



# Administrative Reform: A Shared Responsibility for A Responsible Partnership

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Public Administration and National Integration: Partnership,  
Reform and Modernization  
Organized by the Maronite League

January 15, 2016 | Beirut, Lebanon

❖ Original in Arabic under the title: [الإصلاح الإداري: مسؤولية مشتركة من أجل شراكة مسؤولة](#)

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## **I. Introduction**

When discussing the topics of reform and corruption, some “unwise” pieces of Lebanese conventional wisdom might come to mind, describing the practices and causes of corruption, which is a reality that we often surrender to, overlook or even glorify, while it wreaks havoc in our country. Such examples of conventional wisdom include: “you are successful as you are cunning” and “cunningness is the key to success”.

One cannot help but wonder what the prophets and historic reformers of our region would think of this prevalent decadence in our societies today, starting from Christ the Savior who cleansed the temple from the merchants, to the Prophet, peace be upon him, who called for fair and equal distribution of wealth in the Jahiliyyah society, and before that King Hammurabi and his famous Code, which is considered to be among the oldest written code of rights in human history, and Cyrus the Great who built the first known model of good governance and administration.

In this talk, I will first tackle the subject of corruption in general and its manifestations in Lebanon in particular. I will then discuss the shared responsibility of the state and its citizens, before moving on in the third section to the topic of responsible partnership between the public and private sectors, civil society and international parties. Finally, I will conclude this paper with a brief overview of the reformist role of the Banque du Liban through its initiatives and organizational practices.

## **II. Corruption: a Social Epidemic or a Society of Epidemics?**

“Corruption is a deviation in the behavior of people and society from the objectives and principles that govern behavior for private benefit at the expense of the safety of the society or institution for which said objectives and principles were set.”<sup>i</sup>

This definition the negative relationship between corruption, on the one hand, and ethics, good governance and human development on the other. It expresses how corruption tends to contaminate the “objectives” or “principles” governing “behavior” and forming the basis of work ethics. This definition also highlights the damage that corruption does to the “safety of the society or institution”, a dimension that is linked to institutional governance and corporate social responsibility. Furthermore, this definition describes how corruption, by nature, deviates “personal behavior” from the true values of human development, which aims at refining human capital to achieve excellence and optimal benefit.

The damages caused by corruption are complex and multidimensional, but they can be summed up as follows: first, corruption undermines economic growth and development, because it discourages the flow of foreign and national investment and damages the quality of public infrastructure; second, corruption exacerbates human capital flight and reduces tax revenue and income;<sup>ii</sup> third, corruption causes price distortion, due to the additional costs caused by bribery, leading to cost-plus pricing and reduction of investment value; fourth, corruption implies the redistribution of wealth without a minimal degree of transparency and the redirection of this wealth to the

hands of those exerting influence in society, thus contradicting public interest and distorting the democratic process itself; fifth, corruption subverts the democratic process through political donations that lack transparency;<sup>iii</sup> sixth, corruption distorts the decision-making process by redirecting the procurement policy towards personal gain, instead of ensuring public interest, quality and saving public money; seventh, corruption leads to social decadence due to the spread of the bribery epidemic; eighth, corruption causes the deterioration of institutional processes and undermines the rule of law.<sup>iv</sup>

In addition to that, the more dangerous dimension of corruption lies in its organic relationship with the phenomena of rentierism (reliance on profit without productive effort) and factionalism (non-democratic control of a certain faction over government and its resources). These two phenomena, rentierism and factionalism, exacerbate corruption and become more and more entrenched with the spread of corruption, and together, rentierism, factionalism and corruption form a trinity standing in the face of any development and modernization project.

The prevalence of political rentierism-factionalism provides a cover for arbitrary employment and protects corrupt and deviant employees. This, in turn, has a negative effect on all levels of public administration and causes citizens to feel frustrated and disrespected. Moreover, the retrograde and obsolete standards for promotion that are still applied across many public administrations are based on precedence and illicit political interference, which shows serious disregard for institutional development mechanisms that are based on qualification criteria and evaluation of performance. When it comes to the concept of job rotation, the objective of traditional policies is to turn public administrations into opposing, sometimes even conflicting, factional, sectarian and political strongholds through corporatism and *quid pro quo*, the price of which is paid by the citizen, the economy and society. This causes career stagnation, which in turn leads to stagnation in innovation, experience and scientific and intellectual development. The lack of transparency, accountability and modern administrative systems is an additional factor contributing to squandering and corruption, harming democratic practice and undermining people's trust in the public administration.<sup>v</sup>

Within this context, a report by the World Bank shows that the model of consociational corporatism adopted in Lebanon decreases the GDP rate by 9% annually.<sup>vi</sup> Other studies indicate that every Lebanese citizen loses \$23,500 of their income every year due to the policies of sectarian corporatism.<sup>vii</sup> My personal experience in the evaluation process of first degree administrative appointments to the public administrative staff between August, 2010 and February, 2013 has convinced me that it is possible to reconcile the *de facto* consociational sectarian system with the adoption of efficiency and integrity criteria in appointments, provided that all employees are given equal opportunities without discrimination and that evaluation processes are based on equality, transparency, objectivity and integrity, greatly limiting the losses caused by the consociational sectarian system.

By examining indicators and drawing comparisons, we notice that the 2014 Corruption Perceptions Index published by Transparency International listed Lebanon in 136<sup>th</sup> place, from a total of 175 countries, with an overall evaluation of 27/100.<sup>viii</sup> The 2015 Global Competitiveness Report, issued by the World Economic Forum, also listed Lebanon in 113<sup>th</sup> place, from a total of 144 countries, with a score of 3.68/7. The evaluation process was based on many criteria, including political and security conditions, lack of state budget, production costs, transparency, corruption and squandering. Lebanon also came in last in a list of 144 countries when it comes to trust in politicians and ranked 142<sup>nd</sup> of 144 countries with regard to the bribery index, not to mention that it was listed in 143<sup>rd</sup> place in the evaluation of squandering government money. These ranking are truly deplorable and indicate that we are driving our country into the abyss.

If we compare Lebanon to a country like Malaysia, given that they both share similar characteristics such as plurality in sects and confessions and political differences, we notice that despite the fact that Lebanon has higher rankings than Malaysia when it comes to banking sector security, healthcare and primary education, Malaysia is way ahead of Lebanon in terms of transparency in government institution performance: Lebanon is ranked 138<sup>th</sup>, while Malaysia occupies 15<sup>th</sup> place.<sup>ix</sup> This large gap is due to the fact that Malaysia, unlike Lebanon, has succeeded in establishing political security and effective administrative controls with the framework of an exemplary governance system for public and private institutions. These factors have distanced administration, economy and growth from political tensions, contradictions and crises, leading to the mitigation of corruption and the adoption of pioneering reforms.<sup>x</sup>

### **III. Reform as a Shared Responsibility between the State and its Citizens**

Reform and combating corruption are part of an integrated process that begins with awareness and vision and advances through the will to bring about change and becomes. This will becomes an active and systematic approach through resolution and determination. What guarantees the success of this process is building and maintaining citizens' relationship with their government on the basis of belonging and trust. Both the state and its citizens bear a shared responsibility in building and solidifying this relationship in order to achieve reform. Citizens bear the responsibility of having a sense of citizenship and putting it to practice in any position they hold, whether they are students, providers for their families, self-employed, public or private sector employees or government officials. They are expected to fulfill their duties, abide by the law and know and defend their rights. The responsibility of the state, on the other hand, stems from the nature of its institutions, which guarantee the security and interests of citizens, regulate their affairs and are entrusted with public money.

Therefore, it is vital to agree on an advanced, modern and responsible concept of citizenship that carries multiple dimensions: a philosophical-value dimension that provides a value system and principles for the protection of public interest and the administration of justice, a legal-rights dimension that

identifies legal criteria and controls for the protection of rights and the fulfillment of duties and, finally, a sociocultural dimension that builds the bridges of communication and solidarity between the members of society to ensure their well-being and prosperity.

The state's responsibility in achieving reform and combating corruption is represented in the legislative aspect of this process, and below are some of the desired procedures that ensure the fulfillment of this responsibility:

- Building a modern legislative framework that regulates effective auditing practices;
- Enacting taxation laws that prohibit the exemption of companies from taxes on costs linked to bribery (especially in the case of companies that have cross-border transactions);
- Strictly enforcing the laws that punish parties who offer bribes and confiscate bribe money;
- Enhancing international judicial cooperation to prosecute sensitive cases of bribing public officials which are committed abroad;<sup>xi</sup>
- Adopting transparency regulations regarding the revenues of politicians and senior officials;
- Eradicating the sources of bribery by using international and local finance agencies;
- Not tolerating any instance of corruption, particularly the highest-level of political corruption;
- Strengthening free markets by limiting regulation and complicated bureaucratic controls;<sup>xii</sup>
- Adopting communication strategies to raise public awareness about the dangers of corruption;
- Supporting anti-corruption programs that guarantee human rights and protect the environment;<sup>xiii</sup>
- Establishing a modern democratic administrative system, ensuring its constant evolution and immunizing it against rentierism.<sup>xiv</sup>

The other facet of state responsibility lies in the application of the principles of good governance in the public service sector. I will mention seven of these principles that are of interest to us:

1. Promoting a value system at the level of the government institution as a whole and establishing the culture of good governance through behavior;
2. Focusing on the institution's objective and on providing the best results for citizens and service users;
3. Making transparent and enlightened decisions and managing risks;
4. Engaging with relevant parties and achieving true accountability;

5. Developing the capacity and efficiency of the administration so that it becomes more effective;
6. Achieving effective performance within clearly-defined roles;<sup>xv</sup>
7. Preventing conflict between the private interests of public officials and the public interest of the state, which could undermine society's public order.<sup>xvi</sup>

The question of good governance in the public sector requires exceptionally strict internal oversight compared with the private sector, for two self-evident reasons: ensuring the state's responsibility towards the people, who fund government agencies, and disclosure of where the people's money is spent; second, providing a system that guarantees that this money is spent for its designated purposes. The process of auditing in government agencies is not limited to financial statements; it also includes overseeing corporate governance in public bodies, which involves consistency, internal oversight, risk management and the integrity of officials. In addition to that, the auditing process also includes reviewing performance in terms of effective use of resources.<sup>xvii</sup> According to the Institute of International Auditors, there are key elements that must exist in any effective public sector auditing activity, which can be summed up as follows: organizational independence, official commissioning, unrestricted access, sufficient funding, qualified leadership, objective and qualified employees, support from relevant authorities and professional auditing criteria.<sup>xviii</sup>

#### **IV. Responsible Partnership among the Public and Private Sectors, Civil Society and International Parties**

Achieving reform through the participation of both the state and its citizens in fulfilling their duties requires a responsible and effective partnership to guarantee success. This partnership includes four parties: first, the public sector, which provides services, lays down regulatory legislative frameworks and pushes for reform through political and moral support; second, the private sector, which acts as a catalyst for creativity, renovation and the mobilization of efforts, in addition to providing job opportunities and promoting research and development opportunities, which give reform its modern and creative dimension; third, civil society, which reflects the frame of mind of the general population and seeks to achieve the goals of development, participatory democracy and social justice to ensure that the reform process is consistent with the interests and vital needs of society; fourth, international parties and organizations, which express the common or conflicting challenges, concerns and interests of peoples and nations around the world, a role that enables them to build the bridges of cooperation and communication in the service of sustainable reform initiatives with a humanitarian dimension.<sup>xix</sup>

This partnership allows for necessary communication between the various components of these four sectors, provide opportunities for complementarity between them and pave the way for the accumulation of their experiences, widening the horizons of the reform process. The public sector can, as such, gain the trust of the public sector and civil society by providing fertile

grounds for strengthening the role of large, medium and small-sized companies. The public sector can guarantee that by limiting administrative and bureaucratic constraints on the one hand, and by engaging civil society institutions in development, social protection, education, healthcare, political and administrative reform and other programs on the other.<sup>xx</sup> These procedures also help to reinforce democratic participation through the creation of elected administrative bodies, in the purpose of enabling citizens to participate in the management of public facilities. Simultaneously, special policies must be implemented to redistribute wealth fairly and to spread the culture of participation and combating monopoly, particularly with regard to national resources such as the oil sector. It must be noted here that it is crucial to adopt a system for good governance, built around the pillars of transparency and accountability, in the management of a vital and promising resource such as the Lebanese oil sector. This system must govern the activities of all the investors in the oil sector and all those who are involved in the management of its revenue, including government officials, the Lebanese Petroleum Administration, the national oil and gas company that will presumably be created and private companies.

This partnership would also enable private companies to preserve and regain the trust of society by adopting a pioneering vision for corporate responsibility and wide-scale environmental and charitable work.<sup>xxi</sup> It would also enable civil society to contribute to the efforts of combating corruption, ensuring accountability and punishing wrongdoers, especially when negligence is detected in the performance of official authorities entrusted with combating corruption. The civil movement that has emerged in Lebanon recently is one expression of this civil participation.

I would like to point out here to a (private and not widely circulated) study that was conducted to survey the general political mood of major Lebanese political parties and to measure their common and conflicting views. What is interesting is that, generally, the reform orientations of these parties focused on the importance of combating corruption and adopting qualification criteria.

## **V. Brief Overview of the Reformist Role of Banque du Liban**

In a study conducted by the Research Center for Financial Creativity, which surveyed the opinions of banks regarding the risks threatening the banking sector, among the top five risk categories were criminal activities, which include money laundering and tax evasion, cyber-attacks and technical risks, which make banks vulnerable to electronic crimes and disruption of services, and political interference, which prevents the administration from exercising its functions with the required degree of efficiency and ease.

Based on these results, it is possible to notice the reformist role that the Banque du Liban plays in the protection of the banking of financial sectors from the risks of criminal activities, cybercrimes and executive dysfunctions. The Banque du Liban has developed a reliable banking system renowned for its strict observance of international standards and specifications in the field, not to mention that it has sought to implement international standards on

combating money laundering and financing terrorism. The recent enactment of laws on the cross-border movement of funds and combating tax evasion, as well as the amendments to the law on combating money laundering, have shielded the banking sector, safeguarded Lebanon's position of the global financial map, limited pressing financial transactions and restored the momentum of financial inflows to Lebanon. The Banque du Liban has also taken the necessary steps and issued the required memoranda to face external threats, safeguard Lebanon's reputation, enable Lebanon to overcome the recent international sanctions and prevent illicit financial flows from entering the local market. Moreover, the Banque du Liban has established a centralized system for online banking and provided a safe platform for the provision of digital services in the Lebanese financial sector in accordance with international standards and regulations, in the purpose of ensuring the security and efficiency of Lebanon's multi-currency payment system. Regarding the performance of the banking sector and the quality of its services, the Banque du Liban has sought to implement the principles of good governance and consumer protection by establishing the good governance unit and by demanding that all banks create a division for consumer protection and complaints.

As part of the reform process, the Banque du Liban has excelled in the field of modernization initiatives, including comprehensive development of cash operations, successful development of national payment systems, prompt adoption of bank internal technology systems, accurate development of automation systems as part of the comprehensive strategic plan for computing and, finally, successful and effective capacity-building for the management of the modernization projects. In order to benefit from this momentum and pursue these achievements, the Banque du Liban has also launched a comprehensive modernization plan that includes many programs and initiatives cover a wide array of institutional questions. This plan aims at improving the central bank's performance as part of a future vision that also involves the development of the bank's programs and the restructuring of its administrative system.

## **VI. Conclusion**

It would no doubt be difficult to achieve reform and combat corruption in Lebanon without devising a mechanism for change, which encompasses a historic alliance between all forces of change, seeks to promote dialogue with political parties and civil society associations and figures, participates in government in an effective and fruitful manner, lays down a detailed plan for the advocacy of livelihood and political demands and combats corruption and the culture of corruption. The ultimate purpose of these efforts would be to develop a comprehensive vision that reconciles the Lebanese movements for change and the Arab, regional and international indicators.<sup>xii</sup> American writer John Steinbeck, known for his stances and writings calling for the restoration of working class rights during the past century, says: "Power does not corrupt. Fear corrupts... perhaps the fear of a loss of power."

In conclusion, it is our view that in order to eradicate corruption, we must liberate ourselves from the fear of losing power. And in order to liberate



ourselves from this fear, power must be restrained by three checks: a time limit (alternation of power), rule of law and public opinion.

Thank you.

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