP process including SPP criteria	Daily Rate	\$800
	Number of Days	3
	Number of Participants	40
	Coffee Break	\$960
	Lunch Break	\$1,800
	Lodging for Expert	\$450
	Dining for Expert	\$300
	Total	\$4,310

Communication Task	Budget	
Hold an SPP conference	Venue and Food	\$9,000
	Invitations (3000 invitations)	\$3,000
	Number of Days	1
	Number of People	300
	Cost for Confirmation (10 Part-timers, 10 days, \$20 daily rate)	\$2,000
	Total	\$14,000
	Create calendar which includes seminars and training sessions on sustainability and the priority products	1 month procurement department staff salary
Price for 5000 calendars		\$3,750
Total		\$5,250

Communication Task (cont.)	Budget
General Information posted on procuring entity websites, newsletters, and in the press	
Establish a common online input interface for contractor registration linked to an SPP website	IT employee Salary
Remind existing suppliers to update their registration with any change in information via a quarterly e-mail	1 \$2,500 per month
	\$30,000 per year
SPP website linked to input interface for contractors	
SPP Website	One-off set-up cost up to \$200,000
	Yearly hosting fee \$360
	Yearly domain fee \$360
	Total \$200,720
Publish booklets on SPP and distribute to suppliers	Number of booklets 1,000
	Publication cost per booklet \$2
	Distribution cost \$1,000
	Total \$3,000
Yearly market research assessment to identify any new suppliers or new technologies / products	\$20,000
Event honoring the efforts of suppliers who deal with sustainable products	Venue and Food \$9,000
	Invitations (1000 invitations) \$2,000
	Number of Days 1
	Number of People 300
	Cost for Confirmation (10 Part-timers, 10 days, \$20 daily rate) \$2,000
	Total \$13,000
Yearly competitions and seminars at public universities and schools	\$50,000
Televised documentary	\$15,000
Quarterly TV air time	Depends on Ministry of Information Right to Air Time

Procurement Process Task	Budget
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Publishing of guidelines on sustainability and distribution in Ministries and procuring entities, public universities/schools, and Companies	Number of booklets	6,000
	Publication cost per booklet	1
	Distribution cost	\$1,000
	Total	\$7,000

Monitoring Task	Budget
Yearly assessment of compliance with SPP	\$50,000
Yearly assessment of the SPP process	