



MAISON
DU FUTUR

POLICY PAPER

- N°28 -

June 2023

**LEBANESE MUNICIPALITIES...
STRUGGLING FOR SURVIVAL**

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 **KONRAD
ADENAUER
STIFTUNG**

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Prelude

Bikfaya-Mhaydseh Municipality, in cooperation with “Maison du Futur” and “Konrad-Adenauer-Stiftung”, held its conference entitled “Lebanese Municipalities... Struggling for Survival” in Saraya Bikfaya on Wednesday 7 June 2023 amid an unprecedented crisis that struck Lebanon and left victims including hunger, poverty, and citizens’ immigration, in parallel with the paralysis in the institutions closest to people on a daily basis i.e., municipalities.

The conference was attended by presidents and members of municipal councils across the country in addition to state officials, intellectual elites, and specialists in municipal work.

The conference discussed the political-financial crisis and its repercussions on various levels in the light of municipalities suffering repercussions and impact on human and financial capabilities.

The impact on municipalities indicates a paralysis in the role of public service that they play in the front line of the community, stimulating people’s lives and their urgent concerns, and ensuring their basic daily components. Their role becomes existential, especially in rural areas where the access to the State services remains limited, late, and irregular. The municipality is the body closest to people and provides the most adequate solution among the available potentials.

The conference that discussed the obstacles hindering municipal work (First section) concluded a series of recommendations that offer sustainable solutions in the short and long run (Second section)

First section - Obstacles hindering municipal work development

The obstacles preventing developing municipal work have two dimensions: financial (first) and administrative (second). The first is linked to the components of municipalities' survival and the second to duality and sometimes pluralism in tools of oversight and endorsement of municipal decisions such as prior oversight and subsequent oversight, and hierarchical administrative referrals.

First: Financial obstacles

The financial administration in municipalities, similar to the public finance in the State, works on finding a balance between incomes (fee-based) and expenses (services-based). Notably, the municipalities' budgets should be budgets of programs, projects, goals, and performance indices in which the financial administration seeks to achieve public service for citizens in the best outcomes while strictly adhering to transparency, efficiency, and accountability. The democratic representation in municipalities was violated due to two extensions of municipal councils and mayors since the elections of 2016. Similarly, the financial balance has been lost since 2019 for several reasons, mainly the limited fees and their devaluation as a result of the lira's collapse. This begins with the reduction in fees on rental value (1), operating cost (2), credits (3), the Independent Municipal Fund (4), services (5), and investments (6).

1-Rental value fee

The main joint problem of municipalities across Lebanon – large, medium, and small municipalities – lies in the reduction of direct returns, specifically the fee on rental value. The estimated rental value before 2019 (the date of the beginning of the lira collapse) is no longer appropriate neither to the actual value of the rent nor to

the income supposed to be collected in favor of the municipalities to reinforce their survival, at a time when the law prevents these local councils from carrying out any amendment to the fee. However, several municipalities doubled the fee on rental value with their prior knowledge of committing an explicit violation of the law and the judgment of the Court of Audit that prevent amendment of the text explicitly. But in pursuit of survival, the municipalities preferred to commit a legal violation and were forced to modify the fee which is still calculated at the exchange rate of 1,500 lira against one dollar, in order to prevent the paralysis and even the collapse of municipal work.

2-Operating cost

The operating cost has exhausted the municipalities' budget, accumulated by declining revenues and the absence of self-collecting. Therefore, this led to lacking planning amid the financial crisis and transforming the municipalities from a development and services body into a fund to pay salaries to their employees.

3-Credits

The Municipal Act prohibits opening foreign currency credits, which made their banking accounts erode with the hike of the dollar exchange rate and other foreign currencies. Also, the municipal funds from donor parties, originally deposited in foreign currency, reach the municipalities in Lebanese lira, contributing to their devaluation.

4-Independent Municipal Fund returns

It has become customary to delay the payment of revenues from the Independent Municipal Fund by two years from the year of assignment and to divide them into installments. This has hindered municipal work and led to a decline in development

levels.

5-Services

The municipalities' obligations have increased with the increase of services that are exceptionally assigned to them due to the emergency conditions. Sometimes, some of these services are beyond their powers. This is particularly evident in their role in emergency crises such as quarantine, vaccination, and ensuring the availability of oxygen during the spread of the coronavirus pandemic. Additionally, their role in security, managing the Syrian displacement crisis, organizing the displaced residence in villages, establishing a special curfew system for these people, and managing the energy facilities amid the power outage and water scarcity. The increase in duties was not met with an increase in budget, leading to a disproportion between resources and costs

6-Investment

The law lacks a text that grants municipalities the authority to invest their private properties through managing productive projects that require public-private sector partnership. In addition, there is a burdensome bureaucratic administrative routine. The effectiveness of any municipal law requires more than a month and the public-private sector partnership procedures need no less than two years to be completed.

In conclusion, it should be stated that transferring the jurisdiction from the competent authorities to the municipalities assumes the simultaneous transfer of credits to the municipalities to enable them to perform their additional and emergency tasks. This goes in tandem with the administrative law which stipulates that transferring jurisdiction requires transferring resources:

Un transfert de compétence est un transfert de ressources.

Second: Administrative obstacles

The administrative obstacles are distributed between job shrinkage, in quantity and quality, and the exhausting and slow oversight mechanisms on various levels, which led to a decline in the level of municipal work and a slower performance. The obstacles emerge specifically from the personnel (1), administrative oversight (2), Control oversight bodies (3), and financial oversight of the Court of Audit (4).

1-Personnel

The administrative cadre in municipalities suffers from shortage and weakness in the public sector workforce due to successive and repeated employment prohibition laws in the State general budget laws and resorting to limited competition to fill needs. The cadre also suffers from a decline in competency due to the lack of training. In addition, the municipalities have lost in the past years their workforce due to the decline in wages' value through quitting or lacking enthusiasm for work.

2-Administrative oversight

More than one authority exercises its oversight and advisory opinion on municipalities directly or indirectly, hindering and delaying the municipal work, despite the significance of providing an effective and feasible oversight system. The following bodies practice oversight in rotation:

A-Mayor's "Kaemakam"'s oversight: The "Kaemakam" exercises his oversight over ten kinds of decisions based on Article 60 of the Municipal Act, perhaps the most important, opening and transferring budgets, approving or rejecting donations and recommended funds associated with conditions.

B-Governor's oversight: The governor (Mohafez) exercises based on Article 61 of the Municipal Act oversight over six kinds of

decisions that are presented to him for endorsement, specifically those related to public procurement and relevant Bidding document and Tender document.

C- Ministry's oversight: The Ministry of Interior and Municipalities exercises, based on Article 62 of the Municipal Act, direct and indirect oversight on 11 kinds of decisions, perhaps the most important decisions related to public order, loans, naming streets, squares and public buildings, setting up monuments and statues, establishing unions for the municipal councils, compensations for the president and vice president, and dropping public municipal property into a private municipal property (Roads and the rest within the scope of the municipality except for international roads are considered public municipal property).

3- Control oversight bodies

The oversight bodies each within its jurisdiction exercises its control.

A - Civil Service Council's oversight: Some municipalities are subject to the Civil Service Council (Article 80 of the Municipal Act) in terms of recruiting and they are the municipalities of the governorates centers and the municipalities of El Mina and Bourj Hammoud.

B - Directorate of research and orientation's oversight: The Directorate of research and orientation at the Civil Service Council exercises indirect power over municipalities in terms of any amendment to the staffing and others.

C - Central inspection's oversight: The central inspection exercises indirect oversight over staff.

4-Financial oversight

The Court of Audit exercises its oversight over 54 municipalities and municipalities unions. It monitors the revenues of

municipalities that exceed five million liras (This article should be amended after the collapse of the national currency).

In addition, the State Council and Administrative courts (Shura Council) offers advisory opinion, especially in draft regulations. Moreover, the principles and rules for distributing the funds of the Independent Municipal Fund are determined by implementing regulations after consulting the “Shura Council”.

Second section - Reforms

The Municipal Act issued under legislative decree number 118 on 30/6/1977 defined the municipality as a local administration that exercises within its scope the powers conferred on it by the Act and it enjoys legal personality and administrative and financial independence.

The concept of financial independence requires reforms that guarantee to update the resources to enable the municipalities to survive (first). Its administrative independence requires reforms that provide the stability and efficiency of municipal work.

First: Financial Reforms

Successful decentralization requires strict central oversight on one hand and flexible on the other hand in which it watches without disrupting or paralyzing the municipal work. The Public Procurement Law falls under this framework. It is a central law par excellence that applies to decentralized units par excellence which are the municipalities (1). Financial reforms require passing a new law for the municipal fees and revenues and a law for the procedures to collect them (2), ensuring financial incentives for the municipalities (3), performing the work in the Independent Municipal Fund (4) while waiting for establishing an elected decentralized fund (5).

1-Adoption of the Public Procurement Law

The Public Procurement Law aims at securing the development of municipalities and reinforcing their abilities to play their role as an elected local department. The Public Procurement Authority intended to tackle the municipalities' objection to some of the law's articles. The cabinet approved the financial thresholds system so the municipalities can purchase by invoice up to the threshold of 500 million liras and purchase by quotations up to the threshold of 5 billion liras, under the condition that tenders are held beyond this threshold. The municipalities' problem was solved in general, and that of small municipalities specifically that represent 42% of Lebanon's municipalities in which their resources don't reach the approved quorum.

The relationship between the municipalities and the Public Procurement Authority falls under the framework of transparency and publication. The citizen can now monitor the works of the municipal council through the website of the Public Procurement Authority, which is supposed to move the municipal elections from running them on a family and partisan basis to voting based on programs and projects.

2-Adoption of the municipal returns and fees law, collection procedures law

Both proposals are currently a matter of discussion by the parliamentary blocs. This ensures setting stable legislation that preserves the value of municipal fees and allowances with changing circumstances and guarantees to collect them.

3-Municipalities fiscal stimulus

Halting the policy of tax exemptions and free services, and introducing a service fee that the citizen contributes to, such as guard fees, waste collection, and the provision of alternative energy, and a special fee for managing disasters and crises which

allow the municipalities to perform these tasks upon emergency. The most successful and the quickest intervention is the one that comes from the base closest to the people instead of centralizing intervention and assigning municipalities to implement it.

The financial framework requires canceling the debts of “Sukleen” that are withdrawn from the Independent Municipal Fund and were put at the expense of municipalities without their approval.

4-Creation of a decentralized elected fund

The Independent Municipal Fund should be replaced with an elected decentralized fund that stands on fixed and fair indices in distributing returns.

5-Performance improvement in Independent Municipal Fund

The Independent Municipal Fund suffers from defects ranging from irregularity in transferring returns to municipalities and discretion in the distribution and deduction rates.

A-Monthly transfer of returns: The revenues of municipalities from the Independent Municipal Fund are often paid in installments and two years after they are due, which makes them less feasible. They should be paid monthly in one payment to activate the municipal work.

B-Correcting deduction rates: The funds deposited in the Independent Municipal Fund suffer from the deduction in favor of several bodies. Consequently, this reduces the value of the rates transferred to municipalities and restricts their development capabilities. For example, the revenues of 2020 that were paid to municipalities in 2022 totaled 725 billion liras of which only 606 billion liras were received by the municipalities after deducting 8 billion liras for the municipalities’ unions and 32 billion liras for the civil defense.

C-Correcting distribution rates: The proportions of Independent

Municipal Fund revenues distribution lack balance in which the major municipalities especially Beirut Municipality enjoy remarkable shares while small municipalities get minimal returns. Notably, major municipalities are the richest and small municipalities are the most in need to reinforce their resources. This calls for correction. Beirut Municipality alone, got 80 billion liras while 100 billion liras were distributed to other major municipalities. The remaining 426 billion liras were distributed to small and medium municipalities that are more than 1000 municipalities.

Second: Administrative reforms

Administrative reforms directly depend on performing the Municipal Act (1), and endorsing decentralization (2). It remains necessary to establish an independent ministry for municipalities and separate it from the Ministry of Interior. This would enable the minister to be fully dedicated to municipalities' affairs and matters.

1-Performing Municipal Act

The political instability prevailing in the country calls for securing stability and consistency in the municipal work through introducing a modern law for municipalities or key amendments to the current law including structural reforms, mainly:

A-Holding municipal elections on the basis of a proportional system with a preferential vote, giving the list that got the highest percentage of votes 51% of the municipal council seats, electing a president and vice president by direct voting, and the vice president shall assume the vice president position in case of any vacancy or absence.

B-Adopting women's quota by 30% candidacy to reinforce woman's role in public and political work, due to low number of women elected as presidents or members of municipal councils

(Eight presidents out of 1059 municipalities and 5% only as members of municipal councils).

C-Limiting the municipal term by four or five years and refraining from adopting the text of no-confidence in the president and vice president of the municipality in mid-term for the sake of preventing complex alliances for electoral purposes that would hinder the municipal work.

D-Amending article 23 of the Municipal Act that considers the municipal council dissolved in case at least half of its members resigned, provided that the amendment stipulates that the municipal council remains and the first losers in the latest municipal elections replace those who resigned. This would prevent resignations and positively affect the coherence during the term and the regularity of the municipal work.

E-Preserving municipal unions and establishing a national council for municipalities elected from the municipal councils to reduce the centralized administration authority and assigning to it the power to distribute returns monthly on municipalities.

2-Decentralization

Municipalities as an elected local administration, constitute an aspect of decentralization if not the only current decentralization in Lebanon. Decentralization stands on elected local councils that possess financial and administrative independence and reinforce local participation in a way that establishes more democracy and accountability.

The experience of municipalities during the past years calls for the urgency of approving the decentralization system and determining its levels, and moving from municipal decentralization into geographically wider decentralization known as regional decentralization. It is important to determine the competencies and powers, coordinate roles, allocate tasks, and create the communicative line between local authorities and centralized

authority within what is known as centralized/decentralized cooperation.

Among other proposals, we name a few:

- Setting specific criteria for the creation of municipalities based on continuity self-components, working on merging municipalities of weak potentials, and encouraging municipalities to join the municipalities' union.

- Issuing the implementation of the law number 48 on 7/9/2017 to reinforce public-private sector partnership and move towards a solidarity economy, especially in vital projects such as electricity and water so that municipalities become local manufacturers of clean energy and control the management of irrigation and potable water.

- Encouraging partnerships between the private sector and universities (Lebanese, and private) to leverage cross-border projects and programs funded by relevant organizations and supervised by universities, and preparing the necessary studies. Furthermore, prompting joining the Union for the Mediterranean (UFM) for twinning and exchanging expertise.

In fact, Lebanon participates in 53 projects out of 97 EU-funded projects of the cross-border cooperation programs for the Mediterranean area, which is a total of 134 million euros. Lebanon also prepares for a new program "Next Med Programme".

These diverse projects contribute to supporting the blue economy. Given the multiplicity of cross-border projects, it is necessary to find a unified platform for good governance.

Conclusion

The wellness of municipalities can only be restored through a comprehensive reform package and the adoption of good governance approach to restoring confidence in Lebanon so that the international community returns to stimulating the

cooperation programs and training the competencies in a way that reinforces humanitarian and material resources of municipal councils.

Some of these reforms could be linked to the culture of individual and society in terms of addressing the rampant corruption, but some are linked to endorsing the decentralization system that is considered the safe passage to a free democratic society through referring to the people vote and engaging them directly in the emergence of authority so that municipalities remain the voice of the communities they represent.

This way, municipalities can head toward life, if not, then death looms on the horizon.

Autobiography

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