

# How to Fund Lebanon Better

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The international nature of development funding and its association with a rules-based order makes it susceptible to political events. It is increasingly taking a back seat in the new Cold War climate, among conflicts that are undermining international law and institutions, and amid widespread cost of living crises.

However, by neglecting or even weaponizing development funding, we lose an important tool in creating mutually assured prosperity and stability. If the West remains committed to the rules-based world that it led on creating after the Second World War, then development funding will be part and parcel of maintaining that order.

Development is not to be confused with humanitarian aid. The economic and social advancements that it can create benefit both funder and funded. This is because it helps the development of new markets and consumers, and deals with some of the root causes of migration. It facilitates international alliances, the support of human rights, the enhancement of world trade, and is a driver for democratic reforms.

However, for development funding to deliver on its promise and not inadvertently reinforce corruption, funders need to ensure that funds reach their objectives and beneficiaries. In countries with known corruption problems such as Lebanon, funders can be tarnished with the same brush of corruption if failures remain shrouded in mystery and with no one publicly held responsible.

[UK-based NGO RITE](#) (Reform Initiative for Transparent Economies) provides new levels of scrutiny that are designed to help projects better succeed, reach their beneficiaries, and safeguard the reputation of funders and funded. RITE's initial focus is on Lebanon given the role of corruption in the collapse of its infrastructure and economy. The destabilising effect this is having on the country is of concern to its citizens, EU neighbours and globally. The systemic problems and solutions that RITE identifies in Lebanon may be adapted by funders in other countries.

RITE considers that evaluating governance on paper runs the risk of rubber-stamping processes that are not working well in practice. This is why RITE takes its oversight to the next level. It does this by investigating project implementation and following lines of responsibility. Its findings provide much needed transparency and accountability and allow for an evidence-based approach to improving risk mitigation and project outcomes for the benefit of funders and their beneficiaries.

The heightened levels of scrutiny over funding that have emerged in the context of Gaza have only increased the relevance of RITE's work. When funding flows again, it will be accompanied by increased concerns that it be spent as intended.

Funders have often called upon recipients to reform before any funding can be made or increased. In many countries, such as Lebanon, the prospect of reforms may be too distant, with intervention needed immediately. This is why RITE has put the emphasis on risk mitigation measures over which funders can exercise control.

## **The Impact of the RITE Findings**

RITE conducted a case study to demonstrate the challenges facing donors and provide evidence-based recommendations. It published its findings in a tightly referenced 80-page Report in May 2023. An abridged version of the RITE recommendations was quickly adopted in an EU Joint Parliament Resolution on Lebanon on 12 July 2023 (Para 12).

RITE focused on the waste sector as it has attracted significant international aid in Lebanon, with the EU leading the way. The periodic pile-up of unhygienic, unsightly, and stinking waste and its poor disposal are a regular cause of public outcry, while the environmental problems they create spill over onto the Mediterranean.

The EU came to the rescue. In a project started in 2005 and ongoing until 2025, the EU spent at least €30 million on building, equipping, and providing operational support to 16 waste management facilities.

It was a much-needed project and the processes specified for implementation seemed good on paper: the municipalities decided on what projects they needed. The specifications for building, equipping and redevelopment of the waste facilities were provided or verified by the EU's local implementing partner OMSAR (Office of the Minister of State for administrative Reforms). OMSAR also managed the bidding and contracting processes. The municipalities were supported by OMSAR and the EU in monitoring operations. All this was done with the involvement of specialist consultants approved by the EU. The EU also approved the selected projects. The UN Development Agency in Lebanon (UNDP) was part of the project steering committee and employed the project manager. Reporting and project assessments were built into the project. Funding for building and equipping the facilities was initially paid outright by the EU to OMSAR. It then adopted a more cautious approach, making direct payments under follow-up programmes that were meant to develop more facilities and support all operations.

However, RITE found that all 16 EU-supported waste facilities failed to meet their objectives. Instead, many created additional risks of environmental and health hazards. Several remained shut for years, opened sporadically, or closed prematurely. RITE found that their under-performance is linked to the EU and OMSAR not fulfilling properly their allocated responsibilities. This wasted EU and Lebanese funds and contributed to the risk of fraud.

The project failings were shrouded in mystery, public denials, and a lack of accountability. The EU commissioned an assessment that was completed in 2020 without publicly releasing it. RITE obtained it through a freedom of information request. The Assessment listed a catalogue of errors and made good recommendations. However, they were different in nature to those offered by RITE, with RITE focused on funder risk mitigation. Also, unlike the RITE findings, the EU-commissioned assessment was adamant that the EU was not at fault, it praised OMSAR, did not find any party responsible, and declared that there was no fraud. The RITE Report shows that these conclusions do not stand up to scrutiny.

Poor management is as wasteful of resources and objectives as fraud. When it is systematic, it points to negligence at best, and possibly corruption.

The waste facilities lacked basic elements such as drainage that protects from environmental hazards, filters that minimise olfactory pollution and some were missing hangars to shield the waste. There were no plans by OMSAR to develop sorting at source. At the same time their choice of waste sorting equipment for the facilities was not well suited for dealing with mixed waste. Several closed because of insufficient planning for the likelihood that the dumpsites where they send their reject waste will be too full and will shut down. The composting technology used at five facilities was not fit for purpose and was discarded. OMSAR tried to shift the blame for some of these failings on a third party. However, the RITE report fact checked their claims, finding them not justified.

The biggest facility of its kind was redeveloped as a public private partnership (PPP) in Tripoli, North Lebanon. OMSAR provided, yet again, inadequate specifications and performance incentives. The PPP, like the other facilities, failed to meet its waste management objectives and stopped being fully functional within 6 months of opening. This is while still costing the Lebanese hefty payments to the operator that did not represent value for money. It is still meant to be operative even if under new management, but RITE's site inspection found it derelict and vandalised. Another waste facility that RITE visited in the North of Lebanon also under-performed throughout its lifespan, closed prematurely, and burned down.

The project did not abide by the principle that repeat business should not go to repeat offenders. Some contracts went to companies that were subsequently placed on the US sanctions list due to their association with corruption, others to operators that were under-performing on other projects, and several contractors did not have the requisite experience.

Monitoring was important to preventing fraud as well as for the facilities to achieve their objectives. This is because the facility operators were paid based on tons of waste received with deductions for performing below agreed contractual targets. Monitoring was primarily the responsibility of municipalities. However, because of their limited experience, the EU entrusted OMSAR with supporting them in this. The EU also offered to provide technical support. This was not properly implemented. An assessment commissioned by the EU described monitoring failures as being "by all stakeholders involved, including by donors who funded the facilities."

Another cause for concern over possible fraud is poor record keeping. The project assessment found it to be "not compliant to the EU reporting standards and should have been much more traceable." And described record keeping by the EU Delegation in Lebanon as tantamount to "loss of institutional memory".

The EU Joint Parliament Resolution of 2023 backed RITE's call for an investigation over the possible misuse of funds.

## How Funders Can Improve Outcomes

RITE agrees with the prevalent view in development that funders should be able to agree objectives and leave it to their implementing partners to reach them as they see fit within the allocated budget. However, RITE recommends that this goals-based framework be combined with risk mitigation measures. Project objectives should be broken down into key stages with clarity on what will be achieved by whom. Funds should be released incrementally following independent verification of satisfactory completion of each stage.

Choosing the right implementing partner is important to success. There is a trend towards partnering with donor country development agencies, multinational organisations, NGOs, and the private sector in the belief that they are less likely to act corruptly or may be more competent. Similarly, it is considered that funding municipalities is likely to produce greater local accountability. The EU-supported waste facilities that RITE investigated employed several of these favoured partnership approaches.

RITE found that all partners need to be subject to risk mitigation measures whoever they may be. They should of course be demonstrably competent, and the funder should do due diligence on their track record. Funders need to also be satisfied that their chosen partner can safeguard as much as possible against conflicts of interest, that everyone within the organisation hierarchy is answerable for their actions, and that they regularly review and address the performance of their team.

Lebanon is a small place where politics and business are intertwined, and where you need those in charge to facilitate work. These relationships are ultimately driven by a profit motive that funders can harness to improve performance. This is through selection processes that bar repeat under-performers, and through contractual terms, pay structures, monitoring, and enforcement that ensures results.

In difficult environments such as Lebanon, it is tempting for funders and their partners to aim for safer projects that have more easily achievable goals. This might however neglect the most urgent needs and leave entire sectors in a state of failure. Feasibility studies and proof of concept need to be conducted on complex projects. While funders and their partners should not shy away from challenges, they should only proceed once satisfied that adequate planning has been made to compensate for regulatory and infrastructure shortcomings.

An important part of strengthening risk mitigation is for funders to facilitate independent oversight in real time at all key stages. This includes planning and project design, bidding, due diligence, contracting, and performance monitoring. It is especially important to empower civil society organisations such as RITE to perform this watchdog function. This should be more than lip service, providing them with the necessary access to information and resources. This is something that the EU Joint Parliamentary Resolution on Lebanon also stressed the importance of.

The EU Commission told RITE that its projects have been done differently since the waste management facilities. However, RITE's analysis shows that there remains work to be done on improving risk mitigation on the ground. This will most likely happen if Lebanon's key funders better coordinate their efforts and work hand in hand with civil society.