

LCPS المركز اللبناني للدراسات
The Lebanese Center
for Policy Studies

About Administrative Decentralization in Lebanon

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Data prepared by LCPS for the Decentralization Law.

Infographic and Graphic design by Polypod. 

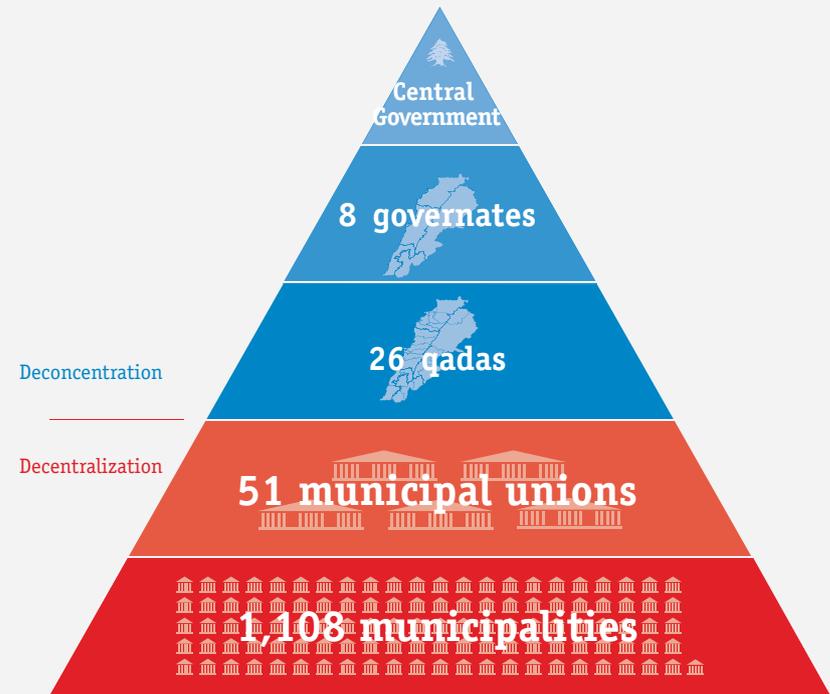
Introduction

As part of our mission to disseminate policy research findings to decision makers, experts, and the wider public, this booklet presents facts and figures about municipalities and municipal unions which we hope will contribute to a better understanding of decentralization and local development in Lebanon.

The data presented include information about the roles and finances of municipalities and municipal unions as well as the legal, administrative, and financial challenges and constraints that they face in performing their developmental role. We have simplified the data and presented it in a graphical format, making it easy for anyone interested in local issues to understand and draw conclusions from.

The production of this booklet in Arabic was made possible with the generous support of the American people through the United States Agency for International Development (USAID). LCPS would also like to thank the National Endowment for Democracy for its contribution to producing the booklet in English.

Government tiers



Source: Municipal law in Lebanon, decree-law 118/1977 and its amendments, articles 1, 47, 50

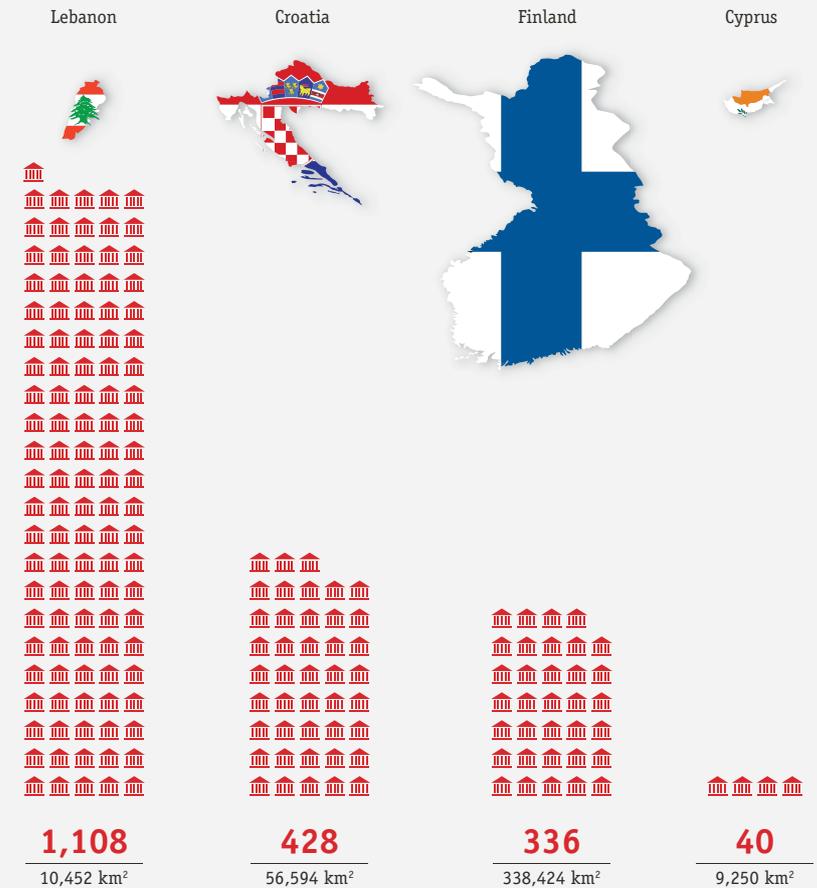
 10 municipalities
 10 municipal unions



Municipalities

Number of municipalities

The number of municipalities in Lebanon is high relative to its surface area and number of residents



2014 data, except Cyprus 2013

10 municipalities

Definition and role of the municipality

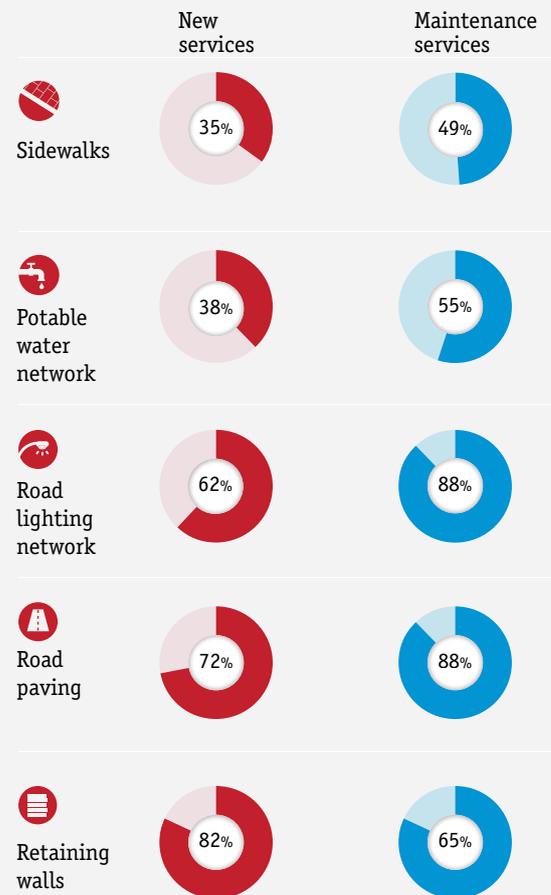
Municipalities are local bodies with administrative and fiscal autonomy. They are endowed with tasks that have a public character or utility within their area and they are entrusted to establish, manage, and help in the implementation of projects like:



Source Municipal law in Lebanon, decree-law 118/1977 and its amendments, articles 1, 47, 50

Local services

Municipalities provide services in different sectors including infrastructure

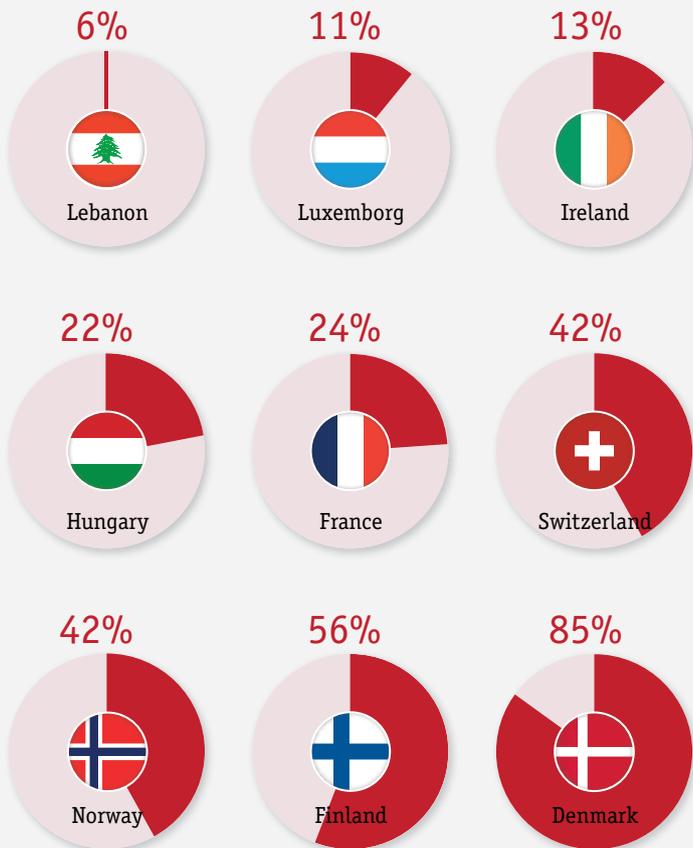


Only 8% of municipalities offered all of the above services in 2012

Source Percentages refer to the number of municipalities that provide these services Atallah, "Municipal Performance", Sudget Aid, 2012

Local spending

The share of local to central government spending is 6% in Lebanon, which is low compared to other countries

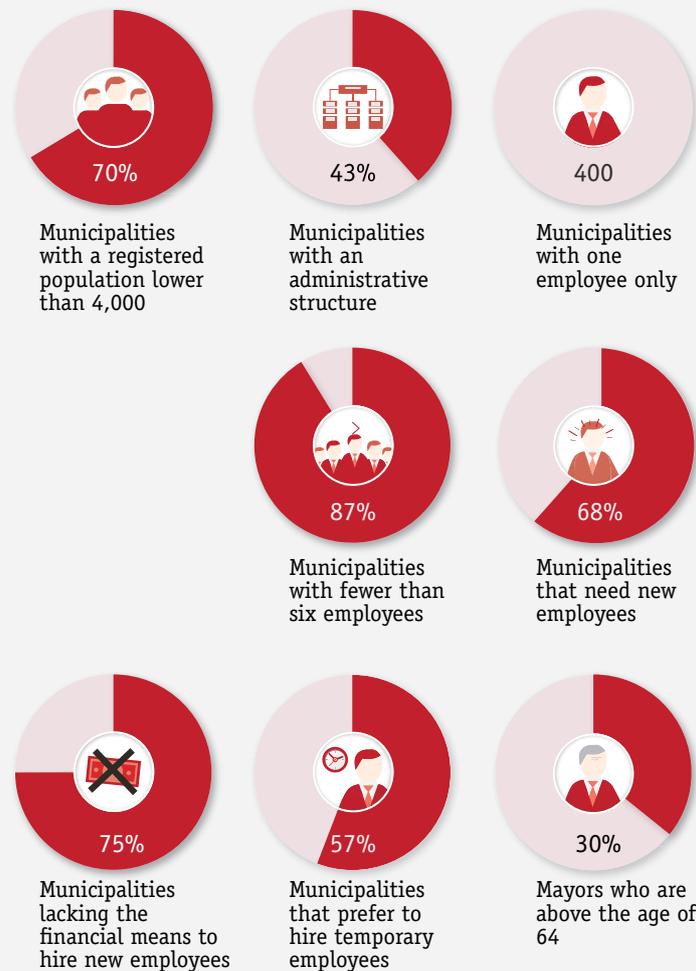


Local spending is the spending by municipalities and municipal unions. Central government spending is the spending by the central government 2012 data, except Switzerland 2011 and Lebanon 2008

Source: IMF-Data and Statistics-Government Finance Statistics <http://elibrary-data.imf.org/DataReport.aspx?c=24944917&d=33061&e=170809>

Structural constraints

Municipalities are endowed with many prerogatives and responsibilities, but suffer from administrative constraints



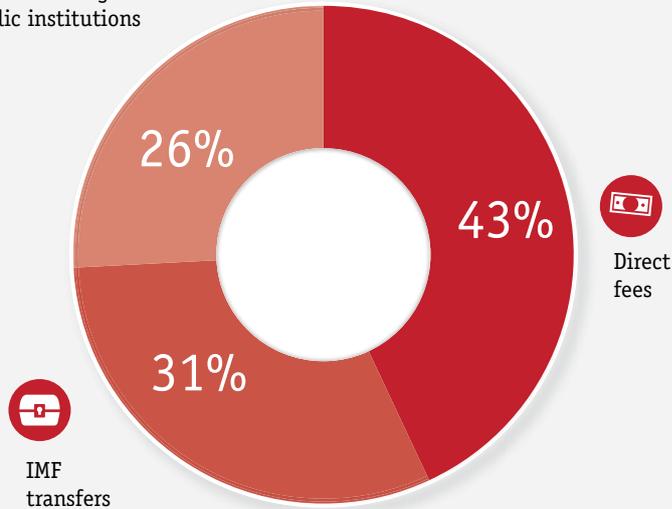
Source: 2011 data Atallah, "Municipal Performance", Suggest Aid, 2012

Sources of revenue

Municipalities are funded by seven sources of revenue, the most substantial ones being direct fees and the Independent Municipal Fund (IMF)

Other sources

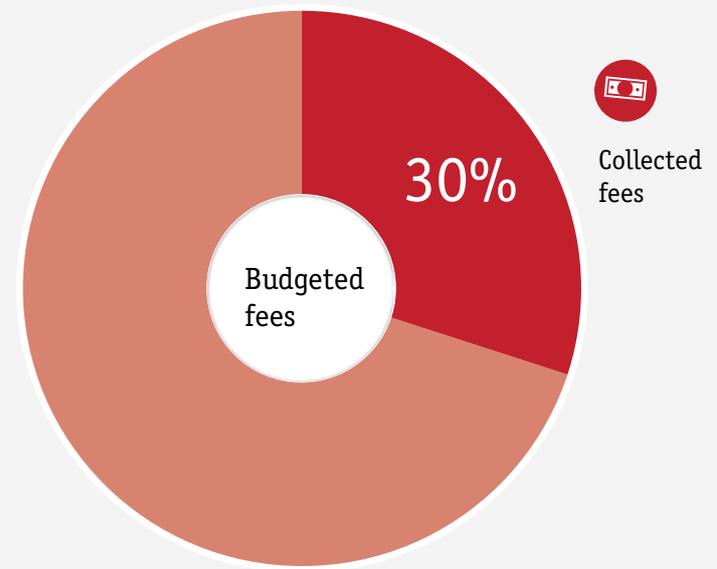
- Aid and loans
- Revenues from municipal properties, including commons
- Fines
- Grants and bequests
- Fees transferred from autonomous agencies and public institutions



Source: 2010 data, Ministry of Interior and Municipalities, ICMA, "Municipal Finance Studies Program: Final Strategic Framework", April 2011

Collected fee

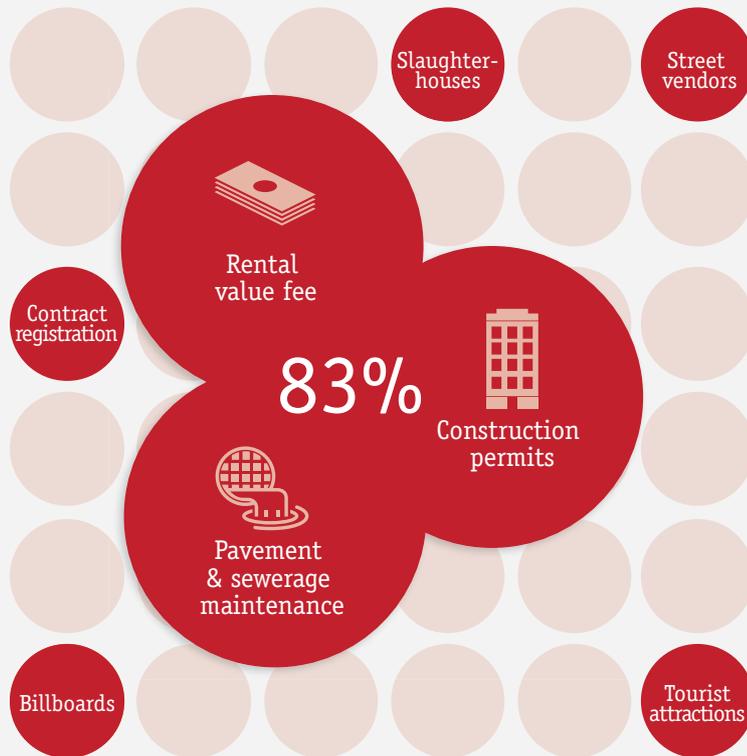
Collected fees make up only 30% of the total budgeted fees



Source: 2008 data, Atallah, "Municipal Performance", Suggest Aid, 2012

Direct fees

Municipalities collect 36 direct fees, but only 3 fees constitute 83% of their direct revenues

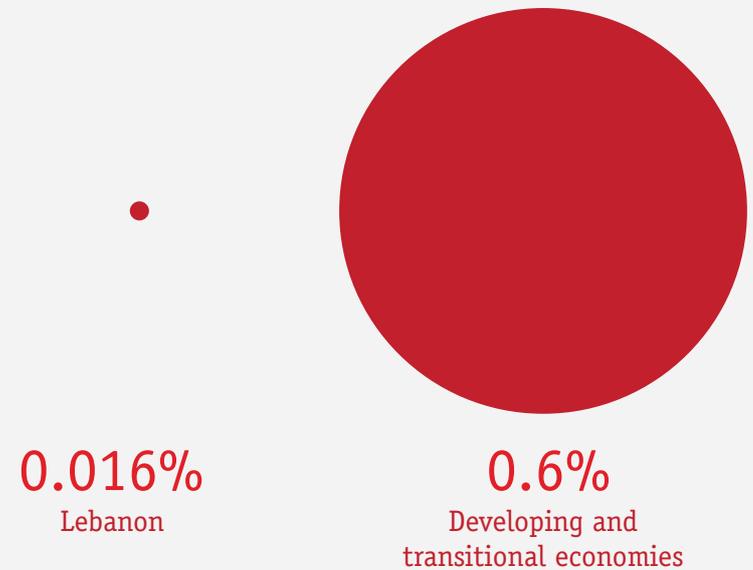


Municipalities are not allowed to impose any new tax or determine the tax base

Source Atallah, "Establishing Regional Administrations for Integrated Development", Policy Brief N°2, September 2012

Rental value fee

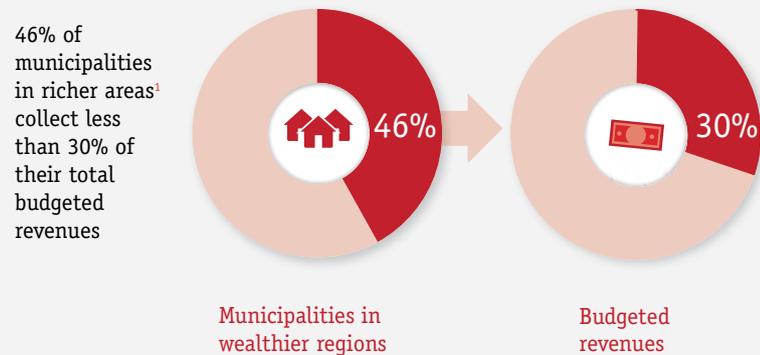
Even though rental value fees form a large part of municipal direct fees, their ratio to GDP is lower than the average in other countries



Source Ministry of Interior and Municipalities, ICMA, "Municipal Finance Studies Program: Final Strategic Framework", April 2011

Municipal development level and collection rate

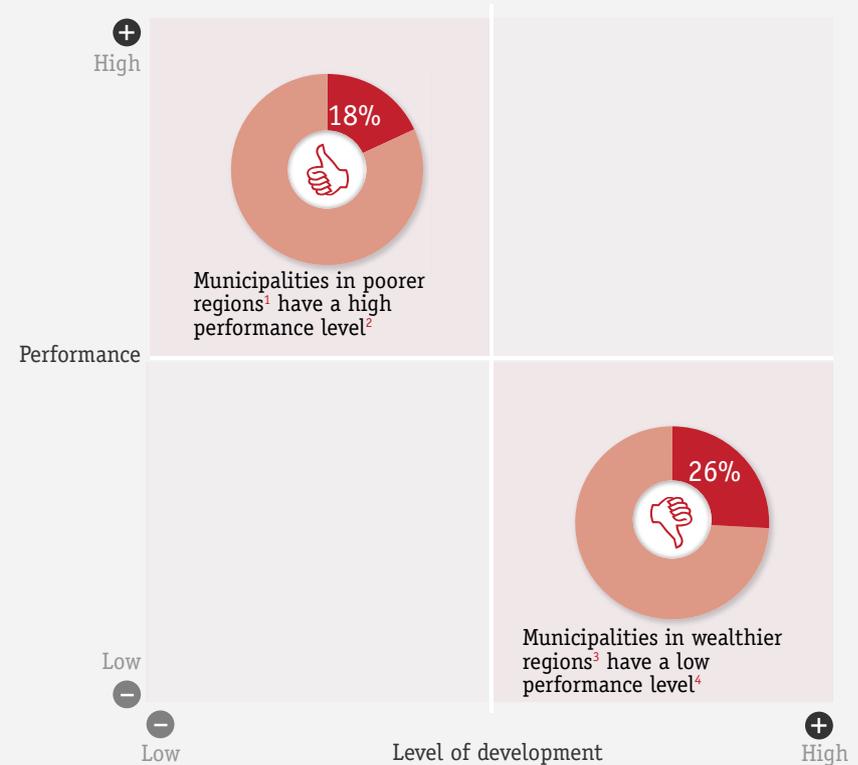
Municipalities in richer areas do not necessarily collect more taxes



2010 data
¹Higher than 60% according to the index developed by Consultation and Research Institute (CRI) in 2006 and composed of 12 indicators
 Source: Municipalities' financial statements, 2010
 Ministry of Interior and Municipalities, UN Habitat and Suggest Aid, "Performance of municipalities questionnaire", Lebanon 2011

Municipal performance and development level

A high development level does not necessarily translate into better municipal performance



¹ Development index lower than 40%
² Performance index higher than 3
³ Development index higher than 60%
⁴ Performance index lower than 3
 The development index was developed by Consultation and Research Institute (CRI) in 2006, and is composed of 12 indicators. The performance index is calculated based on 4 components: existence of development plan, existence of urban planning strategy, number of new infrastructure services provided and number of infrastructure maintained
 2012 data
 Source: Ministry of Interior and Municipalities, UN Habitat and Suggest Aid, "Performance of municipalities questionnaire", Lebanon 2011

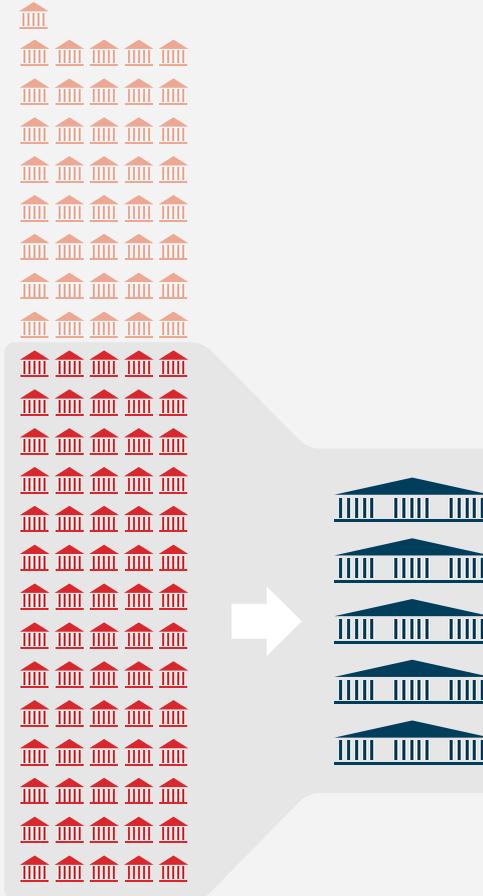


Municipal Unions



Municipal union membership

There are 51 municipal unions in Lebanon with more than 700 municipalities



1/3 of municipal unions were founded before 1999

2/3 of municipal unions were founded after 2000

700

out of 1,108
Municipalities

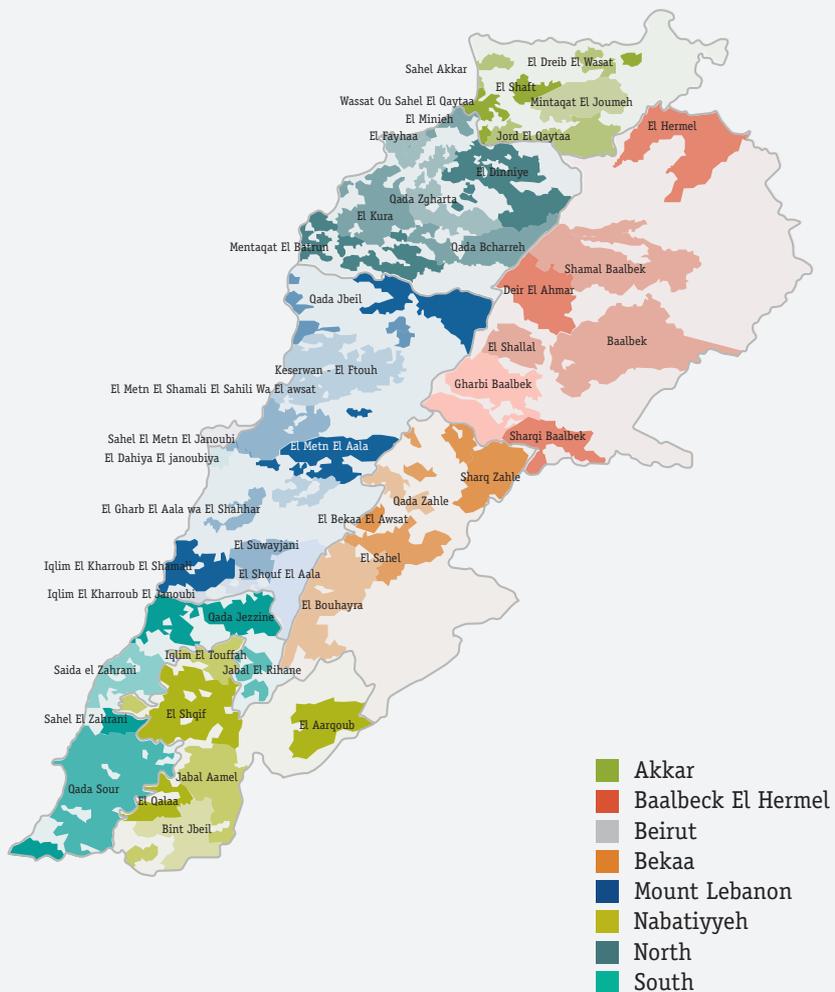
51

Unions

2013 data

 10 municipalities

 10 municipal unions



Municipal unions' prerogatives

Municipal unions have many prerogatives, which include executing public projects with common benefits for all or some member municipalities, such as:



Roads



Sewerage systems



Waste collection



Slaughterhouses



Civil defense



Organization of transportation



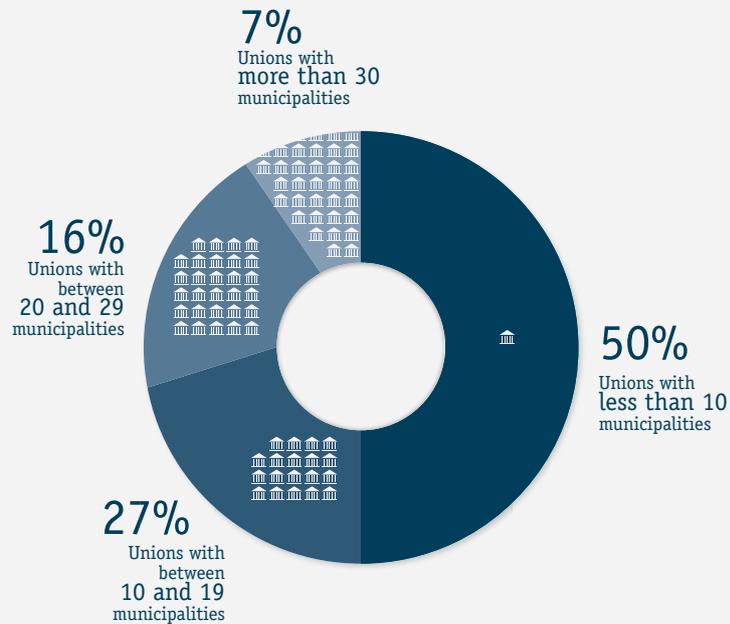
Cooperatives



Souks and markets

Municipal union size

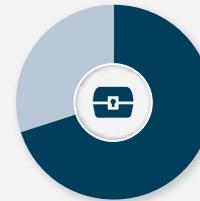
Municipal unions have between 3 and 53 member municipalities with an average of 14 municipalities, spread accordingly:



2013 data

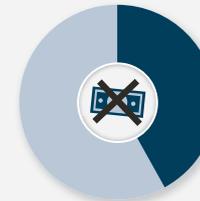
10 municipalities

Municipal union facts



70%

IMF share from total municipal unions' revenues in 2011



42%

Municipal unions that do not collect any membership fees*



50%

Municipal unions whose president is present daily in the union's headquarters*



58%

Municipal unions that do not have any full-time employees*



21%

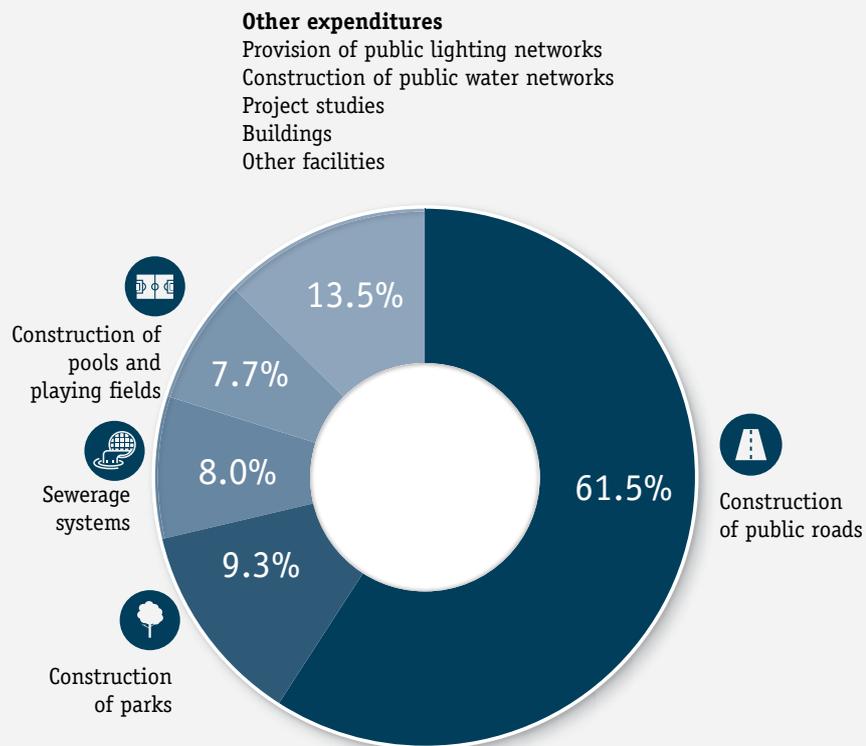
Municipal unions that have one or two full-time employees*

*2013 data

Source: Municipal unions' financial statement, 2010
LCPS, "Performance of municipal unions questionnaire", 2013

Expenditures of municipal unions

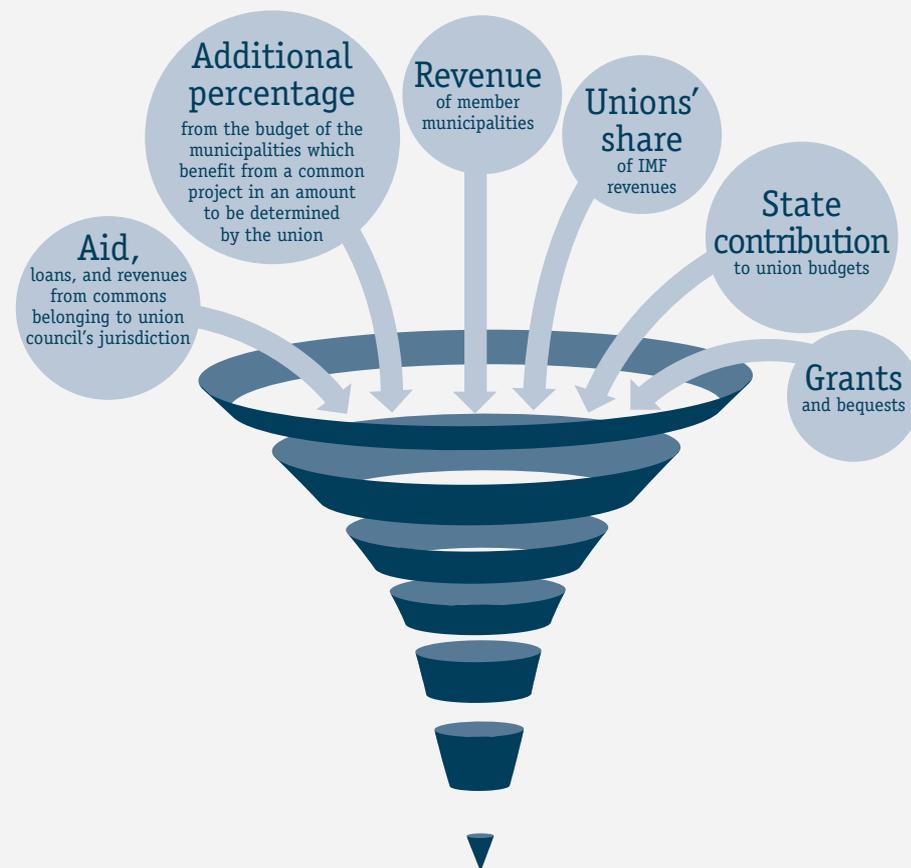
More than half of municipal unions' funds are spent on the construction of public roads



Source: Municipal unions' financial statement, 2010

Sources of municipal union financing

The most important source of municipal unions' revenues is the Independent Municipal Fund



Municipal unions cannot impose or collect fees and taxes

Source: Municipal law in Lebanon, decree-law 118/1977 and its amendments, article 133

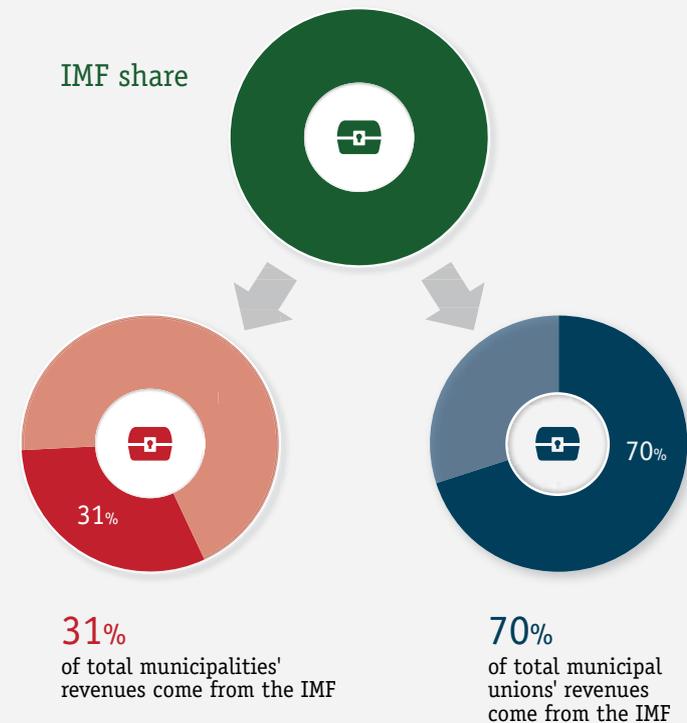


Independent Municipal Fund



Distribution of IMF funds

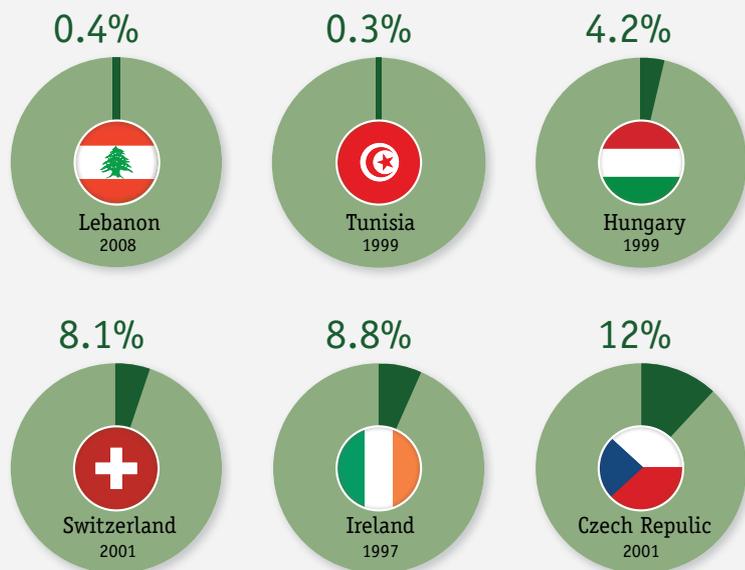
70% of municipal unions' revenues and 31% of municipalities' revenues come from the IMF



Source 2010 data
Municipalities' financial statement, 2010
Municipal unions' financial statement, 2010

Intergovernmental grant transfers

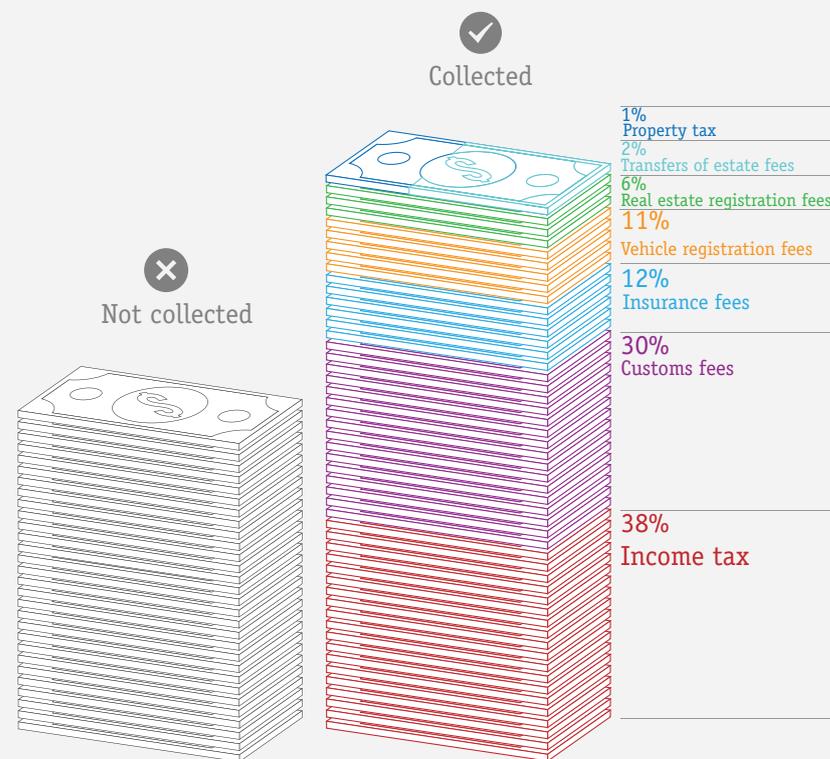
Transfers for municipalities and municipal unions constitute 0.4% of GDP, a very low share compared to other countries



Source: Ministry of Interior and Municipalities, ICMA, "Municipal Finance Studies Program: Final Strategic Framework", April 2011

IMF revenues

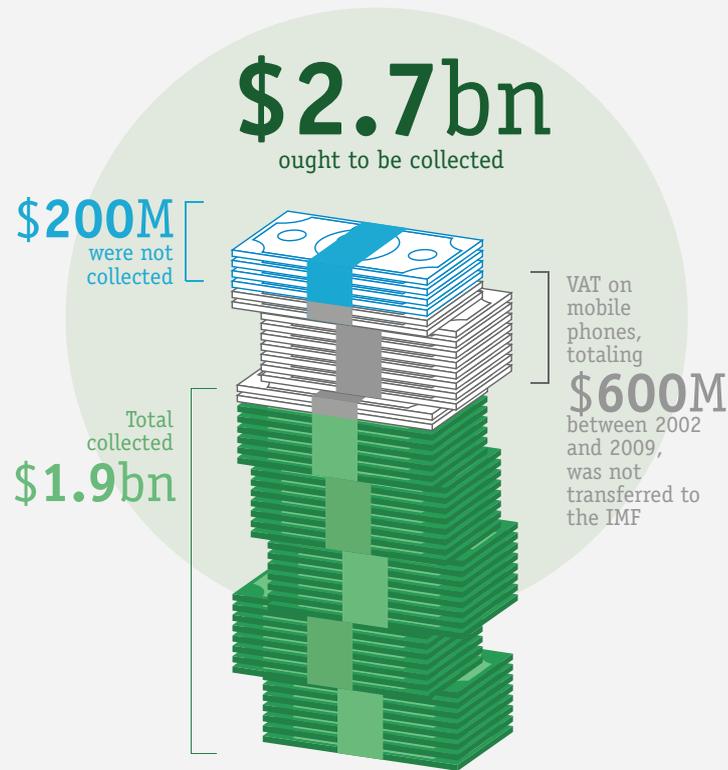
IMF revenues comprise 11 taxes and fees, only 7 of which are collected



Source: Ministry of Interior and Municipalities, ICMA, "Municipal Finance Studies Program: Final Strategic Framework", April 2011

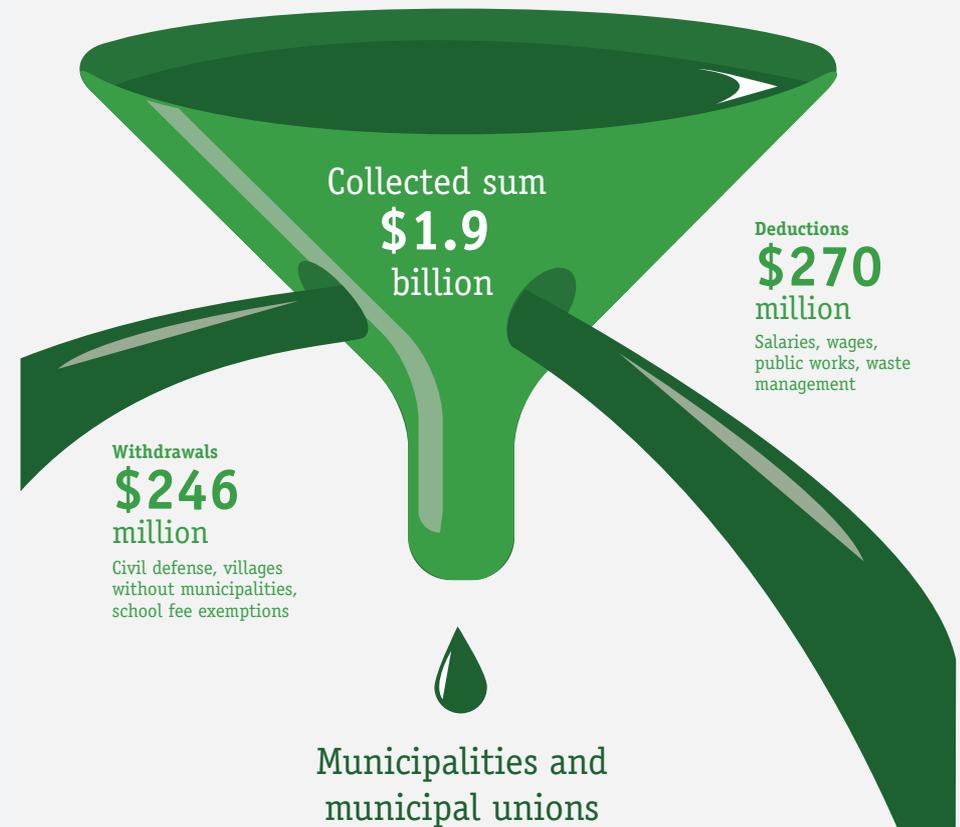
Revenue collection

Only \$1.9 billion of the \$2.7 billion that should have been collected for the IMF between 1999 and 2009 was actually collected



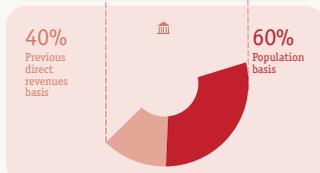
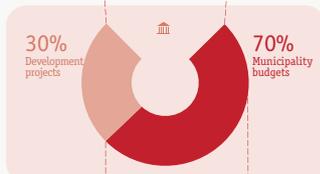
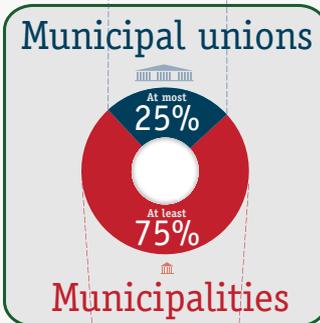
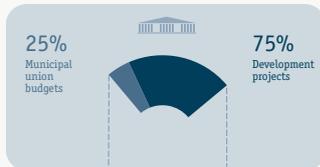
Deductions and withdrawals

The IMF suffers from withdrawals and deductions to cover costs that do not benefit all municipalities



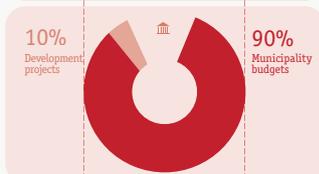
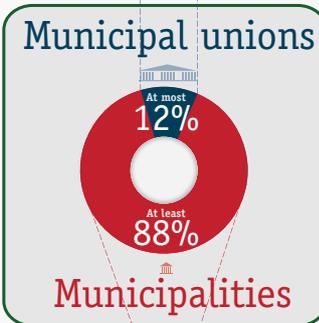
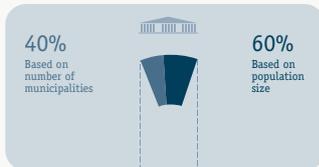
Distribution of revenues

Revenue distribution by Law



According to decree 1917/1979

Revenue distribution in Reality



According to decree 10234/2013

Revenue distribution criteria

Unfairness in IMF's revenue distribution

1 Direct revenues are one of the criteria for distributing IMF revenues to municipalities.



More than 80% of these revenues originate from fees related to the real estate sector, which is often more developed in urban rather than in rural areas.

This results in an unfair distribution of revenues between urban and rural municipalities.

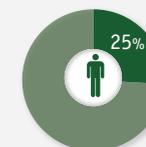
2 Part of the IMF revenues go to small municipalities (having a registered population lower than 4,000), based on the presumption that these municipalities are more in need of financial support and development projects.



But in reality, 60% of small municipalities have high levels of development.

Thus, such assumptions contribute to increasing the gap between rich and poor municipalities.

3 The registered, not the resident, population is a primary criterion for the distribution of IMF revenues, resulting in an unfair distribution.



For example, there are 42 municipalities which have a registered population of 231,000, versus a resident population of 961,000.

