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Integrity Compliance Report

Ministry of Economy and Trade
Pilot Project – Consumer Protection Department
December 2015 – June 2016



REPUBLIC OF LEBANON
MINISTRY OF ECONOMY & TRADE

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Executive summary

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Findings

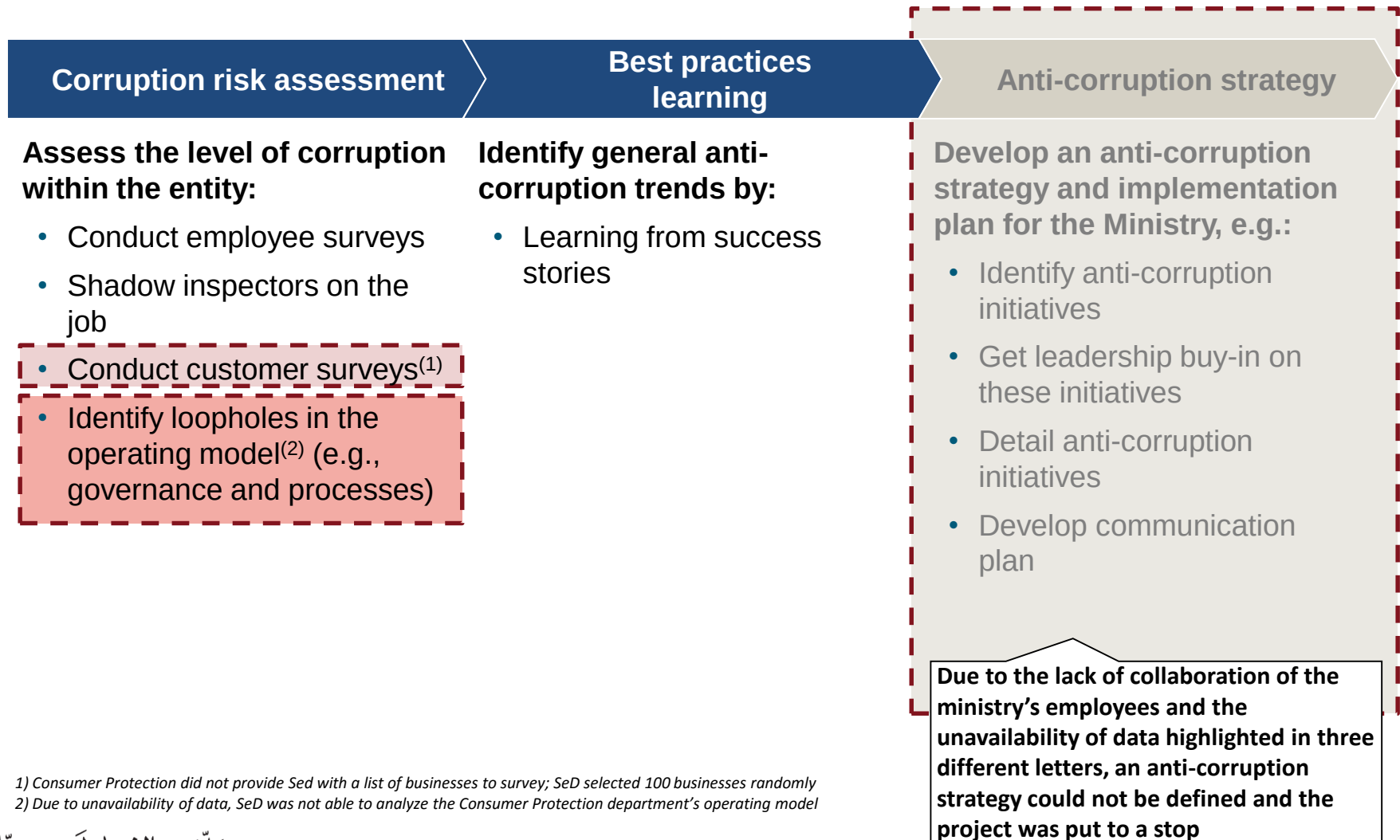
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Best practices

4

Recommendations

SeD could not define a CP anti-corruption strategy due to the unavailability of data



1) Consumer Protection did not provide Sed with a list of businesses to survey; SeD selected 100 businesses randomly

2) Due to unavailability of data, SeD was not able to analyze the Consumer Protection department's operating model

The survey conducted with 68 employees of the Ministry led to 3 key findings

Overview of the survey

Objective

- Assess Ministry's integrity and governance at institutional, managerial and individual level

Approach

- 45 questions delivered via a face to face interview

Participants

- 68 employees in Beirut (32% of total employees)
- Representation across several departments (e.g., Diwan, Consumer Protection, Intellectual Property, Trade)

Key findings

1

Ministry's leadership is perceived to be willing to fight corruption and leading by example

2

Anti-corruption policies, processes and governance are weak / non-existent within the ministry

3

Several types of corruption visible in the Ministry

While shadowing 17 field inspectors, we identified key gaps in service delivery and potential for corruption

Institutional weaknesses

Under-equipped inspectors	- Inspectors are under-equipped, ranging from transportation to the tools allowing them to determine the prevalence of fraud - They mostly relocate to other ministries since they do not enjoy sufficient guarantees
Lack of collaboration between entities	- Evident overlap of powers between ministries concerned about CP (Ministry of Health, Ministry of Economy and Trade, Ministry of Tourism) leading to unclear areas of accountability Lack of cooperation and coordination between ministries or municipalities
Limited productivity of inspectors	- Although the number of inspectors has increased by 500% in the past 7 years, the output of the CP department did not: 120 reports were made in 2009 while 342 reports were made in 2014 - There is no performance management system to assess the performance of inspectors
Absence of long term contracts	- There are no official ministry labs - the ministry signs annual contracts with private labs - This constitutes a drain on its budget and creates a great potential of corruption
Conflicts of interest	The existence of an ambiguous relations between municipalities and generator owners, drawing from overlapping interests between the two stakeholders, makes it difficult for the ministry of Economy to protect consumers with regards to private generator pricings who tend to overprice without accountability

The survey conducted with key stakeholders in private institutions led to 3 key findings

Institution-level surveys

Objective

- Assess information availability and transparency, services provided and integrity perception in relation with quality and speed of service

Approach

- 68 questions delivered via a face to face interview
- Sample: 200 institutions (100 chosen randomly and 100 from the Ministry's list)

Participants

- 75/100 institutions in Beirut targeting distribution, import, export, electronics, food, beverage, gas stations and generator owners

1

Performance has been improving over the past 5 years

2

Ministry's leadership is perceived as lacking integrity

3

The Ministry's procedures are perceived as lacking transparency

In addition, a number of issues were identified through our interaction with the department's employees

Observations

- Lack of transparency in the department's activities
- Arbitrary selection of businesses to inspect
- Probable notification of businesses prior to inspection
- Absence of information on follow-up activities (judicial, police, etc.)
- Inadequate statistics on inspector performance
- Inadequate statistics allowing analytical solutions / preventive measures to recurring infractions
- Lack of monitoring of progress vs. complaints received

Quick win solutions could be implemented at low cost to improve the performance of the Consumer Protection's department

Institutional weaknesses

Technology

- A number of secure low-cost applications can be developed to digitize the inspectors' reporting
- Inspectors would enter their activities and reports on a centralized system, making the performance assessment and follow-up manageable
- A revision of the CP's smartphone application would help attract consumers and increase their willingness to raise complaints and provide information

Culture

- A culture change program is required to modernize the approach and behavior of the ministry's employees emphasizing:
 - Anti-bribery and corruption policies (84% of employees reported never attending such a training)
 - Meritocracy and performance
- Leading by example is a must and change has to be visible and encouraged top-down

Capabilities

- 52% of surveyed businesses were not satisfied with the level of knowledge of inspectors and their educational capabilities – training the employees would also increase their morale and motivation
- Inspectors should be provided with means of transportation or protection when they visit remote and risky areas/businesses (i.e., generators)

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1

Ministry's leadership is perceived to be willing to fight corruption and leading by example

86%

believe that that the Minister and its team are working towards a more transparent and corruption-free Ministry, however pessimistic about the success

84%

believe that the Ministry's leadership is leading by example

29%

claim that transparency is not clearly stated in the Ministry mandate and objectives

2

Anti-corruption policies, processes and governance are weak / non-existent within the ministry

84%

never attended **anti-corruption trainings**

62%

claim that there are **no code of conduct or guiding principles against corruption**

46%

claim that **there are no processes in place to report corruption**

3

Several types of corruption visible in the Ministry

33%**witnessed corruption****30%****witnessed employees being pressured to conduct an activity****23%****witnessed employees deliver services that do not meet the customer needs****22%****claim that employees put their personal needs before the Ministry's****22%****witnessed bribery****20%****witnessed employees delivering wrong information to customers**

In addition, we shadowed 17 field inspectors in order to identify gaps in service delivery and potential for corruption

Overview of the “shadowing inspectors” research piece

Objective

- Evaluate performance motivation and degree of tolerance towards corruption
- Compare regulations to practices and identify gaps in the service-delivery
- Link and analyze corruption mechanisms

Approach

- Field inspections covered several areas of interest: restaurants, shops, supermarkets, gas stations and generators

5 key findings were identified

Institutional weaknesses

Under-equipped inspectors

- Inspectors are **under-equipped**, ranging from transportation to the tools allowing them to determine the prevalence of fraud
- They mostly **relocate to other ministries** since they do not enjoy sufficient guarantees

Lack of collaboration between entities

- Evident **overlap** of powers between ministries concerned about CP (Ministry of Health, Ministry of Economy and Trade, Ministry of Tourism) leading to unclear areas of accountability
- **Lack of cooperation and coordination** between ministries or municipalities

Limited productivity of inspectors

- Although the number of **inspectors has increased by 500%** in the last 5 years, the **output of the CP department did not**: 120 reports were made in 2009 while 342 reports were made in 2014

Absence of long term contracts

- There are no official ministry labs - the ministry signs annual contracts with private labs
- This constitutes a **drain on its budget** and creates a **great potential of corruption**

Conflicts of interest

- The existence of an **ambiguous relations between municipalities and generator owners**, drawing from **overlapping interests** between the two stakeholders, makes it difficult for the ministry of Economy to protect consumers with regards to private generator pricings who tend to overprice without accountability

We conducted a survey with key stakeholders in private institutions resulting in 3 key findings

Institution-level surveys

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The Ministry's procedures are perceived as lacking transparency

1

Performance has been improving over the past 5 years

Q18: In the past 5 years, have you noticed any change in the MoET's inspector's behavior?

29%

believe there has been an improvement in the inspectors' behavior

72%

better performance

17%

better knowledge

4%

better approach

6%

others

2

Ministry's leadership is perceived as lacking integrity

33%

believe the senior management at the Ministry of Economy & Trade **do not have a high level of integrity**

Q33

33%

believe that the minister and leaders in the ministry **are not making efforts to improve the integrity and transparency in the ministry** (24% believe that the ministers in general do not make enough effort)

Q34

52%

believe that the recruitment system in the ministry is **not based on the principle of merit and efficiency**

Q35

30%

believe that **the senior officials and staff** of senior management will be **more willing to accept a bribe**, compared with employees in the lower ranks and administrative staff

Q36

3

The Ministry's procedures are perceived as lacking transparency

41%

declare **not to be familiar with the decision-making** within the Ministry of Economy & Trade

Q38

31%

believe that the government offices **do not provide adequate access to public information** related to their activities during the year

Q32

52%

declared **not to know the procedures, the costs, and the time frame** for each formality **within the Ministry of Economy**

Q9

50%

of those individuals who declared to be in charge of formalities with MoET declared that **it is hard to very hard to finish a formality**

Q49

In general, a few improvement opportunities were mentioned

Improvement opportunities mentioned

Increase awareness and education of shops and big institutions

Clarify the different duties of the ministry of health and the MoET

Simplify procedures (e.g., in terms of time)

Enforce penalties and regulations

Have the right person at the right position

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3 **Best practices**

4 Recommendations

High level benchmarking show CP's shortcomings, namely at the level of trainings offered and transparency

	Qatar	France	Canada	Dubai	Lebanon
Specialised organism	✓	✓	✓	✓✓✓	✓
Own website	✗	✓	✗	✓	✗
Selection/Training of agents	N/A	✓✓✓	N/A	✓	✗
Salary of agents	N/A	✓✓✓	N/A	✓✓✓	✗
Surveys publications	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓
Visibility about legal regulations	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓
Relations with local specialised associations	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓
Follow-ups of sanctions/inspections	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓

Different mechanisms should be used concurrently in order to minimize risks of corruption

Mechanism	Impact
Independent anti-corruption institution	Creating a strong institution capable of effectively implementing anti-corruption initiatives
Strong policing	Ensuring compliance with anti-corruption measures through targeted enforcement activities
Corruption proof processes	Eliminating any loopholes in current processes that allow corruption
Innovative technologies	Leveraging of world-class technology solutions to fight corruption
Motivated staff and engaged public	Strengthening the capability, commitment and awareness of anti-corruption agents as well as of the general public and public agents
Strict regulation	Strengthening corruption related regulation

A number of initiatives can be found along each of those dimensions



Independent anti-corruption institutions

- Set-up a **strong institution** capable of effectively implementing anti-corruption initiatives
- Define **objective, governance and operating model** of such an institution



Targeted use of technology

- Develop **e-government initiatives** to enhance the efficiency and transparency of public administration (e.g., e-Procurement)
- Implement **analytical tools** to identify data anomalies (e.g., finance)



Strong policing

- Set-up **strong policing unit** to investigate and monitor corrupt behaviors
- Facilitate **close & regular collaboration** between Ministry of Interior and policing unit



Motivated staff and engaged public

- Develop **anti-corruption training courses** (e.g., behaviors in corruption prone situations) for government staff
- Launch **anti-corruption campaigns** to raise public awareness



Corruption proof processes

- **Review and indentify loopholes** in current processes that allow corruption
- Develop **new processes** to eliminate corruption (e.g., recruitment, finance)



Strict regulation

- Identify **loopholes in current regulations**
- Develop **new and strict regulations** against corruption

Case study: Hong-Kong



Mechanism	Initiatives taken by Hong Kong
 Independent anti-corruption institution ✓	Established the Independent Commission Against Corruption in 1974
 Strong policing ✓	Dedicated teams of experts (e.g., surveillance experts, forensic accountants) to monitor and capture any fraudulent activities
 Corruption proof processes ✓	Developed a checklist for internal operations prone to corruption (e.g., tendering process, payment procedures, recruitment guidelines)
 Innovative technology applications ✓	Monitored corruption suspects through the use of technology (e.g., monitoring systems, cameras, financial tools)
 Motivated staff and engaged public ✓	- Attracted and retained top talent through a competitive value proposition - Created several anonymous whistleblowing channels
 Strict regulation ✓	Strengthened anti-corruption laws and implemented a zero tolerance law enforcement

Hong Kong effective initiatives positioned it as one of the least corrupted countries according to TI¹ (#17/174 in 2014)

Case study: Qatar (Middle East Award For Consumer Protection 2015)

NON EXHAUSTIVE

Specialized organism	The Consumer Protection Sector at the Ministry of Economy and Commerce
Own website	CPS has its own space in the MEC's website – very clear and complete – Updates News often
Social networks	Facebook, Instagram.. no Twitter
Hotline/SMS	Free Hotline + SMS + email address + online complaint
Surveys publications	2015 report highlights: • 4,573 complaints were received and all were addressed • 1,302 businesses surveyed • 275 infractions to consumer protection standards • 74 goods were removed from market • 19 sales points were closed for infraction (fraud, display of expired products, etc.)
Visibility of legal regulations	Law n°8 2008 available on the Internet + On the MEC website/CPS section: Consumer tips / Consumer Rights / Smart Consumer Secret / Supplier Obligations ... sections very clear and detailed
Relations with local specialized associations	• The website explains the importance of interacting closely with the civil society • MEC launched logistics and storehouse projects over an area of 9mn sqm, which would be implemented through partnerships between the government and private sector companies. The first phase of such projects is already being implemented
Follow sanctions/inspections	• Suppliers who breach any of the provisions of the law may face "detention for a term not exceeding two years and fine". • The fine has recently been increased in an amendment Law (14) of 2014 from one of between 5,000 and 10,000 Riyals to one of between 3,000 and 1 million Riyals. This penalty doubles if the supplier repeats the offence within five years of the original infringement • If the supplier fails to advise of a dangerous commodity the fine has been amended to one of between 15,000 and 100,000 Riyals to one of between 15,000 and 1 million Riyals (excluding suppliers who unintentionally advertise incorrect information if it is determined that the information provided was too technical to verify) • Law No (14) of (2011) further adds that violating shops can be closed by up to three months where repeat violations occur

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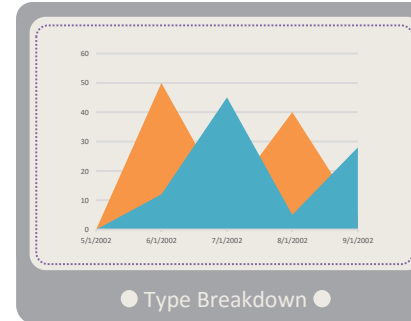
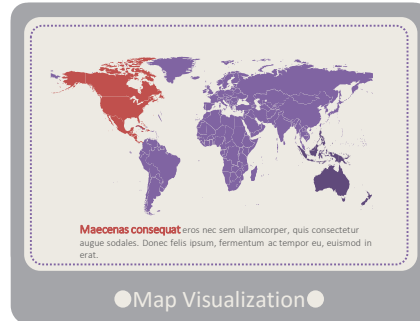
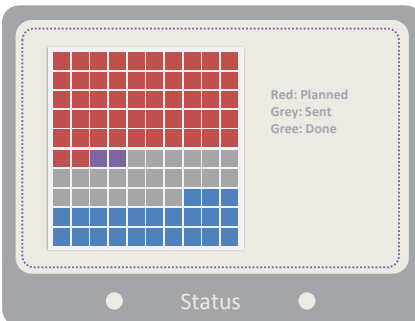
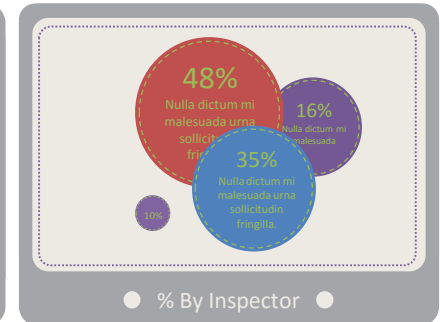
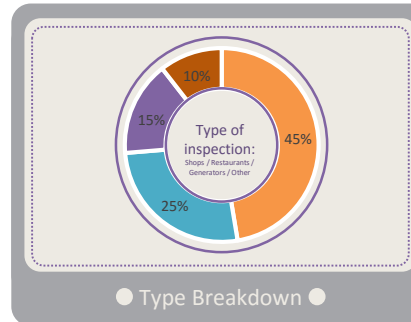
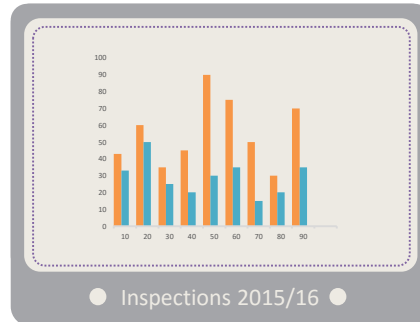
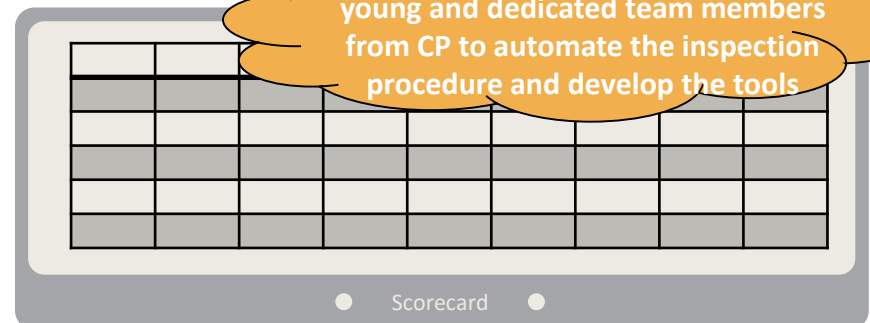
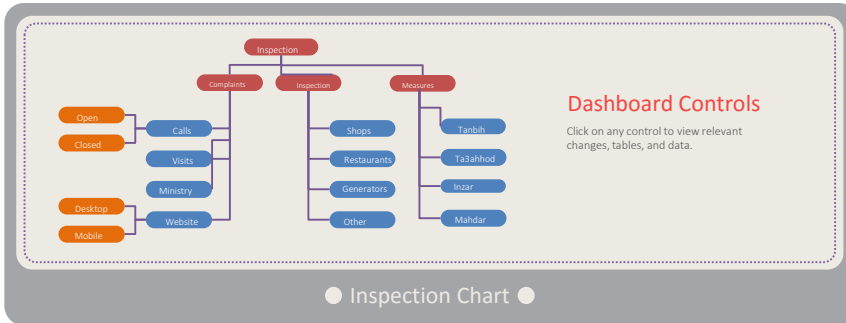
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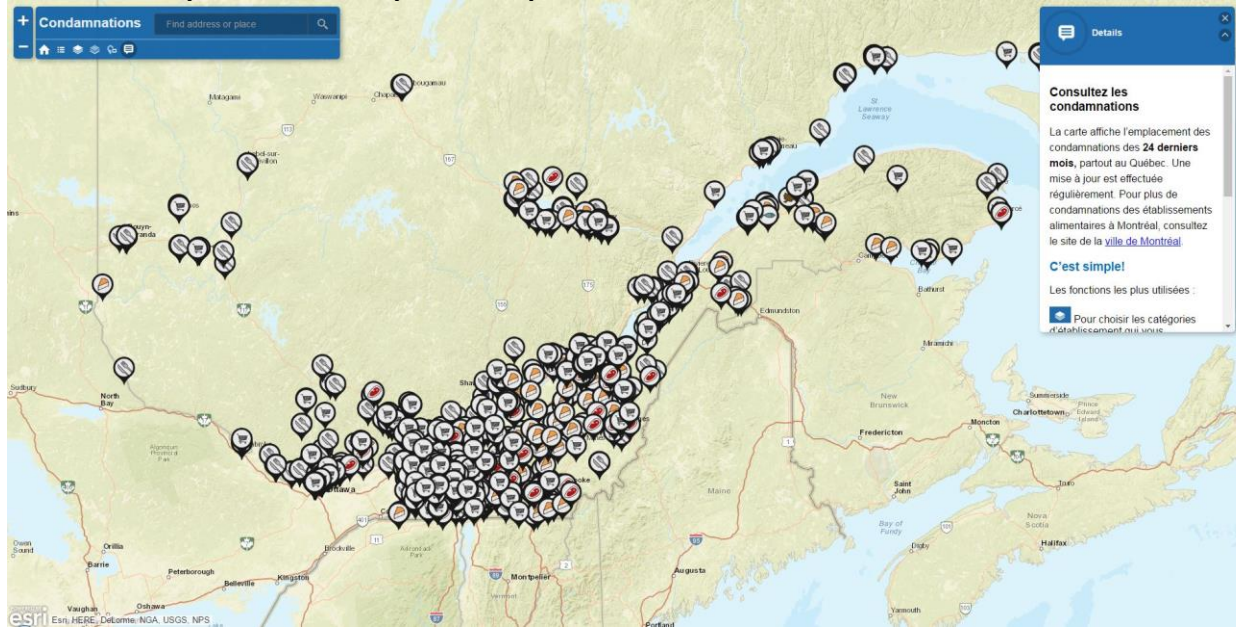
The ministry should move as soon as possible towards a solution providing an easy to read dashboard

Sakker el Dekkene could train two young and dedicated team members from CP to automate the inspection procedure and develop the tools

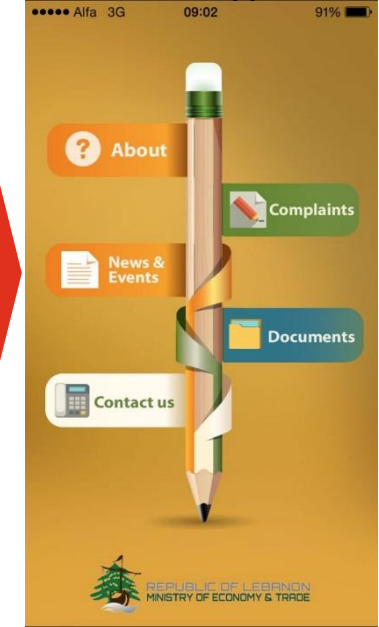


A transparent solution would increase the participation of the consumer, and help restore the trust with the ministry

Canada – Snapshot of the inspection reports available on website



Lebanon – CP Application



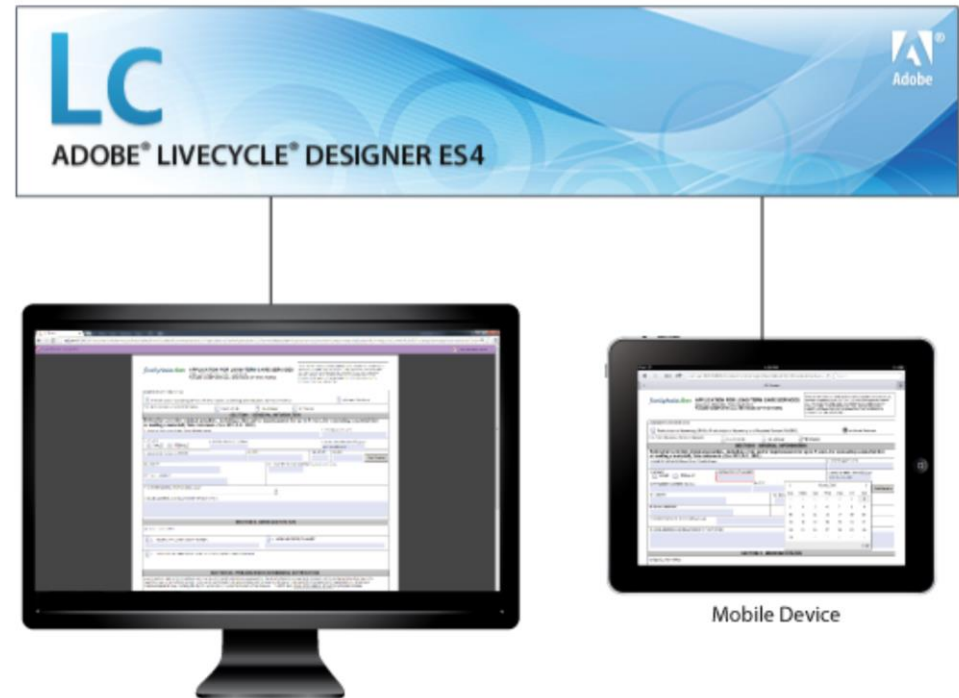
- **Existing application:** the existing application offers consumer the possibility to file a complaint, with no further opportunity to follow up, read reviews about other businesses, or participate in the performance management of the CP department
- **Suggestion:** providing citizens and consumers with an interactive and up-to-date application would instill a sense of purpose and encourage them to use the app more actively and support the ministry keep a control on the businesses as well as its inspectors. The application could provide:
 - The location of the businesses inspected and their rating (number of inspections, number of infractions, performance over time, etc.)
 - A means to control the way businesses are inspected and their performance monitored

We recommend the tool Lifecycle – already used by ministry of administrative reform (OMSAR)

Sakker el Dekkene could train two young and dedicated team members from CP to automate the inspection procedure and develop the tools

Advantages:

- Cost effective, (few hundred dollars for a software licence)
- No need for expertise
- Solution can be built in house
- Solution can grow gradually
- First usable product within a week or two max
- Solution can work offline
- Solution can be integrated with paper-based processes

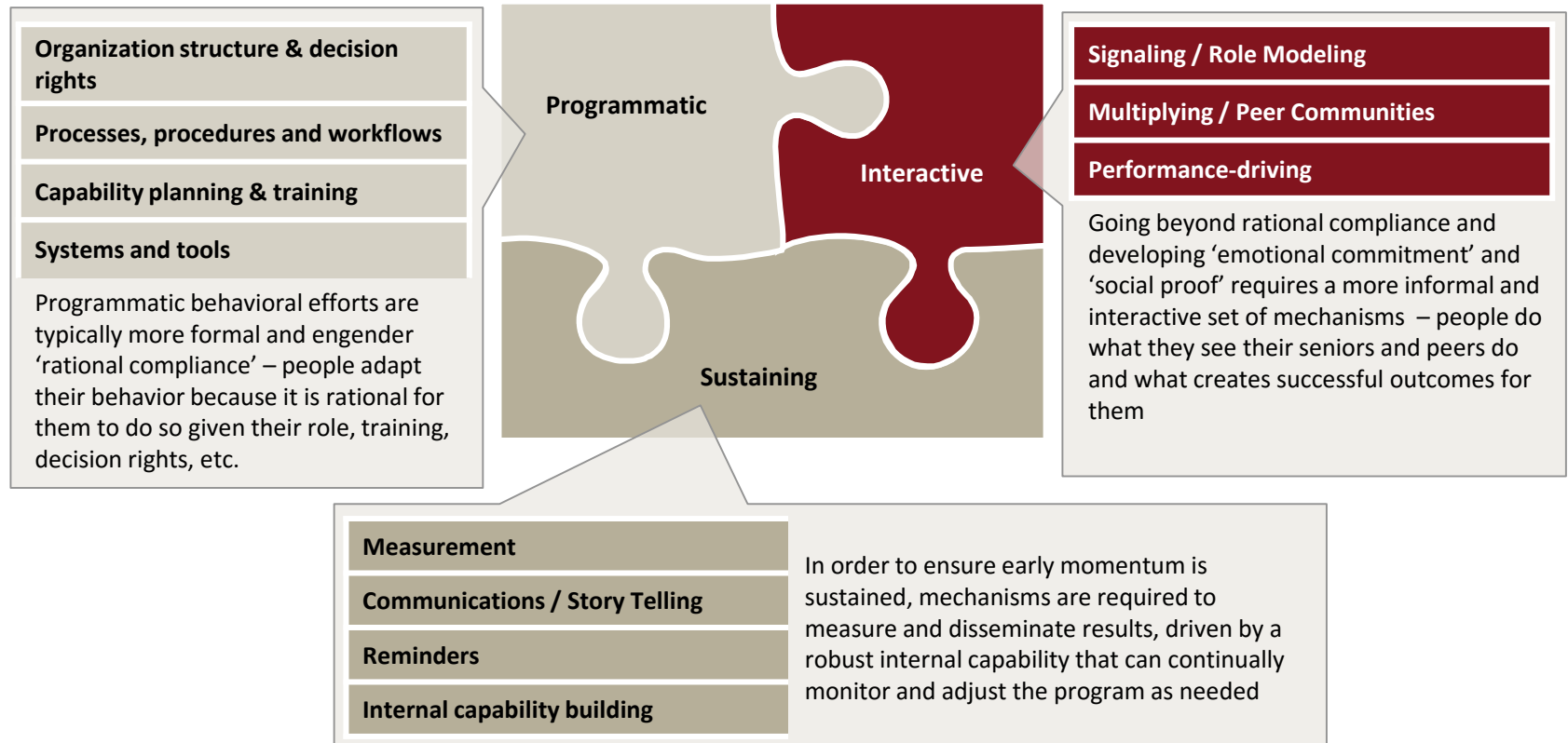


Mobile Device

Behaviors are influenced by programmatic, interactive and sustaining forces; all must be used for maximum impact

Mechanisms that Drive Behavior Spreading and Adoption

Sakker el Dekkene could organize one workshop per quarter with the department's leadership and top employees



Once identified, the critical few behaviors can be spread using a suite of mechanisms working in both directions

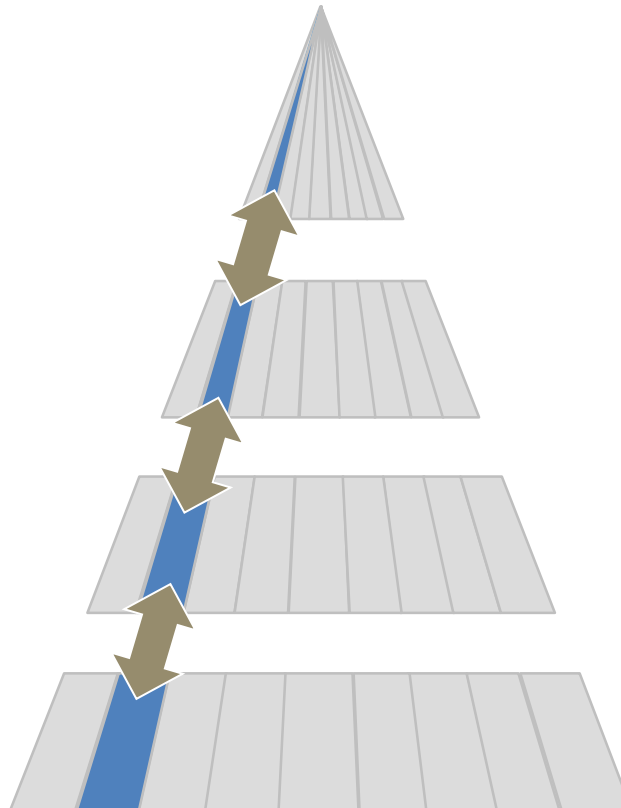
Driving Mechanisms Top-Down & Bottom-Up

Engage the front-line to secure ownership and generate insight

- **Exemplar Communities** – identifying and working with individuals who already exemplify the Critical Few Behaviors to co-design additional spreading mechanisms and engage their colleagues
- **Front-line Leadership Training** – developing and deploying training curricula built around the Critical Few Behaviors to raise awareness and reinforce their importance among the most numerous layer of 'leaders' in the organization



Bottom Up



Sakker el Dekkene could organize one workshop per quarter with the department's leadership and top employees

EXAMPLES

Top Down



Engage management to give permission and create a cascade

- **Individual Behaviors** – providing feedback and coaching to commit senior leaders to role modeling actions
- **People Process Alignment** – ensuring that assessments are coherent with Critical Few Behaviors
- **Communications** – establishing consistent recurring visual cues in the workplace to remind, reinforce and re-engage employees
- **Measurement** – defining KPIs that provide a reliable indication of progress and early warning of issues