

UNIONS OF MUNICIPALITIES AS ENABLERS OF LOCAL ECONOMIC DEVELOPMENT

Urban Community Al-Fayhaa



UN HABITAT
FOR A BETTER URBAN FUTURE



REPUBLIC OF LEBANON
MINISTRY OF
INTERIOR AND
MUNICIPALITIES



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LIST OF ACRONYMS

AFD	French Agency for Development
AFSDS	Al-Fayhaa Sustainable Development Strategy
ANMI	Industrialists Assembly in North Matn
AoC	Agreement of Cooperation
AVITEM	Agency for Sustainable Mediterranean Cities and Territories.
BAU	Beirut Arab University
BDL	Central Bank of Lebanon
BIAT	Business Incubation Association in Tripoli
BTVL	Technical Office of Lebanese Municipalities
CAS	Central Administration of Statistics
CBO	Community Based Organization
CCIAT	Chamber of Commerce, Industry, Agriculture of Tripoli and North Lebanon
CDR	Council for Development and Reconstruction
CEO	Chief Executive Officer
CHUD	Cultural Heritage and Urban Development
COA	Closing of Account
COM	Council of Ministers
COVID	Coronavirus Disease
CSO	Civil Society Organization
DGA	Directorate General of Antiquities
DGLAC	Directorate General for Local Administrations and Councils
DGUP	Directorate General for Urban Planning
DRI	Democracy Reporting International
ECOSOC	United Nations Economic and Social Council
EIA	Environmental Impact Assessment
ESC	Economic and Social Council
ESCWA	United Nations Economic and Social Commission for Western Asia
ESFD	Economic and Social Fund for Development
EU	European Union
FGD	Focus Group Discussion
GDF	Growth Diagnostics Framework
GDP	Gross Domestic Product
GIS	Geographic Information System
HCUP	Higher Council for Urban Planning
IDAL	Investment Development Authority of Lebanon
ILO	International Labour Organization
IMF	Independent Municipal Fund
INGO	International Non-Governmental Organization
IO	International Organization
IUL	Islamic University of Lebanon
KII	Key Informant interview
LBP	Lebanese Pound
LCPS	Lebanese Center for Policy Studies

LCRP	Lebanon Crisis Response Plan
LED	Local Economic Development
LEDA	Local Economic Development Agency
LFHLCs	Labor Force and House Living Conditions Survey
Linord	North Littoral Development Project
LIU	Lebanese International University
MDI	Multi-Deprivation Index
MERP	Municipal Empowerment and Resilience Project
MoE	Ministry of Environment
MoET	Ministry Of Economy and Trade
MOEW	Ministry of Energy and Water
MoI	Ministry of Interior
MoIM	Ministry Of Interior and Municipalities
MoL	Ministry of Labor
MoPWT	Ministry of Public Works and Transportation
MoSA	Ministry of Social Affairs
MSPG	Multi-stakeholder Partnership Group
N/A	Not Available
NGO	Non-Governmental Organization
NPMLT	National Physical Master Plan of Lebanese Territory
NPTP	National Poverty Targeting Program
NSSF	National Social Security Fund
O&M	Operation & Maintenance
OEA	Order of Engineers and Architects
OECD	Organisation for Economic Co-operation and Development
PCH	Public Corporation for Housing
PPP	Public Private Partnership
RKIF	Rashid Karami International Fair
RTOs	Regional Technical Offices
SDCs	Social Development Centers
SDPs	Sustainable Development Plans
SLAT	Special LED assessment Taskforces
SSRDP	Strategic Sustainable Regional Development Plan
SWM	Solid Waste Management
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TBD	To Be Determined
TEDO	Tripoli Environment and Development Observatory
UCF	Urban Community of Al-Fayhaa
UCL	United Cities Lebanon
UN	United Nations
UNDP	United Nations Development Programme
UN-Habitat	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UoM	Union of Municipalities
UoTM	Union of Tyre Municipalities
US	United States
USJ	Universite Saint Joseph
WB	World Bank
WHO	World Health Organization
WWT	Wastewater Treatment



TEAM

TEAM MEMBERS

(Alphabetical Order)

POSITION

Armen Balian	Conflict Resolution and Peacebuilding Specialist
Bechir Odeimi	Project Director
Carol Abi Ghanem	Capacity Development Specialist
Christelle Tohme	Project Officer
Eliane Khoury	Project Manager Assistant
Georgia Dagher	Data Analyst
Houda Odeimi	Financial Monitor and Coordinator
Hussein Cheaito	Researcher
Lea Ghanem	Finance and Administration Officer
Leon Televizian	Governance Expert
Mayssa Tannir	Project Manager
Mona Khechen	Urban Planning Specialist
Mounir Mahmalat	Public Finance Management Specialist
Mohamad Diab	GIS Specialist
Nada Mora	Private Sector Specialist
Nisrine Malaeb	Chief Accountant
Sami Atallah	Team Leader and Senior Economist
Sami Minkara	Legal and Public Finance Specialist
Sami Zoughaib	Researcher
Zeina Helou	Capacity Development Specialist

BACKGROUND

The impact of the Syrian Crisis on Lebanon is reaching an unprecedented scale in the history of complex, displacement-driven emergencies. In April 2012, thirty-two thousand eight hundred (32,800) Syrian displaced were registered or awaiting registration with the United Nations High Commissioner for Refugees (UNHCR) in Lebanon. By December 2021, the Government of Lebanon estimated that the country was host to an estimated one and half (1.5) million displaced, a quarter of the total Lebanese population.¹

The crisis places tremendous pressure on Lebanon's services and resources, particularly at the decentralized level. Municipalities face challenges in providing adequate housing, ensuring quality public services, and creating jobs for both host communities and displaced/refugee populations. Furthermore, localities with the highest concentration of displaced people from Syria, which include all large cities of Lebanon and their suburbs, consistently suffer from heightened insecurity, higher levels of tensions, and increased exposure to violence compared to other areas in Lebanon.²

The above situation is further exacerbated by the current economic, political, and health crises. Indeed, Lebanon is facing one of the gravest economic downturns since the end of the civil war in the early nineties.

The World Bank estimates that, in 2021, the real gross domestic product (GDP) contracted by 10.5 percent, on the back of a 21.4 percent contraction in 2020. In fact, Lebanon's GDP plummeted from close to USD 52 billion in 2019 to an estimated USD 21.8 billion in 2021 marking a 58.1 percent contraction, the highest among one hundred ninety-three (193) countries. In parallel, the GDP per capita valued in USD is estimated to have fallen by around 42.6 percent in the 2017-2021 period.³ Public debt is expected to stand at 183.0 percent of the gross domestic product.⁴ The latest unemployment assessment targeted at disadvantaged groups in Lebanon by the International Labor Organization (ILO) found that unemployment stood at 33 percent.⁵ According to the United Nations Economic & Social Commission for Western Asia (ESCWA), in 2021 more than three quarters of the Lebanese population lived in multi-dimensional poverty (82.0 percent), up from 42.0 percent in 2019 and 34 percent of the population that was affected by extreme multi-dimensional poverty.⁶ Amid economic uncertainty and an extremely protracting crisis, challenges continue to deepen for many displaced, refugees and Lebanese nationals who face long-term poverty. Both nationals and refugees perceive that those long-standing inequalities are deepening. As such, competition for shrinking job opportunities and dwindling resources and services remain drivers of tension at the local level.

On March 11, 2020, the World Health Organization (WHO) classified the coronavirus disease 2019 (COVID-19) as a pandemic, and on March 15 of the same year, the government of Lebanon issued the resolution on General Mobilization. The first case of COVID-19 in Lebanon was confirmed on February 21, 2020. As of March 7, 2022, the total number of cases in Lebanon has exceeded the one million threshold and reached one million seventy-nine thousand three hundred seventy-five (1,079,375) cumulative cases of Covid-19, with ten thousand one hundred sixty-one (10,161)

¹ Government of Lebanon and the United Nations, Lebanese crisis response plan 2017-2020 (2019 Update), Beirut, (<https://www.unhcr.org/lb/wp-content/uploads/sites/16/2019/04/LCRP-EN-2019.pdf>), Accessed December 2019.

² The 251-vulnerability map identifies the most vulnerable localities in Lebanon. They host 87 per cent of the displaced from Syria and 67 per cent deprived Lebanese. Lebanese crisis response plan 2017-2020 (2019 Update).

³ Lebanon Economic Monitor, World Bank, Fall 2021.

⁴ Lebanon Economic Monitor, Spring 2021, World Bank.

⁵ Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon, ILO Technical Report, June 2021.

⁶ Multidimensional Poverty in Lebanon 2019-2021, UNESCWA Policy Brief No 2/2021.

deaths reported.⁷ This complex situation puts additional pressure on the subnational authorities to deliver quality services and to create income generating opportunities for their communities.

The ‘Municipal Empowerment and Resilience Project’ (MERP) is a joint initiative by the United Nations Development Programme (UNDP) and the United Nations Human Settlement Programme (UN-Habitat). The Project is implemented in partnership with the Ministry of Interior and Municipalities (MoIM) and is funded by the European Union (EU) through the EU Regional Trust Fund in Response to the Syrian Crisis, the ‘Madad Fund’.

The Project aims to strengthen the long-term resilience of subnational authorities in Lebanon as well as host communities, refugees, and displaced persons affected by the Syrian Crisis. To achieve this, the Project engages in a three-pronged approach: MERP aims to “1. strengthen processes, procedures and practices to enable Unions of Municipalities (UoMs) and municipalities to deliver effective and efficient services in a transparent and accountable manner; 2. empower UoMs and municipalities to facilitate local economic development (LED) and to deliver basic services that address the needs of both host and refugee populations, and; 3. support communities to engage in municipal processes and procedures to ensure that UoMs and municipalities are responsive to their needs.”

The project’s geographic areas of intervention are the Union of Municipalities of Al-Fayhaa (Al-Fayhaa UoM) formally known in English as Urban Community Al Fayhaa (UCF),⁸ the Federation of Municipalities of the Northern, Coastal and Central Matn, and the Union of Municipalities of Tyre with a total of ninety-two (92) partner municipalities.

TABLE 1 Name, location, and number of municipal members in each UoM

District	# Of Municipalities in the district	Targeted UoM	# Of municipalities in the UoM
Tripoli	4	Urban Community Al Fayhaa (UCF)	4
Matn	54	Federation of Municipalities of the Northern Coastal and Central Matn	33
Tyre	62	Union of Tyre Municipalities	55

Under its second component, “empower municipalities and UoMs to facilitate local economic development (LED) and to deliver basic services that address the needs of both host and refugee populations”, MERP has been working since 2019 with the three (3) Union of municipalities mentioned above and their member municipalities to identify basic service and LED projects that would suit the immediate needs of the host, displaced, and refugee communities in a context of deep crisis. To the extent possible, these projects were selected keeping in mind the long-term economic development objectives of the Unions and member municipalities as set in their union level strategic plans (if any), municipal planning documents (whenever available), union/municipal decisions (if already taken), or following surgical local consultations in the absence of such documents.

This experience confirmed the need for an intervention that would support three (3) targeted UoMs leaders on local economic development efforts within their respective union areas. Such leadership would require their mobilization around a LED process that would allow them ultimately to conduct an active LED policy building on a robust knowledge of the national and

⁷ WHO Lebanon COVID-19 Daily Brief for March 7th, 2022.

⁸ In the text, Al-Fayhaa UoM and UCF will be used interchangeably.

local governance systems, urban and territorial constraints and potential, existing economic and market structures, and available human and social capital.

The acquisition of such comprehensive LED knowledge through the implementation of union specific LED assessment was deemed an essential pre-requisite to enable UoMs to envision a consistent role as an enabler of local economic development. Such a role in the future could include pro-active LED planning, partnerships building for LED, institutionalization of LED practices within the structures and capacities of the union, and engagement of potential donors and resources mobilization among others. This significantly strengthens UoM capacity to autonomously implement sustainable local interventions generating employment and livelihoods.

RATIONALE FOR LED WORK WITH UOMs

Municipalities as per the Municipal legislation⁹ are expected to play a key role in promoting local development. The law grants them prerogatives to get involved in different types of development projects including large-scale ones. It also allows for economic development projects such as the establishment of markets -and their direct or indirect management- buildings for commercial purposes, and public transportation. It also allows municipalities to engage in social development by setting up schools, hospitals and primary healthcare centers, and public housing. Under the same law, municipalities can also promote youth-related and cultural development projects such as the establishment and management of public libraries, museums, sports, cultural and artistic institutions. Municipalities can also contribute or help in the execution of other projects as identified by the law.

From a planning perspective, municipalities are in charge of executing designs related to municipalities including the “Master Plan” in collaboration with the Directorate General of Urban Planning for land-use planning. The law also specifies that Unions of Municipalities should undertake the setting of plans, preparation of technical studies and consultancies through its engineering units.¹⁰ Furthermore, it clearly identifies the Union’s council as the stakeholder in charge of the endorsement of the development plans that have been prepared.¹¹ In line with these responsibilities, many municipalities, and Unions, including the Urban Community of Al Fayhaa and the Union of Tyre Municipalities have developed sustainable development plans (SDPs) such as the Al-Fayhaa Sustainable Development Strategy Plan 2020 (AFSDS 2020) published in 2011¹² and the Strategic Sustainable Regional Development Plan (SSRDP) for the Union of Tyre Municipalities in 2015. In Northern Matn, major municipalities like Bourj Hamoud have also developed important documents that could serve area-based planning such as the Industrial Zone Study in 2010¹³ which was preceded by the Bourj Hammoud Brief City Profile in 2009.¹⁴ The Municipality of Bourj Hammoud is also currently preparing a ten (10) year strategic plan for the 2021-2031 period with the support of the Agency for Sustainable Mediterranean Cities and Territories (AVITEM).

⁹ Article 50 of Legislative Decree Number 118 dated 30th June 1977.

¹⁰ Article 122 of Legislative Decree Number 118/1977.

¹¹ Article 126 of Legislative Decree 118/1977.

¹² A review of the Plan was conducted in 2015 by Al Fayhaa Knowledge Transfer.

¹³ Please refer to: <https://www.bourjhammoud.gov.lb/sites/default/files/public/BHI0910REPORT.pdf>

¹⁴ Please refer to: <https://www.bourjhammoud.gov.lb/sites/default/files/public/SBH-REPORT-F-shrunked.pdf>

In the absence of decentralization, the Administrative Districts known as “Cazas” or effective Councils at Governorate or “Muhafazah” level to guide the planning and economic development process, Unions and their SDPs provide strategic institutional and planning entry points for basic services/local economic development interventions planned by UNDP and UN-HABITAT through MERP in the three (3) targeted Unions of Municipalities and ensure that they are aligned with national and local priorities.

SDPs, therefore, provide a policy framework under which local economic development assessments should be conducted to expand and update the economic pillar or section of Sustainable Development Plans. However, the plans do not contain an in-depth analysis of the governance architecture supporting LED and investment by the private sector. They also exclude any analysis of the local private sector structure, its strengths, weaknesses, opportunities, and challenges, which would otherwise enable the strategic planning for local economic development and systematic prioritization and selection of projects that could be supported by UNDP and UN-HABITAT through MERP or other development partners.

If strategically identified, such projects could bring together the Unions, the local private sector and communities, including refugees, displaced, and host communities, to generate sustainable jobs, income opportunities and additional rental income (if municipal assets are used) and, in the long-term, additional municipal revenues to the treasuries of the municipalities.

PURPOSE OF LED ASSESSMENTS

The overall goal of a LED assessment is to support UoMs and member municipalities to build robust understanding and knowledge of their local economic development potential and needs in the current context of combined macroeconomic, fiscal, monetary, and financial crisis exacerbated by the exogenous shock represented by the Covid-19 pandemic. This is done through an in-depth analysis of the resilience of their local economic structures and governance systems in close dialogue and partnership with the local private sector and communities including host, displaced, and refugee communities.

Building LED knowledge and understanding that takes into account the current multi-vector crisis context is an essential prerequisite for UoMs and member municipalities to actively engage in planning for LED that is responsive to the conditions brought by the multi-factor crisis, to implement LED strategies effectively through the prioritization, selection and implementation of projects that fit the evolving LED context, and develop gradually a LED culture within the local but also regional and national institutions.

Implementing the LED assessment in the three (3) Unions of Municipalities is the first step of the MERP strategic approach to LED which aims to initiate, develop, and implement a comprehensive **four-stage LED process** with the UoMs, member municipalities, the private sector, and the local communities including refugees, displaced, and host communities of each target areas as follows:

- The implementation of participatory and inclusive local economic development assessments which capture the impact of the multi-faceted crisis on local economic structures and associated governance systems and responsible institutions.
- The design of roadmaps for local economic development informed by the LED assessments and existing SDPs whenever available.
- The implementation of the developed roadmaps for LED through the prioritization and selection of projects of various scales in each Union grounded in area-based planning. These projects should generate local employment and sustainable growth through a positive local economy multiplier,¹⁵ reduce and offset the impacts of the current multi-faceted crises, and meet sustainable development criteria by contributing to poverty reduction, gender responsiveness, environmental sustainability, and social inclusiveness towards host, displaced, and refugee communities.
- The economic and social appraising, business development planning, implementation and operation and maintenance (O&M) planning of selected LED project(s) in each Union with possible technical support and co-funding from development partners involved in local economic development.

The initiation of the LED process with unions (in this instance, the three (3) Unions of Al Fayhaa, Northern, Coastal, and Central Matn and Tyre) also provides the opportunity to engage with national LED stakeholders. These include both regulatory/oversight central agencies such as the MoIM, the Ministry of Economy and Trade (MoET), the Directorate General of Urban Planning (DGUP), national agencies and programs that provide incentives such as the Investment Development Authority of Lebanon (IDAL), or councils who can provide platforms for dialogue and/or technical assistance such as the Economic and Social Council (ESC) and the Higher Council for Privatization and Partnerships (HCPP). They should be targeted for inclusion in policy advocacy efforts to highlight the potential for LED at the local level and explore how they could more actively support LED implementation efforts.

¹⁵ A multiplier refers to an economic factor that, when applied, amplifies the effect of some other outcome. For example, an economic multiplier of 2 means that each USD 1 invested will impact positively the local economy by USD 2.

PARTNERSHIP BETWEEN UN-HABITAT, UNDP (THROUGH MERP) AND UCL FOR THE IMPLEMENTATION OF THE LED ASSESSMENT PHASE

On 24th February 2021, UN-Habitat and UNDP signed an Agreement of Cooperation (AoC) with United Cities of Lebanon (UCL). For this assignment, UCL mobilized significant, multi-disciplinary expertise in local economic development, urban planning, and local governance to design a participatory, multi-stakeholder process to deliver three (3) local economic development assessments (one (1) per partnering Union) which will constitute the foundation on which planning for LED could be developed in a subsequent stage. Moreover, the AoC required the initiation of a policy dialogue process through the drafting of a policy advocacy paper and a relevant platform to discuss and debate it on the national level.

UCL and its expert team worked closely with municipalities and UoMs in the three (3) targeted geographic areas to identify how the systems and institutions governing LED could be strengthened both at sub-national and national levels for better LED outcomes. UCL also engaged local private sector, communities, and Civil Society Organizations (CSO) to identify the economic sectors and/or areas of interventions that present significant opportunities for joint LED partnerships.



EXECUTIVE SUMMARY

This report presents the findings of the LED assessment for Urban Community Al-Fayhaa (UCF) under the 'Municipal Empowerment and Resilience Project' (MERP). What follows is a summary of the assessment's main objective, conceptual framework, methodology, findings, and key policy recommendations.

I. BACKGROUND AND OBJECTIVE

Under the 'Municipal Empowerment and Resilience Project' (MERP), UN-Habitat and UNDP commissioned United Cities of Lebanon to design a participatory, multi-stakeholder process to deliver three (3) local economic development assessments for the Unions of Municipalities (UoMs) of Al-Fayhaa, Matn, and Tyre.

The overall goal of this LED assessment is to support UoMs and member municipalities to build a robust knowledge of the national and local governance systems, urban and territorial constraints and potential, existing economic and market structures, and the available human capital.

II. CONCEPTUAL FRAMEWORK

The analysis in this report emanates from a conceptual understanding of local economic development. This was based on a scaled down version of the growth diagnostics framework adopted by Hausmann, Rodrik, and Velasco (2005).

The initial framework allowed the team to assess the extent to which poor geography or territory, unreliable infrastructure, weak human capital accumulation, government and market failure all constrained local economic growth. However, it was amended to serve our local economic development assessment. Given the fact that the agency expected to take a leading role is the UoM, many of the potential binding constraints are beyond its control. For this reason, we fine-tuned the framework in such a way that local authorities can address the constraints. The scaled-down framework aims to explain weak LED through two (2) main lenses: low social returns and low appropriability.

Low social returns are the result of two (2) main constraints. First, poor territorial planning, which defines a poor interaction between the local territory and the economic and social landscape, leads to a mismanagement of physical assets. Second, weak human capital accumulation, which results from poor healthcare, education, and public services, leads to frictions in the labor market, namely low skills, unemployment, and underemployment.

On the other hand, low appropriability is the result of two (2) main constraints. First, inadequate

governance, caused by weaknesses in the capacity of the local authorities and flaws in the national policy and regulatory structures, leads to major adverse economic and social effects, as essential functions such as planning, resource management, coordination, and public service provision are compromised. Second, a constraining market structure, caused by shortages in key primary products, restricted access to credit and financing facilities, and low competition, leads to anemic production, a lower local aggregate demand, and low job creation.

III. METHODOLOGY

We analyze these components through a mixed methods and participatory approach that spanned over three (3) phases. The aim of phase 1 is to identify and validate through participatory research the key issues and challenges facing the region through desk reviews, focus groups, key informant interviews, and consultations with the stakeholders. Building on this, phase 2 quantitatively assesses these challenges through human capital and firm level surveys as well as qualitatively through key informant interviews. Phase 3 aims to validate the findings through meeting with local officials, workshops with key stakeholders, focus groups, and a land assessment.

Phase 1	Phase 2	Phase 3
Informing the assessment instruments	Field Assessment	Validating the assessment
<p>One (1) MSPG workshop with local stakeholders involved in LED.</p> <p>One (1) SLAT workshop with local officials.</p> <hr/> <p>Desk review research based on online literature and evidence.</p> <p>Five (5) focus group discussions.</p> <p>Four (4) key informant interviews.</p>	<p>Human capital survey (six hundred nine (609) households).</p> <p>Firm-level survey (One hundred twenty-six (126) firms).</p> <p>Thirty-four (34) key informant interviews in total (of which thirteen (13) were conducted with national and sub-national actors, nine (9) with INGOs, international organizations, and local NGOs, and twelve (12) with local actors across the UoMs under study (four (4) were strictly held at the level of Al Fayhaa UoM).</p>	<p>One (1) MSPG workshop with local stakeholders involved in LED to validate assessment.</p> <p>One (1) SLAT workshop with local officials to validate assessment.</p> <hr/> <p>Five (5) focus group discussions.</p> <p>The final assessment report.</p> <p>The policy paper.</p> <p>Two (2) KIIs on land assessment (one (1) specialist lawyer at the national level and a municipal member in Al-Fayhaa UoM).</p> <p>A land assessment questionnaire to a sample of member municipalities (one (1) respondent in Al-Fayhaa).</p>

IV. MAIN FINDINGS

Our analysis reveals a sombre LED reality as we found major constraining elements in each of the four (4) components. The diagnosis of weak LED in Al-Fayhaa confirms very low social returns due to a broken territorial planning process as well as poor and worsening human capital exacerbated by the major exogenous shocks at the national level. Moreover, it reveals low appropriability as governance systems seem to suffer from weak capacity and fragmentation, while market constraints, which dramatically increased due to the national economic shocks, are tearing apart the local private sector.

More specifically we identify the following constraints for each of the four (4) analyzed components:

Territorial Planning Constraints

1. Poor territorial planning, stemming from institutional fragmentation at the national level, outdated urban and territorial planning framework (or lack of), and economic and political aspects of land use regulations that serve private interests rather than the public good.
2. There is an acute absence of comprehensive land use planning at the national, sub-national and local scales to guide development projects, protect significant natural sites, and deal with pollution, particularly marine pollution.
3. Lack of unified territorial development plans at the sub-national and local levels is leading to landscape fragmentation and dramatic land cover/land use changes.
4. Rapid and unguided urban expansion over last two (2) decades has led to a significant reduction in the agriculture and natural areas of Al-Fayhaa Union.
5. The area's public and communal lands and productive, cultural, and natural landscapes which constitute a main pillar of the local economy—including sites recognized by the National Physical Master Plan of the Lebanese Territory (NPMPLT) as significant natural sites of national importance (e.g., Al-Fayhaa main agricultural area and waterfront)—are threatened by encroaching urbanization, speculative development, and illegal transgressions.
6. The UoM and municipalities of the area are challenged to leverage state and municipal owned lands for vital local development projects (e.g., infrastructure and public services, affordable housing, open markets, municipal gardens) that can potentially enhance the livability of urban and rural areas and stimulate private sector economic activities.
7. There are certainly many untapped opportunities that could potentially stimulate the local economy in Al-Fayhaa (i.e., the Rashid Karami International Fair "Maarad", the port, traditional light industries and other cultural and natural assets outlined in the NPMPLT, the AFSDS and most of the key projects and studies mentioned above).

Human Capital Constraints

The findings below are mostly based on a human capital survey conducted with six hundred nine (609) households in the region.

1. Worsening human capital due to poor national-level management of the healthcare and education sector and the absence of robust social protection systems to address the explosion in vulnerabilities.
2. The unemployment rate increased from 11 percent in 2019 to 14 percent in 2021. Barely any who were employed in 2019 have lost their job since (3 percent).
3. Those who are unemployed attribute this mostly to the lack of available jobs (73 percent of them).

4. The few women heads of households have significantly lower labor force participation and higher unemployment rates: while the unemployment rate among all adults is 22 percent, it equals 53 percent among women and only 15 percent among men. Furthermore, nearly all men are part of the labor force (92 percent), while a very low share of women is (18 percent).
5. Al-Fayhaa's population has become increasingly vulnerable in light of the country's multiple crises. Incomes have sharply decreased, become highly volatile, and are barely covering expenses.
6. The quality of and access to healthcare households receive has decreased since 2019, and this can be mainly attributed to financial difficulties, which are preventing individuals from seeking and receiving proper care.
7. The health of Al-Fayhaa's population in the long-term is also at risk due to the rise of malnutrition and food insecurity, as nearly all households have been compromising their nutritional needs as a coping strategy to deal with the crisis.
8. Al-Fayhaa's residents consider public service provision as poor, if provided at all. Electricity and water provision rank particularly bad among the population.
9. There is a lack of affordable housing and tenants are struggling to pay their rent, leading to housing-insecurity
10. Al-Fayhaa is witnessing a significant trend of emigration especially among youth. More so, the intentions to emigrate are significantly higher among men heads of households (56 percent) than among women heads of households (39 percent).

Market Constraints

The findings below are mostly based on a firm-level survey conducted with one hundred twenty-six (126) firms in the region.

1. Sporadic and severely inadequate macroeconomic response to the financial crisis is inhibiting credit and dramatically decreasing aggregate production and demand.
2. In the absence of local financial aid programs or banking credit, firms continue to be optimistic about their long run growth (next three (3) years) prospects while perceiving their ability to survive in the near-term (next six (6) months) as being relatively high. This indicates that most firms perceive they have sufficient cash and accumulated savings to survive until recovery occurs in the longer term.
3. Women business owners are also severely affected by the crisis. One woman we spoke with had to lay off six (6) workers by end of 2021. As a result, she had to reduce production and supply local alternative goods that are in higher demand. In light of soaring input prices and currency depreciation, she tried to raise salaries, but that did not suffice
4. Across sampled firms, the share of female employment in Al-Fayhaa is lowest compared to data from Matn and Tyre UoMs. It stood at 6 percent throughout the crisis period.
5. Firms in Al-Fayhaa UoM region had to significantly shrink their workforce to contain their losses, faced with weak sales turnover and high costs.
6. Al-Fayhaa UoM region's firms in the manufacturing, real estate, and wholesale/trade sectors are most constrained by limited access to subsidized raw material, high costs, and weak sales.
7. Loss in jobs witnessed in Al-Fayhaa UoM area substantially restricted local income and economic activity during the past three (3) years.
8. Firms in Al-Fayhaa Union are highly constrained by weak local infrastructure such as roads, electricity, and wastewater networks.

9. There is a strong risk of a jobless recovery because firms in Al-Fayhaa UoM area are operating significantly below full capacity and therefore can expand output without increasing labor. Even in a hypothetical scenario where firms were given a substantial grant and decided on how best to use it, less than 15 percent of firms chose to hire more workers despite most choosing to stay in business and either expand (55 percent) or diversify (36 percent).
10. New business creation has been especially weak in Al Fayhaa UoM region, compared to Matn and Tyre UoM. The youngest firms in Al-Fayhaa entered the market in 2018.
11. The UoM and municipalities of the area are unable to use owned lands for vital local development projects including open markets that can potentially stimulate private sector economic activities.

Governance Constraints

1. Weak performance of local authorities due to sporadic, unpredictable, and unequal distribution of the Independent Municipal Fund (IMF).
2. The high exposure of the UoM processes (such as employment) to national and regional level bureaucracy hurts its independence and planning ability.
3. The UoM suffers from weak administrative and financial capacity hampering the optimal use of existing resources or the acquisition of new ones.
4. Poor collection effort amongst member municipalities, and the unpredictability of the IMF instalments, are taking a toll on the UoM's balance sheet.
5. Weak capital expenditure contrasted with a high operational expenditure is nullifying the positive effects of local public expenditure on the local economy.
6. The UoM is not able to optimize the use of the resources provided by the Section for the Observatory of Environment and Local Development¹⁶ (under which TEDO would be subsumed).
7. LED should be viewed as a process in which partnerships between local governments, community and civic groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined area by using the potentials of human, institutional, and physical and area natural resources.

Looking deeper into the constraints we can identify the binding ones, which we define as constraints that are affecting two (2) or more of the four (4) components highlighted in the framework. We highlight these binding constraints below:

1. Governance is seen as the area's most binding constraint, thus negatively affecting LED at large. Understanding of the LED concept in UCF is limited, leading to planning failures and weak implementation of existing strategic plans:
 - LED understanding is constrained to minor infrastructure and facilities development and lacks an integrated and comprehensive approach that brings together the territorial, economic, and social aspects.
 - This understanding is further weakened by friction between member municipalities that is centered around broader political issues and not lack of agreement over the development agenda.
2. Low interaction and partnership between UoM and local stakeholders:
 - Private sector and local community report low to no interaction with the UoM, hurting the ability of the latter to produce relevant solutions to the emerging economic and social priorities.

¹⁶ Formerly recognized as 'TEDO'. Across the report, we will be using the term TEDO as the unit is more commonly recognized as such.

3. Al-Fayhaa's governance system fails to properly integrate the local private sector in its overall development vision due to:
 - Non-existent collaboration with firms (of all sizes and industries) on development or infrastructure projects.
 - Businesses seek support from municipalities to promote their products/services as well as to expand their consumer base. Often, municipalities find themselves not capable of playing a "market-specific" role (like organizing open public markets to stimulate private investment) as also reiterated by local officials in the area.

4. Absence of comprehensive planning and lack of clarity over the area's future economic identity in view of growing crises and shifting priorities:
 - In Al-Fayhaa, compared to the national level, there is no lack of territorial planning studies, guiding visions, and development proposals.
 - Politics, territorial governance, security and growing social tension have been barriers to effective economic development.
 - Lebanon's worsening economic situation and lack of investments in infrastructure and public services is leading to the widespread deterioration of the built environment and the growth of poverty, inequalities, and informality.

5. Frail human capital accumulation in the face of market shocks, seen through loss in income, unemployment, skill atrophy, and poor health:
 - Substantive job destruction mostly concentrated in real estate, followed by services and wholesale/trade.
 - There is a high demand for better health services amongst surveyed firms in the area. This is especially true for those working in the real estate sector.
 - Lack of interest in workers' educational skills implies higher likelihood of skills atrophy following crisis.

6. The current market shock that hit Al-Fayhaa UoM region has led to property abandonment, side-lining agriculture, and privatization:
 - Possible privatization of land to compensate for state financial losses in light of market shock threatens economic activity and area demographic.
 - Amid domestic currency (Lira) volatility and soaring input prices, growing risk of property abandonment and increased rent gap.
 - Loss in agricultural workers and agricultural investment in crisis, though increased interest in the sector does exist in some areas. For example, El-Beddawi municipality has taken a first step in this regard (the urban agriculture project it implemented with "Seeds in a Box" organization) The first phase of the project was applied on a relatively small public land owned by the municipality (an area of 1,000m²). Its successful completion encouraged several private agricultural landowners who are facing difficulties maintaining their land to give it to the municipality to plant it.

7. The future of the workforce in Al-Fayhaa union area is threatened due to decreasing access and quality of healthcare and food insecurity:
 - Poorly managed, and limited capacity and lack of equipment in public hospitals, forcing residents—those who can afford it—to seek treatment in private facilities. In 2019, 45 percent of households considered their quality of healthcare to be poor or very poor, while today this share has jumped to 67 percent.

- Food insecurity and malnutrition on the rise, as residents are compromising their nutritional needs as a coping strategy to deal with the crisis. Overall, in Al-Fayhaa UoM region, most households consider their food consumption as being less than adequate, and this share is higher among lower-income households (62percent) than middle or higher-income ones.
8. Decreasing pool of workers as the youth plan to emigrate to find job opportunities abroad:
 - Al-Fayhaa UoM region is suffering from a brain drain, particularly among youth. The main reason behind intentions to emigrate is finding job opportunities, and while unemployed individuals are more likely to have plans to emigrate, the trend exists among all members of the labor force.
 9. Poor quality of education, and negative perceived returns to education, leading to low human capital accumulation:
 - Teacher absenteeism, strikes, poor quality of teaching, and lack of sufficient teachers are common concerns among households.
 - Lack of information on which skills are in demand in the market, leading to a mismatch between demanded and supplied skills.
 10. Housing insecurity on the rise, leading to increased vulnerabilities:
 - Poor housing quality, lack of affordable housing, and tenants (including commercial ones) struggle to pay their rent.
 11. Union unable to provide public services, leading to deprivation:
 - Electricity, water provision, and road maintenance are particularly poor.

V. BROAD LEVEL POLICY RECOMMENDATIONS

The assessment clearly reveals that Lebanon's national level endowments, particularly the major governance failures and the severe economic shock, have played a primary role in decreasing the development potential and capacity of Lebanese territories. However, the report also indicates that the margin of improvement that can be spearheaded by UCF at local level is wide and should be properly exploited through a local LED effort geared towards achieving better outcomes for the resident society and market. In what follows, we outline key guiding broad level policy recommendations below that can inform local level interventions in the short term. We do not categorize these by theme as broad-based policy recommendations are meant to reveal a clear nexus between the different sub-themes, namely territorial planning, human capital, market conditions, and governance. A total of seven (7) policy measures are proposed next:

- Considering governance as the area's main binding constraint, the concept of LED should thus be expanded within the UCF governance apparatus with the interaction between markets, society, governance, and the territory well established and understood. The salience of LED interventions should gain salience on the agenda of the local authority, with proper allocation of resources towards a dedicated unit that can inform these interventions. The presence of the Section for the Observatory of Environment and Local Development (under which the Tripoli Environment and Development Observatory (TEDO) and Regional Technical Office (RTO) will be integrated) is a major asset and

can significantly bolster the development capacity of UCF when complemented by a dedicated development unit.

- The UoM should play an active “entrepreneurial” role in securing better public services at the local level. A mission-oriented approach that brings together public and private stakeholders can achieve better outcomes through a sustainable business model for electricity, water, and transportation issues. Novel and creative ideas, using renewable and sustainable primary products, some examples of which are already implemented at the local level in Lebanon, can go a long way in preserving the local economy and human capital.
- As social services, particularly health and education, seem to suffer a great decline in UCF, the Union should lead an effort to collaborate with the local civil society as well as international organizations to secure better funding for public health and education facilities, and to increase the capacity of their staff. This an urgent intervention that can avert a social calamity in the short and long term.
- The dangerous trend of compromising nutritional needs to cope with the destruction of income found in most families in the region requires an immediate intervention by UCF. The Union should work towards providing food aid directly or in collaboration with local charity organizations to ensure the nutritional needs of the struggling population.
- The UoM should prioritize investments in agricultural reclamation and the support of small farmers. Land abandonment is a main factor behind land degradation and loss of health and productivity. Particularly in the context of Lebanon’s looming food crisis this kind of investment becomes even more crucial.
- The UoM, in collaboration with international donors and agencies, should ease the transition of the private sector out of the crisis. To do so, the UoM can play an indirect role by acting as a platform that connects private sector actors with a class of investors and international organizations. This would increase firms’ production capacity, hiring margin, and access to local and foreign markets. This is the primary way through which the UoM can help generate fresh income streams in the area as well as re-establish local economic cycles that are essential for proper local economic development in a post-crisis environment.
- Furthermore, the UoM should conduct regular needs assessments of local firms’ and communities’ infrastructural needs so as to inform more adequate project planning that could have a direct positive effect in the area.

INTRODUCTION

The overlapping financial, economic, social, and health crises have had a tremendous impact on Lebanon, deeply threatening the country's economic and social fabric. They are the result of three (3) major aggregate shocks that occurred since late 2019: the collapse of the domestic financial sector, the COVID-19 pandemic, and the devastating explosion of the Beirut port on August 4, 2020. Prior to these events, Lebanon was already under enormous strain as it saw the arrival of more than one (1) million displaced Syrian —almost equal to a quarter of the country's population— exacerbating further the already poor infrastructure and fragile economic conditions.¹⁷

The effects of these multi-layered crises have been colossal on the wellbeing of Lebanon's residents and its private sector. The multidimensional poverty rate in Lebanon has nearly doubled from 42 percent in 2019 to 82 percent in 2021.^{18,19} In fact, the poverty rate doubled in 2020, reaching 55 percent up from 28 percent in 2019, while extreme poverty tripled from 8 percent to 23 percent during the same period. In addition, the port explosion also caused losses estimated at about USD 7 to USD 10 billion in both physical and economic damage.²⁰ Moreover, the country's vulnerable private sector is struggling to survive amid worsening business conditions driving unemployment upward.

A main driver of growth, or relative economic stability in times of crisis, is the capacity of local governments to provide sustainable and equitable development to their communities. To this end, an assessment of the Urban Community Al-Fayhaa (UCF) that integrates the key factors that shape its development which include territorial planning, market activity, human and social capital, and governance is undertaken. Bearing in mind the effect of shocks that occurred at the national level, the team resorts to multiple methods for the assessment including key informant interviews with national and local actors, focus group interviews with segments of the population, surveys with residents, and firms. Throughout the process, the team regularly consulted the UoM presidents, mayors, and local officials as well as key stakeholders representing the different sectors in the region.

In light of the unprecedented crisis the country is facing, this report provides an integrated and updated assessment of the Fayhaa UoM across four (4) key factors: namely territorial planning, human and social capital, market activity, and governance. Such an approach allows us to investigate and identify the main weaknesses and obstacles for local development which could pave the way forward for a sustainable and equitable outcome.

This report is organized as follows. Section 1 presents the conceptual framework employed to identify the weaknesses and obstacles for local economic development. Section 2 highlights the different methodological tools that were employed throughout the project. Sections 3, 4, and 5 deep-dive into each of the key factors that affect local economic development, namely territorial planning, human and social capital, and market activity, respectively. In section 6, the report examines the governance of local development. Acknowledging that many obstacles across these four (4) factors are affected by national policies and actors, the team attempted to highlight the challenges that UoM can address in light of its legal mandate and responsibilities.

¹⁷ UNHCR. 2020. "Lebanon Overview." <https://bit.ly/33D89CC>.

¹⁸ ESCWA Lebanon. 2020. "ESCWA Warns: More than Half of Lebanon's Population Trapped in Poverty." <https://www.unescwa.org/news/lebanon-population-trapped-poverty>.

¹⁹ ESCWA Lebanon. 2021. "ESCWA warns: Three-quarters of Lebanon's residents plunge into poverty." <https://www.unescwa.org/news/escwa-warns-three-quarters-lebanon%E2%80%99s-residents-plunge-poverty>.

²⁰ European Union, United Nations, and World Bank. August 2020. "Beirut Rapid Damage and Needs Assessment." <https://documents1.worldbank.org/curated/en/650091598854062180/pdf/Beirut-Rapid-Damage-and-Needs-Assessment.pdf>.

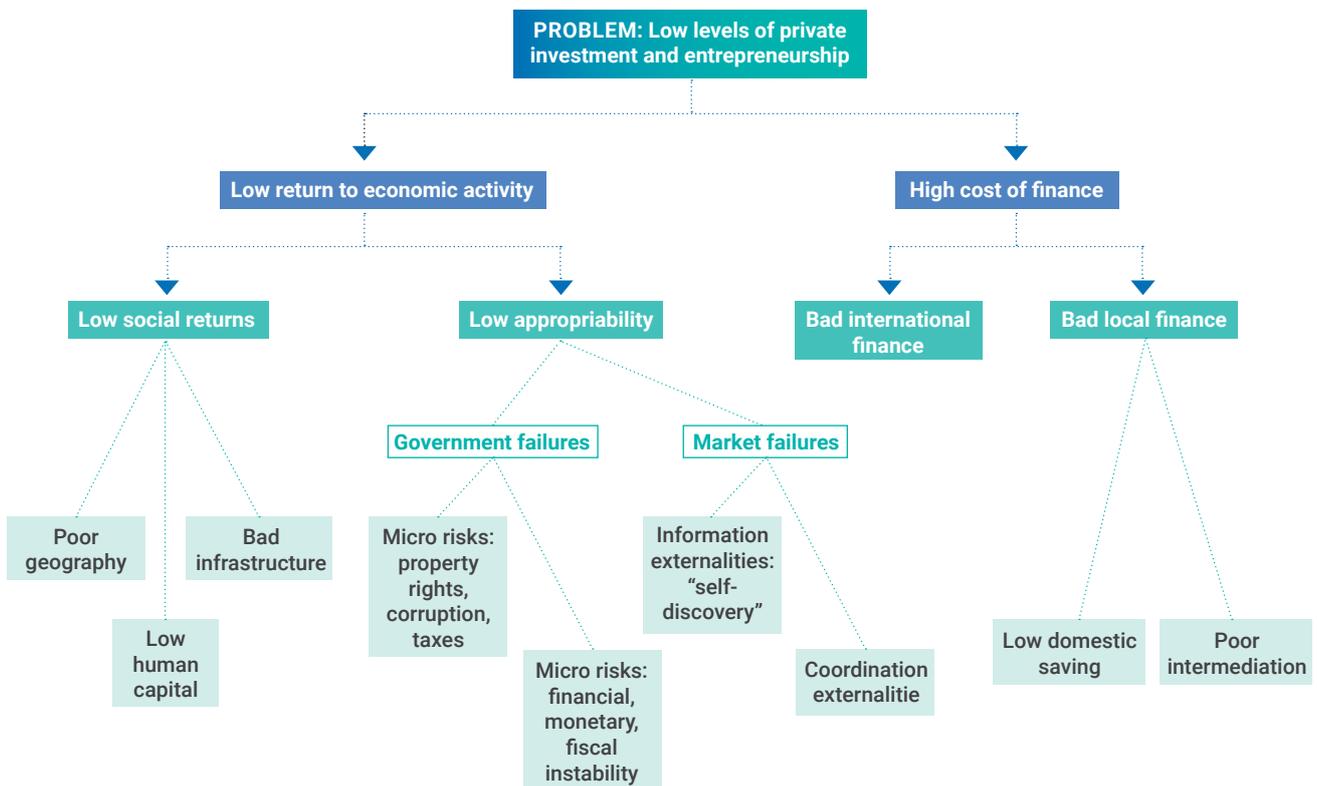
01

CONCEPTUAL FRAMEWORK

To assess the existing constraints that are inhibiting growth both at the local and national levels, the team adopted the growth diagnostics framework (GDF) of Hausmann, Rodrik, and Velasco (2005). This framework argues that low growth is largely due to low investment and entrepreneurship which in turn are influenced by two (2) other factors: Low return to economic activity and / or high cost of finance. The former is consequently affected by low social returns such as poor geography, low human capital or bad infrastructure or low appropriability which could be the result of government failures such as micro risks or macro risks or market failure such as information or coordination externalities. Growth could be also affected by the high cost of finance which could be the result of bad international finance or bad domestic finance due to poor saving or bad intermediation by banks. By laying out the different mechanisms through which growth is affected with the intention to identify the most binding constraints to growth, this framework provides insights on how to prioritize reform measures that lead to growth.

More specifically, the framework allowed the team to assess the extent to which poor geography or territory, unreliable infrastructure, weak human capital accumulation, government and market failure can constrain local economic development or growth.

FIGURE 1 Growth diagnostics framework



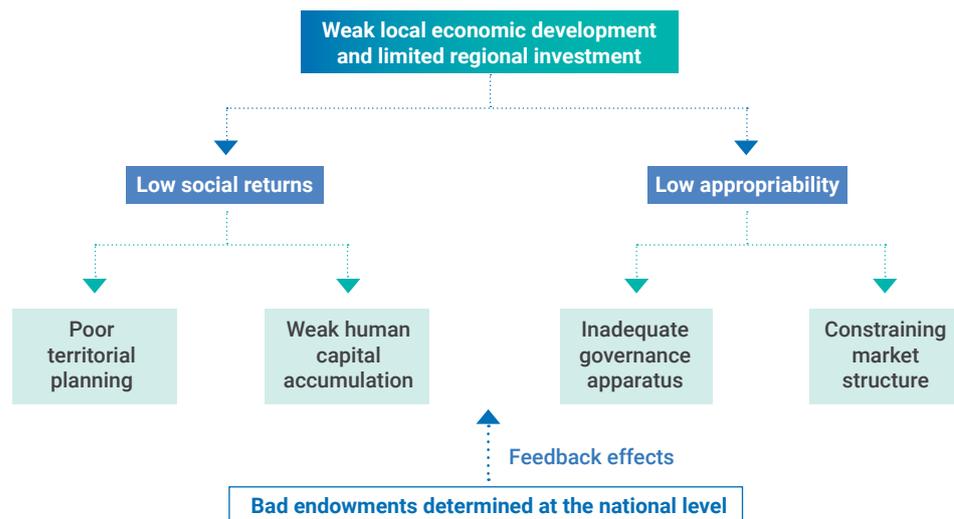
The tree diagram (Figure 1) is employed following a bottom-up approach. For example, the private sector’s inability to appropriate any available aggregate social returns (in other words, to absorb society-wide surplus) could possibly be explained by the state of investment in inputs such as human capital and infrastructure. Alternatively, low appropriation could perhaps be triggered by low-tier constraints such as government failure—weak rule of law, sufficiently high corporate tax, and/or anti-export trade policy—or market failure. Investment decisions, and consequently growth prospects, might otherwise be constrained by micro-risks such as corruption and a lack of competition driven by oligopolistic market structures. Finally, we also consider the issue of access to finance, which is tied to debtor interest rates and volume of transfers from abroad, such as foreign capital inflows.

While this diagnostic in identifying the binding constraints that are retarding growth is particularly useful at the national level, it was amended so it serves our local economic development assessment in the following way: First, given that the agency that should take a leading role is the UoM, many of the potential binding constraints are out of its league. We, therefore, refined the framework in a way so the constraints can be addressed by local authorities. The alignment of the UoM’s responsibilities to the constraints was necessary. To this end, the framework did not explicitly address finance as was done by the GDF since it is a national policy with no role for local authorities.

Second, while the GDF highlighted the importance of geography in affecting growth, we chose to expand the concept of geography to include territorial planning that can ensure sustainable and equitable growth. Three, although the GDF states the importance of government failure, we chose to zoom in on the governance of local authorities to include its administrative and fiscal capabilities as well as their collaborative ability to work with national government and local communities. Fourth, while the GDF focuses on growth, our interest is local economic development which is more sensitive to equity.

To this end, the team developed a diagnostic framework that is more in sync with local authorities and their mandate to launch and implement local economic development.

FIGURE 2 Scaled-Down Growth Diagnostics Framework



The scaled down framework elaborated in figure 2 is centered around poor local economic development and limited regional investments. Inspired by the GDF, this framework argues that poor local development is a function of two major constraints (1) low social returns and (2) low appropriability.

(1) We stipulate that those low social returns are the direct result of (i) poor territorial planning and (ii) weak human capital accumulation.

(i) Territorial planning is the main geographical constraint that leads to low social returns at the local level. Since it falls within the direct remit of local authorities, territorial planning defines ways to optimize the use of the geography and the territorial characteristics of the area and their relationship with the economic and social landscape. When this use is not optimized, usually due to bad governance, poor planning leads to adverse effects on the local economy and society, to the mismanagement of land and land-use, higher environmental threats, diminishing public spaces, the lack of economic specialization, etc. Territorial planning is affected by national level endowments, particularly on the level of the existing policy and regulatory frameworks of planning and suffers significantly as a result of their failure.

(ii) Human capital is a main contributor to local economic development, as its accumulation increases the levels of skill and productivity of the resident population, which has a direct positive outcome on economic output. Human capital is defined by healthcare and education, and access to vital public services and infrastructure, which are all directly or indirectly affected by local authorities. When these two (2) determinants are weakened, mainly due to governance failures, they lead to immediate and protracted effects on the local economy as they affect the ability of the local population to work in the immediate term and deteriorates the pool of skills and knowledge in the long term. Moreover, human capital's interaction with the market can be deeply altered due to market failures (national or local), leading to poor labor dynamics and employment outcomes, and by extension lower aggregate demand at the local level.

(2) Moreover, we stipulate that low appropriability is the result of (i) inadequate governance systems and (ii) a constraining market structure.

(i) Governance systems, both nationally and locally, are essential components of effective local economic development and their failure leads to major negative effects on local development. While UoMs carry the responsibility of economic development in the areas under their jurisdiction, the national government provides the overall policy environment and regulatory structure for their work. To that end, weaknesses in the capacity of the local authorities and flaws in the national policy and regulatory structures, lead to major adverse economic and social effects, as essential functions such as planning, resource management, coordination, and public service provision are compromised. Moreover, the performance of UoMs is also related to the social capital and good ties that the UoM has with the local residing communities and the national authorities, where fallouts and relationship breakdowns lead to major hurdles and gaps in the concerted economic development effort.

(ii) Market constraints such as shortages in key primary products, restricted access to credit and financing facilities, low competition, among others have a major effect on the economic performance of the local sectors. These constraints that are directly or indirectly related to the UoMs' remit, lead to anemic production, a lower local aggregate demand, and low job creation. The market conditions are deeply affected by the national level endowments, particularly major infrastructure and financial/economic policies (and any resulting shocks). They are also affected by the local level governance, planning, and the quality of human capital, which all reflect on the economic outcomes of key sectors.

While this framework gives agency to local actors, in this case the UoM, it is important to highlight that national policies and factors influence all the four (4) components. Hence, the team will reflect and integrate national factors into the analysis.

02 METHODOLOGY

The aim of this section is to present the methodology used throughout the project. The team employed several tools to leverage the conceptual framework and gain key insight into the obstacles, challenges, and priorities for the Al-Fayhaa UoM. Overall, the team resorted to key informant interviews, focus groups, and surveys to assess qualitatively and quantitatively the challenges in the region. In addition to these research tools, the team regularly consulted and informed locally elected officials and key stakeholders at the different phases of the project with the aim to explore, identify and validate the key findings. In this way, the participatory process is embedded in the local development outcome.

The methodology is composed of three (3) phases (Figure 3). The aim of phase 1 is to identify and validate through participatory research the key issues and challenges facing the region through desk review, focus groups, key informant interviews, and consultation with the stakeholders. Building on this, phase 2 quantitatively assesses these challenges through a human capital and firm-level surveys as well as qualitatively through key informant interviews. Phase 3 aims to validate the findings through meetings with local officials, workshops with key stakeholders, and focus groups.

TABLE 2 Assessment Methodology

Phase 1 Informing the assessment instruments	Phase 2 Field Assessment	Phase 3 Validating the assessment
<p>One (1) MSPG workshop with local stakeholders involved in LED.</p> <p>One (1) SLAT workshop with local officials.</p>	<p>Human capital survey (six hundred nine (609) households).</p> <p>Firm-level survey (One hundred twenty-six (126) firms).</p>	<p>One (1) MSPG workshop with local stakeholders involved in LED to validate assessment.</p> <p>One (1) SLAT workshop with local officials to validate assessment.</p>
<p>Desk review research based on online literature and evidence.</p> <p>Five (5) focus group discussions.</p> <p>Four (4) key informant interviews.</p>	<p>Thirty-four (34) key informant interviews in total (of which thirteen (13) were conducted with national and sub-national actors, nine (9) with INGOs, international organizations, and local NGOs, and twelve (12) with local actors across the UoMs under study (four (4) were strictly held at the level of Al Fayhaa UoM).</p>	<p>Five (5) focus group discussions.</p> <p>The final assessment report.</p> <p>The policy paper.</p> <p>Two (2) KIIs on land assessment (one (1) specialist lawyer at the national level and a municipal member in Al-Fayhaa UoM).</p> <p>A land assessment questionnaire to a sample of member municipalities (one (1) respondent in Al-Fayhaa).</p>

PHASE 1: Informing the Assessment Instruments

The overall objective of the first phase is to explore and validate the preliminary factors that are impeding local development largely based on the desk review, consultation with locally elected officials and key stakeholders, focus groups, and key informant interviews.

To this end, the team conducted a desk review which provided a preliminary assessment of the determinants of LED, namely the governance structure, territorial planning and infrastructure, the private sector dynamics, and human capital (as labor supply) in the UoM. This review was based on available literature and data at both national and regional levels. While the study focuses on the latter, the team acknowledged the need to assess national factors and their impact on regional and local outcomes. The literature included more than twenty-five (25) reports that include the following:

- A legal review of municipal laws, municipal finance, and local governance.
- Government data from the various Ministries (such as health, finance), CAS (Labor Force and Household Living Conditions Survey), CDR (including projects under the CEDRE conference²¹), NPMPLT.
- Local government finance including municipal budgets and closing of accounts over several years.
- International organization reports and studies including the UN, WB, ILO, WHO, DRI, and others.
- World Bank enterprise surveys (2013-2019).

Once the literature review was completed, the team presented the preliminary findings first to local stakeholders, local officials, and actors in what is known as the Special LED Assessment Taskforce (SLAT) on July 27, 2021. Its main objective is to formally engage local officials in the LED process, present to them the preliminary findings, and identify any gaps. Besides the UN team and the experts who led the discussion, the meeting was attended by five (5) elected officials and two (2) staff members from the Urban Community Al-Fayhaa.

Complementing the SLAT meeting, the team adopted a participatory approach and inclusive dialogue with the local community as well. To this end, a Multi-stakeholder Partnership Group (MSPG) meeting was held on August 18, 2021, with the aim to engage and introduce the local community to the LED process, present the initial findings of the assessment, and identify the gaps. Beside the UN team and the experts, the workshop was attended by a total of twenty (20) participants: thirteen (13) members representing the private sector, educational sector, professional association, and NGOs as well as three (3) elected local officials, two (2) municipal staff from member municipalities, and two (2) staff members from the Urban Community Al-Fayhaa.

Based on the desk review and the discussions that took place in the SLAT and MSPG meetings, the team embarked on a qualitative research to gain better insight into the challenges and obstacles facing the region. To this end, the team conducted four (4) KIIs with experts and municipal staff on issues related to strategic planning, socio-economic conditions, and municipal governance. The KIIs, which were held in September 2021, were conducted with the following informants:

- Abdallah AbdulWahab (former Director General of UCF and Director of the observatory of environment and local development (formerly known as TEDO)).
- Adib Nehmeh (Expert on poverty and other socio-economic issues in Tripoli).
- Dima Homsy (Director General of UCF).
- Mosbah Rajab (Lebanese University Professor and Consultant of Al Fayhaa 2020 Strategic Plan).

²¹ CEDRE is an international economic conference hosted by France in Paris in 2018 to mobilize the international community to support the development of Lebanon and the reform process.

In addition, the team conducted five (5) focus group discussions (FGDs) in October 2021 to validate the findings and identify research gaps with other actors. The aim of the FGDs is to understand challenges and opportunities for local economic development in Al-Fayhaa UoM. We focused on three (3) thematic areas, namely governance, market, and human and social capital. Annex 1.5 provides the FGD protocol.

The FGDs were held with the following profile of actors:

- Owners of businesses in operation (All six (6) participants were men, none were non-Lebanese).
- Informal businesses still in operation (two (2) participants were men, six (6) were women, one (1) was Palestinian and one (1) was Syrian).
- New business entrepreneurs (four (4) participants were men and two (2) were women, non were non-Lebanese).
- Closed businesses (three (3) participants were men, three (3) were women, one (1) was Palestinian and one (1) was Syrian).
- Unemployed youth (two (2) participants were men, four (4) were women, two (2) were Palestinian and none were Syrian).

The FGDs had thirty-two (32) participants in total, fifteen (15) of whom were women.

Phase 2: Field Assessment

While the first phase aimed to preliminary identify the obstacles and challenges facing the region, the second phase of the project sought to assess these constraints quantitatively and qualitatively and dive deeper into their causes and impacts. To this end, the team conducted two (2) closed-ended surveys of households and firms and held key informant interviews (KIIs).

The firm-level survey was administered to one hundred twenty-six (126) firms in the area to gauge the effect of the crisis on the private sector. The questionnaire was structured as follows:

1. Profiling of firms.
2. Balance sheet changes during the crisis period with a focus on expenses and sales.
3. Supports mechanisms that were set up to facilitate business operations.
4. Coping mechanisms.
5. Financing channels.
6. Future business outlook.
7. Binding constraints.
8. Interaction with local government and perception of union/municipality's role.

Annex 1.1 highlights the detailed themes covered in the survey. Through this questionnaire, we aimed to:

- a) Examine the impact of Lebanon's multiple crises on the regional economy by exploiting both a binding-constraint approach and balance-sheet one.
- b) Identify the main constraints that restricted the private sector's contribution to development.
- c) Identify the coping strategies adopted by the different firms and enterprises.
- d) Identify the main priorities or developmental needs set by the different firms/enterprises; and
- e) Examine the extent of collaboration and consultation with key local stakeholders.

The above survey structure and analysis are grounded in economic literature and empirical evidence. Table 3 demonstrates the reasoning behind the use of binding constraint and balance sheet analyses as part of this LED assessment.

TABLE 3 Conceptual approach followed for firm-level survey

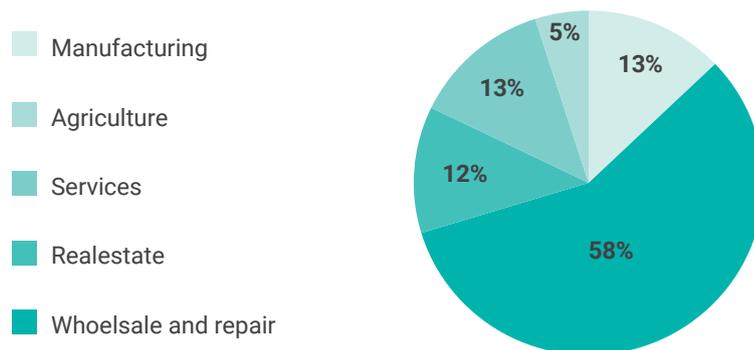
APPROACH	PURPOSE	LITERARY EVIDENCE
<p>Binding constraint analysis</p>	<ul style="list-style-type: none"> • We asked firms to rate the extent to which a certain business obstacle constrained their ability to conduct work from 1 to 4 (4 indicating “significant constraint”). • This approach accurately captures firms’ perception of the local economy and ongoing market conditions. It also allows us to measure non-market obstacles such as governance, infrastructure, or even environment/ land use. • Often, “binding” constraints are empirically tested for. It allows the researcher to examine the effect of a certain business obstacle on employment growth or sales growth using binary or ordered regression models. Constraints with significant and sizable effects on employment or sales growth would be categorized as binding. However, due to sample size limitations (see Annex 1.2), we relied on a more descriptive approach. • We constructed a variable denoted by “major obstacle” that takes the value of “1” if a certain business obstacle was rated 3 (“Moderate obstacle”) or 4 (“Significant obstacle”). A business obstacle was categorized as binding if it was rated as “major” by at least a fifth of the firms in the sample. 	<ul style="list-style-type: none"> • The starting point is Rodrik et al.’s growth diagnostics framework (2005) which recommends the use of firm-level surveys with a representative sample, along with aggregate macroeconomic data. This was complemented by urban economic development and LED literature that scales down said growth diagnostics framework and localizes it such as Bhatt, J. (2021). • Economic literature and empirical work include: <ul style="list-style-type: none"> (1) <i>Binding constraint analysis of Egypt’s economy</i> by Enders, K. (2007). (2) <i>Bolivian case</i> by Calvo, S. (2006). (3) <i>Mongolia’s binding constraint analysis</i> by Ianchovichina and Gooptu (2007). (4) <i>Cross-country binding constraint analysis that builds on World Bank enterprise survey (WBES) data for a group of developing countries between 2006 and 2010</i> by Dinh, Mavridis, and Nguyen (2010).

APPROACH	PURPOSE	LITERARY EVIDENCE
<p>Balance sheet analysis</p>	<ul style="list-style-type: none"> Using this approach, we conducted an empirical analysis to understand how the crisis affected firms' employment growth between 2019 and 2021. To do so, we investigated the variation in three (3) main variables across time: <ol style="list-style-type: none"> Overall costs Sales turnover Production The importance of this approach is two-fold: First, we could quantify the exact effect of cost increases or negative sales turnover on job creation within the local economy, controlling for firm size and sector. Second, it helps validate much of the findings reached using the binding constraint approach (pertaining to market-specific business obstacles). <p>For example, we can quantify the extent to which high input prices or limited subsidized raw materials have constrained the average firm in the region. This can be done by measuring the effect of cost increases or production shocks on employment.</p> We are also able to test for firms' survival strategies during the crisis period such as voluntary closure, remote work policy, salary cuts, etc. More so, we could examine how these policies were altered by economic sector, all while considering balance sheet changes. Finally, this approach also hits at the issue of "finance access" expressed in our conceptual framework. We examine firms' growth prospects or closure likelihood, which serve as good proxies for firms' liquidity during the crisis. 	<ul style="list-style-type: none"> Much of this section builds World Bank enterprise survey data especially in regard to employment growth, sales growth, and cost changes. Our analysis of credit conditions and future growth prospects are inspired by empirical literature such as ones by Harvey et al. (2010). <p>We also followed economic literature based on which our empirical models were built. Some of these include:</p> <ol style="list-style-type: none"> <i>Firm-level survey in Spain with a focus on the COVID-19 pandemic/ economic crisis contexts by Fernández-Cerezo, González, Izquierdo and Moral-Benito (2021).</i> <i>World Bank COVID-19 firm-level surveys.</i> <i>Firm-level survey with a focus on Africa, capturing coping mechanisms and credit conditions by Aga and Maemir (2021).</i> <i>Lebanon's World Bank enterprise surveys (2013 -2019).</i> <i>Other.</i>

We used the proportion to size method for sampling. Based on the population of firms in the region (according to CAS census of buildings dwelling and establishments in 2004), we stratified companies by sector. Subsequently, we identified the number of firms that will be interviewed depending on the size of the sector. Slight variations did, however, arise as the sample structure was contingent on the responsiveness of the enterprises.²²

The majority of sampled firms (58 percent) belonged to the trade sector (wholesale & retail). Another 13 percent belonged to services, 12 percent to real estate, 13 percent to manufacturing, and less than 6 percent to agriculture (Figure 3).

FIGURE 3 Sectoral composition of firms in the Al-Fayhaa region



More than 82 percent of the firms in Al-Fayhaa employed five (5) or fewer workers (full-time). The average firm size in Al-Fayhaa in 2019 pre-crisis was six (6) workers and the median firm size was three (3) workers. 75 percent of the sampled firms had been in business for fifteen (15) years or more.²³

The team used descriptive and inferential statistics to measure the effect of different business environment factors (such as balance sheet changes, access to credit, human capital, or bad infrastructure, among other things) on the performance of the firms by zooming in on employment growth, a key LED indicator. The analysis allowed the identification of constraints across different firm characteristics such as the firm's age, size, and sector of work.

The **human capital survey** questionnaire administered to six hundred and nine (609) households was focused on determinants of human capital, as well as public services in respondents' area. The different sections of the questionnaire were:

1. Employment.
2. Education and skills.
3. Health.
4. Housing.
5. Nutrition.
6. Income expenditure and Socio-economic conditions.
7. Shocks and coping strategies.
8. Public and social services quality and provision.

Annex 1.1 highlights the key themes in the questionnaire. The aim of the survey was to analyze the changes in the socio-economic conditions and state of human capital since the onset of the economic crisis. Such changes directly affect the supply of labor, and therefore can inhibit local

²² Take the agriculture sector as an example. The sampling was done as follows: The number of firms in the agriculture sector was divided by the total number of firms in the area, which then yielded a certain percentage. Using a multiplicative formula (percentage x sample size of 126), we computed the number of firms to be selected in the sampled agriculture sector.

²³ This is the year of establishment.

economic development. Our analysis enables us to identify key interventions that can be done by the Union in order to sustain, support, or build its workforce.

This survey's design and analysis were informed by existing literature and household surveys from developing countries. The main guides for our analysis of survey data were produced by the World Bank²⁴ and the United Nations.²⁵ Surveys that inspired our questionnaire include official Government-conducted household surveys in Malawi and South Africa,²⁶ in addition to a municipal-level survey conducted in Australia, as this questionnaire adapted to a specific locality provided additional variables relevant to studying local economic development.²⁷

Six hundred nine (609) households were surveyed across fifteen (15) cadasters.²⁸ This includes a total of two thousand three hundred fifty-eight (2,358) individuals: 97 percent are Lebanese, 3 percent Palestinian and Syrian. 90 percent are male-headed households. Also, most heads of households are aged between twenty (20) and sixty (60) years old.

Statistics Lebanon which was commissioned to implement the survey applied a stratification method on households according to the vulnerability of the cadaster, using the UN Inter-Agency Coordination "Most Vulnerable Localities in Lebanon" document as a reference. The most vulnerable localities are mostly determined by the multi-deprivation index (MDI), which is a composite index based on deprivation in access to healthcare, income levels, access to education services, access to water and sanitation services, and housing conditions.²⁹ This stratification was used in order to ensure that information is collected for deprived and non-deprived areas in a representative manner. Furthermore, such a stratification enables us to highlight whether priorities and needs are significantly different across different areas in light of the crisis.

The number of households from each cadaster was selected based on the distribution of the population in Al-Fayhaa (Table 4). Cadasters with a larger/smaller population were represented in higher/lower proportion in the sample. Table 4 shows the number of surveyed households by cadaster in the Urban Community of Al-Fayhaa.

TABLE 4 Number of surveyed households by cadaster in UCF

AREA	VULNERABLE	NOT VULNERABLE
Al-Mina		49
El-Beddawi	50	
Qalamoun		10
Trablous El Hadid	52	
Trablous El Mhatra	10	
Trablous El-Haddadine	68	
Trablous El-Qobbe	59	
Trablous En-Nouri		11
Trablous Er-Remmaneh		9
Trablous Es-Souayqa		22
Trablous Et Tabbaneh	40	
Trablous Et-Tell	50	
Trablous Ez-Zahrieh		11
Trablous Ez-Zeitoun	10	
Trablous Jardins		158

²⁴ Deaton, A. 2018. "The Analysis of Household Surveys: A Microeconomic Approach to Development Policy." World Bank Group.

²⁵ United Nations Department of Economic and Social Affairs. 2005. "Household Sample Surveys in Developing and Transition Countries."

²⁶ These are: The Malawi Integrated Household Survey from the Malawi Government's National Statistical Office; the General Household Survey from the Republic of South Africa's Statistics Department.

²⁷ City of Whittlesea Household Survey.

²⁸ We obtained the list of cadasters in the Al-Fayhaa UoM from the UN Humanitarian Data Exchange website. <https://data.humdata.org/dataset/lebanon-municipalities-list/resource/e103b820-be48-4641-8ab6-e9b6078e871d>

²⁹ Inter-Agency Coordination. 2015. "Most Vulnerable Localities in Lebanon."

Most households are headed by men. In total, five hundred forty-seven (547) of the surveyed households are men-headed (90 percent), while sixty-two (62) are headed by women (10 percent). The questionnaire was answered by heads of households, who were asked different questions about all household members—although these questions varied, and most of the collected information was on the section dedicated to heads of households. In total, information was collected on two thousand three hundred fifty-eight (2,358) individuals, almost equally divided between women and men (Table 5). The average household size was 3.9 individuals.

TABLE 5 Distribution of individuals' information was collected on according to gender

		MEN	WOMEN
Heads of households	Number	547	62
	Percentage	90%	10%
Other adults in the household	Number	38	570
	Percentage	6%	94%
Children	Number	607	534
	Percentage	53%	47%
Total	Number	1,192	1,166
	Percentage	51%	49%

In total, 97 percent of households were Lebanese (five hundred ninety-three (593) households), and 2 percent were Syrian and Palestinian fifteen (15) Syrian households and one (1) Palestinian household).

The team used both descriptive and inferential statistics to study the changes in the determinants of human capital and labor supply, namely socio-economic situation, health, education, housing, as well as emigration. We studied the relationships and interactions between these components. This was combined with studying individuals' assessment of public services and the ones they prioritize for improvement. This analysis enabled us to identify interventions that should be done by local authorities in order to protect and sustain the health of its population and workforce.

The expert team then complemented survey analysis with thirty-four (34) KIIs, four (4) of which were in Urban Community Al-Fayhaa (UCF), to fill in data gaps. These interviews were also useful to assess governance structure nationally, sub-nationally and locally.

To this end, the KII covered topics related to territorial planning, governance, and socio-economic factors at both national, regional, and local levels. Those that were strictly held at the level of the Urban Community of Al-Fayhaa are highlighted (in bold) in the list below.

1. Ninette Fadel, Head of Unit at Directorate General for Urban Planning (DGUP).
2. Sami Feghali, Head of Land Use Planning Department at the Council for Development and Reconstruction (CDR).
3. Ibrahim Chahrour, Director of Planning and Programming at the Council for Development and Reconstruction (CDR).
4. Youssef Naddaf, Head of Department of Environmental Observation at the Ministry of Environment (MoE).
5. Faten Abou Hassan, Director General of the Directorate General for Local Administrations and Councils (DGLAC) at the Ministry of Interior and Municipalities (MoIM).

6. Abdallah Ahmad, Director General of the Ministry of Social Affairs (MoSA).
7. Suzy Hoyek, Lebanon Response Crises Plan Coordinator at the Ministry of Energy and Water (MoEW).
8. Rony Lahoud, Director General of the Public Corporation for Housing (PCH).
9. Petra Obeid, Head of Youth and Local Bodies of the Ministry of Tourism (MoT).
10. Dany Geadeon, Director General of the Ministry of Industry (Mol).
11. Charles Arbid, President of the Economic and Social Council (CES).
12. Amira Mrad, Director of Small and Medium Enterprises Programs at the Investment Development Authority of Lebanon (IDAL).
13. Rayane Dandache, Economic Policy Coordinator at the Ministry of Economy and Trade (MoET).
14. Daoud Raad, Head of Irrigation and Rural Project Department at the Ministry of Agriculture and Cooperatives (MoAC).
15. Fawaz Hamidi, President of the Business Incubation Association in Tripoli (BIAT).
16. Hassan Dennawi, President of the Tripoli Special Economic Zone (TSEZ).
17. Tarek Osseiran, Deputy Head of Country Programme at UN-Habitat.
18. Faten Adada, Focal Point for Local Development Projects at Agence Française de Développement (AFD).
19. Sarah Sannouh, Regional Partnership Advisor at the International Rescue Committee (IRC).
20. Andre Sleiman, Country Representative at Democracy Reporting International (DRI).
21. Natasha Marshalian Saadeh, Head of Project Development at Rene Mouawad Foundation (RMF).
22. Bechir Odeimi, President of United Cities Lebanon (UCL).
23. Sami Minkara, Former President of City University Tripoli and Former Mayor of Tripoli.
24. Iman Al Rafii, Qaemaqam (Head of Administrative District "Caza") of Zgharta. In charge of Al-Mina Municipality.
25. Amer Haddad, Head of Engineering Department at Al-Mina Municipality.
26. Khaled Hannouf, Municipal Council Member of Beddawi Municipality.
27. Elie Helou, Director of Project Development Transportation at Council for Development and Reconstruction (CDR).
28. Marlene Haddad, Qaemaqam of the Matn District.
29. Antoine Gebara, Vice-president of the Matn Union of Municipalities and Mayor of Jdeidet El Matn.
30. Arpine Mangassarian, Former Director of the Technical Office of Bourj Hammoud Municipality.
31. Mohamad Makkawi, Governor "Muhafiz" of Mount Lebanon Governorate.
32. Ali Ezzedine, Mayor of Al-Abbassieh in Tyre District.
33. Hassan Hamzeh, Manager of Tyre Archaeological Site.
34. Abbas Khalil Awada, Mayor of Naqoura in Tyre District.

Out of the thirty-four (34) KII, thirteen (13) were conducted with national and sub-national actors, nine (9) with INGOs, international organizations, and local NGOs, and twelve (12) with local actors across the UoMs under study (four (4) KIIs were strictly implemented at the level of Al Fayhaa Urban Community).

Phase 3: Validating the Assessment

The aim of phase 3 is to validate the findings of the assessments based on the research work and consultations that were conducted in phases 1 and 2. To this end, the team embarked on two (2) tracks. Building on the findings of the surveys and the key informant interviews, the team conducted FGDs with segments of the population that were either not represented in the survey or invited participants to discuss specific challenges. Table 6 identifies the profile and characteristics of the FGD participants. Out of the thirty-five (35) participants, twelve (12) were women, six (6) were displaced Syrians, and six (6) were Palestinian refugees. Annex 1.5 provides the protocol of the FGD.

TABLE 6 FGDs in Al-Fayhaa

Event	Date	Profile	Number of attendees	Number of Men	Number of women	Number of Syrian displaced	Number of Palestinian refugees
1	1 February 2022	Vulnerable labor populations (workers in the manufacturing sector).	11	9	2	4	2
2	2 February 2022	Real-estate sector and tenants of commercial units.	7	2	5	1	0
3	15 February 2022	Services sector and representatives from the tourist and cultural sector.	6	5	1	0	0
4	3 February 2022	Social sector with a focus on representatives from the education sectors (e.g., Schools and hospitals).	6	5	1	0	3
5	1 March 2022	Productive sector including manufacturers inside and outside the industrial zones.	5	2	3	1	1
Total			35	23	12	6	6

The second track aimed to present the findings to both the MSPG and SLAT working group. On February 16, 2022, the team presented the findings to the local community (MSPGs) with the intention to inform them and get their input. The meeting was attended by twenty (24) participants.

Following the MSPG workshop, the team presented the findings to local officials in the SLAT workshop. The meeting, which was held on February 22, 2022, was attended by thirty-six (36) participants.

The team also organized a workshop with European experts to share and discuss alternative models of local economic development. The meeting, which was held on February 24, 2022, was attended by forty-five (45) participants.

In these workshops, the team also consulted the participants on major policy changes that could facilitate and encourage local development. To this end, the team has developed a policy paper to be addressed to relevant central government agencies, namely the Ministry of Interior and Municipalities and the Directorate General for Local Administrations and Councils (DGLAC), which

includes a set of strategic recommendations regarding the role of these agencies in supporting strategic development planning at the local level.

Additionally, a land assessment questionnaire was administered to a sample of member municipalities (one (1) respondent in Urban Community of Al-Fayhaa) to gain a wider understanding of territorial planning in the area and its key constraints. Two (2) additional KIIs were held in March 2022 with a national lawyer and a municipal member of the UoM.

In light of all the above, the team now presents the assessment's detailed findings according to the main factors of analysis presented in Figure 2, starting with territorial planning.

03

TERRITORIAL PLANNING AS A KEY VECTOR OF LOCAL ECONOMIC DEVELOPMENT



03

TERRITORIAL PLANNING AS A KEY VECTOR OF LOCAL ECONOMIC DEVELOPMENT

Poor local development is attributed to low social returns, and in turn, is due to weak territorial planning. Territorial planning in Lebanon suffers from critical flaws that hinder local economic development. Many areas have grown without a guiding direction. Territorial development visions, when they exist, have mostly privileged visible and spectacular projects that often tend to ignore existing economic activities and social practices. Today, Lebanon's multiple crises are shifting the attention of local authorities towards immediate responses to emerging needs. At the same time, there is a general awareness among municipal actors of the need for medium-term territorial development strategies that can guide economic investments in their areas in balanced and sustainable ways. The pursuit of a dual response (i.e., the immediate and the strategic) seems to be particularly challenging in Al-Fayhaa region (also known as Tripoli metropolitan area or Greater Tripoli), being one of the most impoverished in Lebanon, and probably in the east Mediterranean.³⁰

As local level territorial planning obstacles cannot be separated from their national institutional and regulatory context, the first part of this section presents an overview of existing territorial planning dynamics in Lebanon. Its second part focuses on the state of territorial planning and development in the Urban Community of Al-Fayhaa and the impacts of existing planning visions and strategies (or lack of) on local economic development. The last part presents key conclusions and recommendations to be considered by concerned local, national, and international actors in policy dialogues on local economic development, municipal empowerment and resilience.

3.1 TERRITORIAL PLANNING AND DEVELOPMENT IN LEBANON

Based on literature review this sub-section provides a brief background of the key responsible institutions for territorial planning in Lebanon, existing regulatory instruments, strategic spatial planning approaches and the principles and guiding directions of the National Physical Master Plan of the Lebanese Territory (NPMPLT)—a key document in ushering territorial planning in Lebanon. Also, it presents a synthesis of the critical national-level territorial challenges impeding local economic development. In addition to relevant reports and publications, this synthesis is informed by the findings of Key Informants Interviews (KIIs) with national and local actors and the SLAT and MSPG workshops in the three (3) UoMs in which the LED process was initiated (Al-Fayhaa, Tyre, and Northern, Coastal, and Central Matn).

³⁰ UN-Habitat. 2016. "Tripoli City Profile." <https://unhabitat.org/tripoli-city-profile-2016>.

3.1.1 Key Responsible National Institutions

³¹ The Ministry of Planning was abolished in 1977 and was replaced by the Council for Development and Reconstruction (CDR), which was established through Decree No. 5 dated 31st January 1977. This decree gave CDR quite flexible planning and implementation mandates (UN-Habitat, 2013), and allowed it to gain “a central role in defining urban policy in Lebanon during the post-war reconstruction period” (UN-Habitat, 2018: 24).

³² UN-Habitat. 2018. “National Urban Policies Programme in Lebanon: Diagnosis Report.”

³³ According to Article 2 of the urban planning code (Decree-Law 69 of 22nd September 1983), HCUP is a specialized body in urban and rural planning affairs that is particularly responsible for expressing opinion on a number of issues including zoning classifications, expropriations, large-scale development projects, the establishment of real estate companies, and legislative amendments to existing zoning regulations and to the building code. The HCUP is presided by the DGUP and consists of the Director Generals of select ministries (Interior and Municipalities, Housing, Transports, Public Works, Justice, and Environment), representatives from several institutions (CDR), and urban planning specialists.

³⁴ UN-Habitat. 2018. “National Urban Policies Programme in Lebanon: Diagnosis Report.”

³⁵ UN-Habitat. 2013. “Reforming Urban Planning System in Lebanon: Findings of the Research/ Assessment.”

³⁶ UN-Habitat. 2013. “Reforming Urban Planning System in Lebanon: Findings of the Research/ Assessment.”

³⁷ UN-Habitat. 2013. “Reforming Urban Planning System in Lebanon: Findings of the Research/ Assessment.”

³⁸ According to a KII conducted on November 1st, 2021, with Ninette Fadel (Head of Department at the Directorate General for Urban Planning Unit (DGUP)), DGUP takes the recommendations of this national plan into account and has tried to reduce allowable built-up areas in certain geographic zones but was faced by the resistance of municipalities—noting that “local economic development in the Lebanese mentality is linked with land exploitation factors, which often determines land price”.

While urban and territorial planning has a key role in guiding economic investments, it has been largely minimal in Lebanon. Several ministries and public administrations are involved in the planning process with overlapping mandates and no clear umbrella under which their efforts can be coordinated and unified. The Council for Development and Reconstruction (CDR) has a central role in coordinating major infrastructure projects and defining urban policy at the national scale.³¹ Otherwise, the Directorate General for Urban Planning (DGUP) is the main official entity responsible for urban and land-use planning in Lebanon.

According to Decree 10490 of 1997, DGUP responsibilities, include: 1) Elaborating master plans for Lebanese villages and cities in collaboration with municipalities and technical offices; 2) providing necessary studies for road networks to be implemented by the Ministry of Public Works and Transportation (MoPWT), and/or by CDR and MoPWT for national roads); 3) monitoring the implementation of local plans in collaboration with different tiers governments; and 4) supporting municipalities in project studies as well as in supervising the planning and implementation of these projects. DGUP has Regional Technical Offices (RTOs) and units, in the administrative districts “cazas” and governorates “Muhafazas”. These offices are mandated with the role of assisting local municipalities within their jurisdictions and administrative perimeters on legal, planning, and technical issues.

In practice, however, the role of DGUP’s central administration is limited to technical matters and the role of its Regional Technical Offices (RTOs) and units is limited to reviewing construction permits and documents before these are formally approved by the concerned local municipalities.³² Instead, the Higher Council for Urban Planning (HCUP), headed by DGUP’s director,³³ “is the authority that holds a discretionary decision-making margin regarding many aspects of spatial planning in Lebanon, [including] master plans and large infrastructure projects.”³⁴

3.1.2 Regulatory Instruments

Legislations related to urban and territorial planning also exhibit ambiguities and lack of clarity over institutional responsibilities.³⁵ As well known among urban planning practitioners, the Lebanese urban planning code (Decree-Law 69 of 1983), the main legal instrument concerning urban and territorial planning in Lebanon, has gaps and inconsistencies that contribute to institutional confusion and inertia.³⁶ This code has identified three (3) different scales of planning: the territorial land use plan, the master plan, and the detailed master plan.

Although the code does not elaborate on the territorial land use plan, it is generally understood that the National Physical Master Plan of the Lebanese Territory (NPMPLT)— published in 2005 and endorsed in 2009 by a decree issued by the Council of Ministers (Decree 2366)— corresponds to this level of planning and supports it. The issuance of this national plan was however not followed by an implementation decree that clarifies institutional responsibilities.³⁷ This explains why DGUP has been inconsistent in implementing it—especially that this plan was developed under the purview of CDR rather than DGUP—and why many municipalities overlook its recommendations and/or are not even aware of its existence.³⁸

Master plans and detailed master plans are legally binding documents for public authorities. In principle, master plans define and guide land use planning and direct urban expansion in ways that ensure public interest and respect existing natural and cultural features of a certain area. In conformity with existing master plans, detailed plans define land use and zoning regulations of a certain area at the scale of the plot. The detailed master plan can

also substitute the master plan if such a plan does not exist. In practice, master plans' function is reduced to specifying allowable built-up areas and the detailed plans to physical and aesthetic considerations. Issues related to local economic development, spatial fragmentation, social divides, and environmental sustainability are completely overlooked by these plans. Many plans are also outdated but still enforced and considered legally binding.

Available data (from 2018) shows that only 15 percent of the national territory is planned. The legal status of planned areas can be classified into four (4) categories: 1) Areas with a comprehensive decreed plan; 2) areas with a decreed partial plan; 3) properties or group of properties within a given planned or unplanned area that have an exceptional decree allowing them to exceed the maximum allowable built-up ratios in that area; and 4) unplanned areas for which HCUP has issued a planning decision.³⁹ The building code applies to all unplanned areas. This code, however, has had significant negative impacts as it has permitted construction (up to certain allowable ratios) on any privately owned parcel of land in unplanned areas without any consideration of their location, natural and geographic features, and existing land use and land cover.

Before 2005, the allowable surface and total coverage ratios, as per the Lebanese building code, were respectively 40 percent and 80 percent of the plot area. In 2005, DGUP issued a decision (Decision 11/2005) that reduced the maximum surface coverage ratio anywhere in unplanned areas to 25 percent of the plot area and the total coverage to 50 percent. In 2019, HCUP issued another decision (Decision 22/2019) that divided unplanned areas into different zones corresponding to the NPMP LT classifications and specified the maximum allowable built-up ratios and building height for each. For urban unplanned areas, it maintained the same allowable plot coverage ratios remained as per Decision 11/2005. However, allowable construction was reduced in other zones with the minimum being in natural areas, particularly the mountain peaks and the Cedar corridor.⁴⁰ This does not mean that the specified ratios are always respected. They can be higher if HCUP grants an exceptional approval based on its discretionary prerogatives.

Likewise, road construction and private land pooling and subdivision practices that the Lebanese urban planning code recognizes have significantly contributed to the mushrooming of construction, mostly at the expense of agricultural lands.⁴¹ Different circulars (issued by the MoIM) allowing construction on plots of lands that do not meet the requirements of the Lebanese building code and that exempt their owners from the building permit requirements had even a more negative effect on the physical environment and natural landscapes.⁴² The Lebanese environmental code (Article 21-23 of Law 444 of 2002) requires an environmental impact assessment for any project (whether planned by private or public sector actors) that involves construction works, infrastructure, land pooling, or extraction of natural resources. This requirement is however often neglected or performed in a biased manner that favors the interests of project proprietors.⁴³

3.1.3 Strategic Spatial Planning and Local Development Strategies

Strategic planning was introduced in Lebanon by international organizations in the early 2000s to fill the gap in the existing planning system.⁴⁴ All strategic plans follow a participatory methodology and are quite similar in their scope and phasing—typically, there is a diagnostic phase followed by a vision and strategy development phase that includes a set of short and medium-to-long term programs and projects. The unions of municipalities are usually the main counterparts of international organizations in the preparation of regional scale plans or local development strategies that involve more than one municipality. This is for instance the case with Al-Fayhaa and the district of Tyre's development strategies.

The use of strategic planning tools and methods intensified after the Syrian crisis, whereby several international organizations launched rapid participatory assessments—like the neighborhood

³⁹ Public Works Studio. 2018. "The General Directorate of Urban Planning: Senseless Practice Between the National Master Plan, General Master Plans, Exceptions, and Decisions", the Legal Agenda.

⁴⁰ MoE, UNHCR, UNICEF & UNDP. 2020. SOER Report. Lebanon State of the Environment and Future Outlook: Turning the Crises into Opportunities. Chapter 7 (Haphazard Urbanization).

⁴¹ KII with Ninette Fadel, Head of Unit at the Directorate General for Urban Planning (DGUP) on November 1st, 2021.

⁴² MoE, UNHCR, UNICEF & UNDP. 2020. SOER Report. Lebanon State of the Environment and Future Outlook: Turning the Crises into Opportunities. Chapter 7 (Haphazard Urbanization).

⁴³ For more information and examples, refer to the article of Nermine Sibai (October 7th, 2014), the Legal Agenda: نزمين سباعي، قانون حماية البيئة في لبنان: تشريع رمزي يتخبط بين المصالح السياسية وضعف الإدارة.

⁴⁴ Darwich, R. 2018. Strategic Spatial Planning in Lebanon: An International "Recipe". The Case of the Union of Municipalities. *European Spatial Research and Policy*, Volume 25, No. 2.

profiles of UN-Habitat and UNICEF—focusing on most vulnerable areas or urban pockets.⁴⁵ In essence, these assessments aim at supporting local actors to develop short-to-medium term cross-sectoral area-based development strategies geared toward improving the living conditions in targeted areas. They are also key documents for understanding where poverty is concentrated and the socio-economic and spatial dynamics in some of the most vulnerable urban and rural areas.

Although Article 126 of the Municipal Law stipulates that the UoM council is responsible for deciding on and approving the development plan (a form of strategic plan) that falls within the area of the Union and within its competence, these plans are not considered part of Lebanon's official spatial planning framework since they have not been formally approved by the council of ministers.⁴⁶ Existing strategic plans and local development strategies are, therefore, not legally binding documents. This explains why there is a lack of commitment to their implementation even if they are supported by CDR and MoIM.⁴⁷

3.1.4 The NPMPLT Principles and Guiding Directions

Notwithstanding earlier planning attempts that viewed Lebanon as a coherent entity, the need to respond to the unbalanced growth of the national territory emerged after the civil war as a key priority. The NPMPLT was drafted with a threefold purpose in mind: 1) reinforcing the unity of the country; 2) attaining balanced and equitable development of all regions; and 3) rationalizing the use of the country's limited resources. Consequently, the NPMPLT put forth eight (8) guiding principles to meet these overarching goals:

- Structuring the territory around the major urban centers.
- Associating all regions to the national economic development process.
- Distributing the major public facilities in an effective and integrated manner.
- Uniting the territory with an efficient and developed transportation network.
- Ensuring urban development of good quality, respecting the characteristics of each region.
- Highlighting and benefiting from the natural wealth of the country.
- Exploiting the water resources in a sustainable way.
- Resolving efficiently the problems of quarries, wastewater, and solid wastes.

To ensure an integrated economic system and complementarity between Lebanon's different geographic regions, the plan identified five (5) major urban agglomerations:

- The Central Urban Area (Beirut and Mount Lebanon).
- Cities located at the gates of this Central Urban Area: Jbeil and Saida.
- The large metropolis of the north: Tripoli.
- The metropolis of balance (growth centers): Zahle-Chtoura and Nabatieh.
- The large patrimonial cities: Baalbek and Tyre.

To meet global economic competitiveness, the NPMPLT gave each of these agglomerations a specific role or vocation in the national economy while building on its geographical comparative advantages and existing natural and cultural assets. Significantly, while cities are the engines of economic growth, it underlined the need for a coherent planning system that supports the development and interconnectivity of urban agglomerations and rural areas. Hence, it recommended to develop robust service and industrial centers in all urban agglomerations and to work in parallel on harnessing the economic potential of rural areas.

⁴⁵ These neighbourhood profiles are accessible on this link: <https://lebanonportal.unhabitat.org>.

⁴⁶ Based on discussions with several urban planning practitioners.

⁴⁷ Although municipalities are autonomous entities, their approval of the strategic plans does not make these plans legally binding. Moreover, if the strategic plan contradicts the master plan of a certain municipality, the latter plan prevails. Master plans are issued by a decree approved by the CoM on the proposal of the minister of the MoPWT. This is not the case with strategic plans, even when conducted at a UoM level.

In addition, the NPMPLT emphasized the need to protect Lebanon's natural and cultural landscapes from urban sprawl, given their tourism potential and importance to social and economic development. It advocated the establishment of a "green and blue network" between areas of natural significance from the mountain peaks down to the coastline. At the same time, it underscored the need to rationalize the use of water resources and to find effective solutions to issues that threaten natural resources and pose serious threats to human health, like quarries, wastewater, and solid wastes.

⁴⁸ Article 4 of Lebanon's urban planning code (Decree-Law 69 issued on 22nd September 1983) stipulates that local master plans should be developed "in the framework of a national land use master plan". Considering this, the forward of the NPMPLT final report (2005) mentions that the recommendations of the NPMPLT, "as decreed by the Council of Ministers, will be imposed, among others, on local urban planning master plans that will be elaborated or reviewed afterwards", p.vii.

⁴⁹ UN-Habitat. 2018. "National Urban Policies Programme in Lebanon: Diagnosis Report."

⁵⁰ The preamble of 23rd May 1926 Constitution and amendments states that "the economic system is free and ensures private initiative and the right of private property".

⁵¹ See for example, *The Political Economy of Lebanon 1948-2002, the Limits of Laissez-faire* by Toufic K. Gaspard, Brill, 2003.

⁵² The Greater Beirut area does not have a fixed boundary definition. The term is used with reference to the city of Beirut and parts of Mount Lebanon. As per the NPMPLT definition it refers to the geographic area between Dbayeh and Khaldeh, below 400 m of altitude.

⁵³ This is indeed confirmed by the ILO-CAS 2019 survey.

⁵⁴ For some examples, see: Ghaleb Faour, Éric Verdeil and Walid Bakhos. 2019. Rural and Natural Areas under Pressure, in *Atlas of Lebanon: New Challenges*, Éric Verdeil, Ghaleb Faour et Mouin Hamzé (eds). IFPO and CNRS.

⁵⁵ Verdeil, E., G. Faour, and M. Hamze. 2016. *Atlas du Liban*. Presses de l'Ifpo, CNRS Liban. <https://www.ifporient.org/978-2-35159-053-9/>.

Although it lacks clear implementation mechanisms, and despite its need for an update, the NPMPLT is today a reference document concerning regional and urban planning and development in Lebanon. In principle, its recommendations and guidelines should override all other existing urban and regional plans and should act as a framework to guide future sub-national and local level master plans.⁴⁸ In addition to the reasons mentioned earlier in this report, political and institutional realities have put serious constraints on its implementation. Particularly, the idea of giving each urban agglomeration a certain role in the national economy has been questioned vis-à-vis Lebanon's realities of conflict, sectarian divisions, security issues, and physical and demographic changes.⁴⁹

Local physical master plans that do not comply with the NPMPLT guidelines, therefore, continue to be issued by DGUP and HCUP and unchecked urban growth and (un)sanctioned exploitation and extraction of the country's natural resources (e.g., illegal quarrying activities and deforestation) continue to take place against its recommendations. Politicized decision-making processes, polarization and fragmentation of institutional responsibilities, and lax urban regulations that mirror Lebanon's economic system which the Constitution of the country describes as "free",⁵⁰ but which has been criticized as a *laissez-faire economy*,⁵¹ explain the inconsistency in the urban and territorial planning system. More specifically, the growing share of the real estate sector in GDP over the 2009-2019 period (itself a result of a whole set of economic, monetary, fiscal, and financial decisions) has made the application of the NPMPLT extremely difficult for both political and economic reasons.

3.1.5 Critical National-Level Territorial Challenges Hindering Local Economic Development

Flawed territorial planning in Lebanon has had a detrimental effect on the Lebanese economy. Many areas are expanding without master plans to guide their expansion and protect their productive landscapes and natural and cultural assets from chaotic urbanization, real estate speculation, and commodification. The country's main economic activities and dwindling job opportunities remain concentrated in the Greater Beirut region⁵² and other coastal urban agglomerations, such as Tripoli, Jbeil, Saida, and Tyre,⁵³ that are growing rapidly and chaotically at the expense of rural areas of the country's hinterland, particularly agricultural land and without master plans to guide their expansion.⁵⁴

Noteworthy, around 30 percent of the Lebanese territory has not been surveyed and delineated yet by the General Directorate of Land Registry and Cadaster, which falls under the Ministry of Finance. This issue poses another challenge to effective territorial planning.⁵⁵ The boundaries of state-owned lands remain undefined in such areas, which has encouraged transgressions and violations leading to the disappearance of much of the country's natural heritage—a main pillar of local economic development in view of its potential to create sustainable jobs in eco-tourism, forestry, and agroforestry.

The Syrian crisis has exacerbated existing challenges, exerted additional pressures on an already crumbling infrastructure and public service system, and exposed the deficit in decent

and affordable housing.⁵⁶ Lebanon's current financial and economic crisis adds another level of complexity to the problem. It does not only put the Lebanese economic model into question but also the country's current urban and territorial growth patterns and the validity of the NPMPLT to guide future economic and territorial development in a more sustainable and equitable manner.

Nationally, there is **dearth of strategic territorial development plans** that focus on sustainable development. Existing plans (e.g., the development strategies of Tyre and Al-Fayhaa), have partly lost their immediate relevance in view of Lebanon's emerging crises and changing development priorities. At the same time, there is an acute absence of comprehensive land use planning at the national, sub-national, and local scales to guide development projects, protect significant natural sites, and deal with pollution, particularly marine pollution. Existing zoning regulations have reduced land value to how much can be built on it. Allowable land uses and built-up ratios are yet often determined in accordance with the interest of powerful landowners and the "real estate cartel" who influences decisions regarding land use classifications and built-up ratios.⁵⁷

At the same time, **the combination of neoliberal trends and poor land management and administration** has led to major infringements over public and communal lands, many of which ended up in private hands. All over Lebanon natural landscapes—including sites recognized by the NPMPLT as significant natural sites of national importance—are threatened by encroaching urbanization, speculative development, and poor land management. Paradoxically, while public and communal lands are disappearing, municipal authorities are facing serious challenges in finding land for vital projects of public benefit that can potentially stimulate the local economic development.

Critical territorial planning-related issues include:

- **Rapid urban expansion** at the expense of other land uses and without taking social and environmental concerns into account. Incompatible land uses exist almost everywhere in Lebanon, with many polluting industries located within residential areas and areas that have tourism potential.
- **Major urban mobility related challenges** due to the concentration of economic activities in main cities, particularly the Greater Beirut area, and lack of efficient connective public transportation systems. Besides traffic and mobility issues, reliance on private cars contributing to air pollution and environmental degradation.
- **Growth of concentrated poverty and informality** mainly in view of the huge influx of Syrians displaced to Lebanon after 2011 and the constrained ability of local governments to cope with the emerging and overwhelming situation.
- **Neglect of cultural heritage and landscapes** and failure to maintain and protect them from deterioration, pollution, extraction, misuse, and abuse which undermines future economic development prospects in the eco and cultural tourism sectors.
- **Land degradation and loss of health and productivity** triggered by land abandonment, chaotic land use transformations, land cover loss, land fragmentation, and poor land management practices; all of which have tremendous impacts on the agriculture sector and national food security.
- **A widening social divide and increased socio-economic inequalities and vulnerabilities** due to lack of guiding vision and/ or predominance of large-scale urban development visions that tend to ignore and eliminate existing economic activities and social practices, and that are often associated with gentrification and social exclusion.

⁵⁶ UN-Habitat and UNHCR. 2014. "Housing, Land & Property Issues in Lebanon: Implications of the Syrian Refugee Crisis". <https://reliefweb.int/sites/reliefweb.int/files/resources/HousingLandandPropertyIssuesinLebanonFINAL.pdf>

⁵⁷ This is a well-known fact in Lebanon confirmed by several key informants who were interviewed for this study.

Lebanon's current compounded crises are exacerbating existing territorial planning challenges. Key concerns include:⁵⁸

- Further **encroachments on public and communal lands** due to escalating poverty rates, reverse migration from cities to rural areas, and increased demand on land for housing and farming. Lack of a common vision on how to use public and communal lands for the public good and in ways that have positive impacts on the local economy exacerbates the risk. Current scenarios that count on privatization Lebanon's public assets (including land) to remediate banks' financial losses would not only lead to the eventual disappearance of these lands but also to compromise the ability of future generations to meet their own needs, which jeopardizes sustainable development.
- **Land cover loss and inadequate land use transformations** pose serious challenges to sustainable development. Lebanon loses annually three-square kilometers of scarce agricultural land due to urban sprawl.⁵⁹ The current financial strains on many families represent additional threats to biodiversity, causing huge economic and ecological damage—for instance due to cutting down ancient trees for heating purposes, land abandonment, over exploitation of natural resources, increased water pollution, and illegal dumping. The growth of wildfires (whether natural, intentional, or caused by acts of negligence) is further threatening the natural and cultural capital of many towns and villages.
- **A looming threat of displacement and real property abandonment** in view of domestic currency (Lira) volatility and high cost of inputs, which are key factors behind the closure of many businesses and emigration of significant numbers of workers and their families.⁶⁰ It is believed that the problem is more acute in cities whereby job loss and rental costs are leading many vulnerable families to move back to their towns or villages of origin. Crucially, therefore, the economic crunch might lead to real property abandonment and deterioration and, eventually, to enlarging the "rent gap" between the actual and potential value of land. This can stir long-lasting demographic changes and perpetuate socio-economic divides as private profit seeking investors and more affluent groups rush to buy abandoned property at low rates from those who are in bad need for cash.

⁵⁸ This synthesis is informed by the findings of Key Informants Interviews (KIIs) with national and local actors and the SLAT and MSPG workshops in the three (3) UoMs in which the LED process was initiated (Urban Community of Al-Fayhaa, Tyre, and Northern Coastal and Central Matn).

⁵⁹ World Bank. 2018. "Lebanon Municipal Investment Program." Project Information Document/ Integrated Safeguards Data Sheet."

⁶⁰ Based on the findings of the FGDs, the firm level and the human capital surveys.

⁶¹ According to MoE this delay is caused by understaffing and by the MoE's need to ensure that the EIA process is participatory. MoE can be particularly strict when a proposed project is located on state land of the miri type (specifically cultivated lands that were given to a cultivating tenant). In such cases, the MoE requests a property certificate to ensure that all those who have a right to the land approve the project (based on KII with Head of Department of Environmental Observation at Ministry of Environment (MoE) Youssef Naddaf on December 22nd, 2021). Other concerned actors however suspect that MoE is delaying some projects due to political reasons.

In addition to the above-mentioned issues, there is a host of **critical challenges that hinder the implementation of vital projects for local development**. Funding is a major obstacle but is not the only one. Land acquisition can also be a major hurdle and a reason, when not available, to prevent municipalities from gaining access to funds through donor organizations. Land is required for most local territorial development projects, mainly infrastructure and public utilities projects (e.g., solar power, solid waste disposal, and wastewater treatment plants); its acquisition however often presents a major challenge for UoMs and municipalities who do not own or have at their disposal (suitable) lands. **Key impeding factors that can cause project delays and/or stoppages include:**

- **Cost of land** (in case of acquisition from a private owner).
- **Land ownership and boundary disputes** particularly in areas that have not been surveyed and delineated yet given the entanglement of property rights in these areas.
- **Bureaucratic and lengthy administrative procedures** (particularly where an absentee owner has parts of the land proposed for the project and in cases that involve usage of state-owned lands by municipalities). Administrative procedures can be particularly complex and lengthy in non-surveyed areas. For example, unnecessary project delays can be caused by the inability of the Ministry of Environment (MoE) to review the Environmental Impact Assessment (EIA) of the proposed projects in a timely manner.⁶¹
- **Technical requirements** regarding land size and lease period can lead to projects' delays and stoppages if available land do not meet the requirements. For example, as per Ministry of Energy and Water (MoEW) requirements, the minimum land area for municipal solar energy projects must be ten thousand square meters (10,000m²). In their turn, funding organizations require the land to be fully owned by the municipality, allocated formally by the CoM for municipal use based on a proposal to be made by the relevant ministries (if

the land is privately owned by the Lebanese Republic), or be at its disposal for a period of at least twenty years (20) years through the long-term lease of land(s) endowed for a charitable cause also known as “waqf” land (usually through a religious institution). Unions and municipalities that do and/or cannot meet these conditions are at a disadvantage.

- **Politics** plays a major role in decisions related to the location of certain projects mainly landfills for solid waste management, whereby solid wastes, their collection, and management processes have been contributing to the deepening of territorial, political, and confessional divisions within the Lebanese society.⁶²

3.2 TERRITORIAL PLANNING AND DEVELOPMENT IN AL-FAYHAA REGION

This sub-section examines the specific territorial planning-related challenges to local economic development in Al-Fayhaa UoM. It first provides an overview of the existing frameworks and other key studies that guide area development. Second, it elaborates on the area’s territorial planning challenges based on Key Informants Interviews (KIIs), the SLAT and MSPG workshops in Al-Fayhaa UoM, Geographic Information System (GIS) land use/cover comparatives maps,⁶³ and follow-up phone meetings with some municipal actors and/or their responses to a short questionnaire that was issued to them for the purpose of better understanding the challenges they face in utilizing municipal and state-owned lands for local development projects.⁶⁴

3.2.1 Existing Territorial Planning Frameworks and other Key Studies

A. THE NPMPPLT

The NPMPPLT underlined the national role of Tripoli metropolis and presented it as “a place of choice in maritime transportation, industry, tourism, international fairs and higher education,” all of which can be expected to boost the local economy. It prioritized the following major interventions:

1. Rehabilitation and modernization of the port of Tripoli.
2. Reactivating the railroad service to Syria then to Beirut.
3. Improving road connectivity with the northern border of Lebanon and with Beirut.
4. Developing the industrial sector.
5. Reviving the international fairs.
6. Promoting cultural and waterfront tourism.

The NPMPPLT also pointed to the need for community-based economic activities, enhanced public service provision, adequate infrastructure, and environmental conservation. It recommends the preservation of three coastal sites: 1) The protected natural reserve of Palms Island, 2) the seashore corniche and fishing harbor, and 3) the beach of southern Tripoli toward Qalamoun. At the same time, it highlighted the need to reconnect Mina and Tripoli and link the old city of Mina and the industrial area of El-Beddawi—both important cultural heritage sites—through a waterfront promenade. Conversely, it proposed a major green disconnection to limit urban sprawl toward the Koura plain that defines the boundaries of these lands.

⁶² Based on the SLAT discussions and interviews with key informants in the three (3) UoMs covered by the LED assessment.

⁶³ Two (2) maps were made available to the consultant by CDR. The first map (dated 2004) was prepared by Dar Al-Handasah (Shair & Partners) and IAURIF in the context of the NPMPPLT based on satellite imagery taken in 1998, updated through field surveys, and published in 2004. The second map (dated 2017) was prepared by Lebanon’s National Center for Scientific Research (CNRS) in the context of preparing Lebanon’s land cover map based on satellite imagery taken in 2013, updated through field surveys, and published in 2017.

⁶⁴ The questionnaire was issued to all three (3) municipalities from UCF that participated in the SLAT workshops. Only one (1) municipality responded.

B. AL-FAYHAA SUSTAINABLE DEVELOPMENT STRATEGY (AFSDS 2020)

Launched in 2008 and completed in 2011, the Al-Fayhaa Sustainable Development Strategy (AFSDS 2020) aim is to provide a strategic framework that addresses the increased social and economic problems of greater Tripoli and that can guide territorial development in the medium-to-long terms. In line with the recommendations of the NPMLT, the AFSDS considered the numerous assets of Al-Fayhaa (cultural, natural, social, economic, and human) as a lever to advance local economic growth and development. It particularly underscored the favorable waterfront location of Tripoli and its cultural attractions as a tool for economic development. It also underlined the economic potential of the city's existing industrial base, the need to support it by fit-for-purpose infrastructure and communications, ways to stimulate inward investment, and the necessity for clear direction to guide local authorities on the kind of industries or businesses that the metropolitan area can cater for.⁶⁵

To ensure the sustainable development of Al-Fayhaa, the AFSDS proposed twenty-four (24) projects that involve complementary interventions in territorial management, economic infrastructure development, socio-economic development, and city image making, e.g.:

- Regenerating historic neighborhoods.
- Developing the coast of Al-Fayhaa, including building an aquarium.
- Establishing integrated public transport lines and parking lots as part of a general solution to the city's problem with lack of parking.
- Completing the western highway and the eastern interchange for the Al-Fayhaa.
- Developing Tripoli Special Economic Zone: Port Site and Techno-Pole.
- Reactivating existing industrial areas.
- Rehabilitating the railway station of Tripoli and re-opening the railroad between Tripoli and Homs.
- Reactivating the Rashid Karami International Fair (RKIF).
- Investing in a social housing project.
- Organizing the handicraft sector.
- Reorganizing the existing cultural and sports facilities for leisure.

⁶⁵ UN-Habitat. 2016. "Tripoli City Profile." <https://unhabitat.org/tripoli-city-profile-2016>.

⁶⁶ These include Mina waterfront boulevard project, the Mobilité durable de l'Union des Municipalités d'Al-Fayhaa project (project on sustainable mobility), the expansion and development of Tripoli port/ Tripoli Special Economic Zone (TSEZ) project, the Projets d'Aménagements Côtiers Euro Méditerranéens (the PACEM project), the Réseau d'Action en matière de Mobilité Urbaine Durable (RAMUD) project, the Cultural Heritage and Urban Development (CHUD) project, and some neighborhood scale pilot upgrading initiatives.

⁶⁷ الجامعة اللبنانية معهد الفنون الجميلة قسم التنظيم المدني، محترف التجدد المدني 2015-2016 منطقة القلمون، التشخيص والمخطط المرجعي، بيروت 2016.

⁶⁸ The project is a collaborative effort between the Urban Community of Al-Fayhaa and the private company "Jean-Pierre Lavaill Conseil".

C. OTHER KEY PROJECTS AND STUDIES

Several territorial development studies that conform to varying extents with the recommendations of the NPMLT and the AFSDS 2020 were launched in the last two (2) decades for Tripoli agglomeration.⁶⁶ It is important to underline here the Qalamoun Strategic Plan that complements the AFSDS (prepared in 2015-2016 by the Urban Planning Department of the Lebanese University).⁶⁷

In addition to underlying Tripoli's important role in maritime transport, most studies emphasized the cultural and coastal tourism potential of Tripoli. For instance, the Medcities project highlighted the importance of Tripoli's tourism sector as part of a bigger project centered on tourism and urban environmental management in cities located around the Mediterranean basin.⁶⁸ The most significant project implemented in Tripoli in recent years is the Cultural Heritage and Urban Development (CHUD) project.

3.2.2 Critical Territorial Planning Challenges and their Effects on Local Economic Development

A. ABSENCE OF COMPREHENSIVE PLANNING AND LACK OF CLARITY OVER THE AREA'S FUTURE ECONOMIC IDENTITY IN VIEW OF GROWING CRISES AND SHIFTING PRIORITIES

As opposed to the national level, there is no shortage of territorial planning studies, guiding visions, and development proposals in Al-Fayhaa. Most proposed plans and projects, however, have not been put into effect. The NPMPLT guiding vision for the metropolis of Tripoli remains a set of policy recommendations short of application. At the same time, none of the twenty-four (24) projects prioritized by the AFSDS for the area have been implemented. Funding has been an issue, especially that the study was completed in 2011, i.e., when the so-called “Arab spring” started, which shifted the interest of international donors to other countries. More importantly, data on the targeted population and areas was largely lacking at the time of the AFSDS preparation in view of escalating tension. Hence, most of the projects proposed by the AFSDS were not suggested or prioritized based on evidence or an assessment of people’s needs.⁶⁹

Politics, territorial governance, security and growing social tension have been barriers to effective economic development. Until today it is unclear what the future economic identity of the Greater Tripoli is and what projects can be realistically implemented to ensure its economic regeneration in the short, medium, and long terms. Even if funding is available, lack of clear targets and comprehensive plans and studies is likely to lead to failed projects. This is the case of Khan El-Askar on which huge amounts of money were spent to relocate its previous occupiers and renovate it and which is still closed as it is unclear until now what is the most suitable future function for it.⁷⁰

There are certainly many untapped opportunities that could potentially stimulate the local economy in Al-Fayhaa (i.e., the Rashid Karami International Fair “Maarad”, the port, traditional light industries and other cultural and natural assets outlined in the NPMPLT, the AFSDS and most of the key projects and studies mentioned above). The war in Syria and Lebanon’s compounded crises have however changed development priorities. According to some estimates, Tripoli has today one of the highest poverty rates in Lebanon and is one of the most affected areas by the Syrian crisis and the resulting large-scale population displacement. Poverty is geographically concentrated in Jabal Mohsen, Bab Al-Tabbaneh, El-Qobbeh, Tripoli old city, the northern coastline of Al-Mina, and Hayy El-Tanak (west of the International Fair). The housing situation and overall living conditions in these neighborhoods is very alarming.⁷¹ Lebanon’s worsening economic situation and lack of investments in infrastructure and public services is leading to the widespread deterioration of the built environment and the growth of poverty, inequalities, and informality.

The household survey conducted as part of the LED assessment as well as the earlier surveys/ neighborhood profiles of UN-Habitat show that critical challenges include:

- Very high urban density accompanied by urban sprawl and unguided land use transformations.
- Deteriorating infrastructure, traffic congestion, inadequate public transportation system, and poor quality of services and public facilities, aggravated by population growth (both due to rural-to-urban migration and the Syrian crisis and the resulting large-scale population displacement).
- Extreme poverty, lack of livelihood opportunities, and looming social tension between the Lebanese and the refugee and displaced populations of the area.
- Weak economic base dominated by informal and unorganized micro-enterprises.
- Environmental degradation caused by poor solid waste management and growing waterfront trash mount.

⁶⁹ Based on an interview with Mosbah Rajab (Lebanese University Professor and Consultant of Al Fayhaa 2020 Strategic Plan) on September 8th, 2021.

⁷⁰ AL-Fayhaa SLAT workshop on February 22nd, 2022.

⁷¹ Tripoli Urban Profile (2016), Jabal Mohsen Neighborhood Profile (2018), El-Qobbeh Neighborhood Profile (2018), and Al-Tabbaneh Neighborhood Profile (2018).

- Neglected cultural heritage and crumbling historic districts and lack of a master plan to protect existing cultural heritage.
- Limited housing stock of fair to good quality, lack of affordable housing, and insecurity of tenure disproportionately affecting Palestinian refugees and displaced persons from Syria.
- High illiteracy rates and low-skilled youth.
- Social stratification and inequalities in access to public services; and
- Weak institutional coordination and lack of clarity over certain responsibilities, such as the maintenance of sewerage networks.

B. LACK OF UNIFIED TERRITORIAL DEVELOPMENT PLANS LEADING TO LANDSCAPE FRAGMENTATION AND DRAMATIC LAND COVER/LAND USE CHANGES

In the absence of comprehensive planning and realistic long-term guiding direction, territorial planning in Greater Tripoli has been patchy and uncoordinated. Previous master plans that conceived the metropolitan area (1964, 1971 and 2002) as a coherent entity did not see their way to implementation. Each of the Tripoli, Al-Mina, and El-Beddawi municipalities has its own new master plan, which was developed in 2005-2006 and approved with complete disregard to the other two (2) plans.⁷² In addition, the metropolitan area itself is spatially discontinuous, given that Qalamoun municipality (organized by a master plan dating to 1996) is physically detached from the other municipalities of the Al-Fayhaa UoM. The lack of adequate connective infrastructure and public transportation systems has contributed to the fragmentation of the metropolitan area.⁷³

Like most master plans in Lebanon, the existing master plans of Tripoli, Al-Mina, and El-Beddawi have been primarily developed with the objective of increasing allowable built-up densities. Their disregard of the natural capital and assumption that the place of agriculture is limited to rural areas have led to landscape fragmentation and loss of major productive urban lands. Particularly the *Damm Wa al Farz* (land pooling and division) projects deprived Tripoli and Al-Mina from their surrounding citrus orchards (*Basateen*) by classifying them for construction. Likewise, the classification of agricultural lands in El-Beddawi municipality as industrial lands have prompted their owners to up-root the trees and turn them to junk yards for steel as this is more profitable for them.⁷⁴

Indeed, land use/land cover comparative maps of 2003 and 2017 show significant decrease in agricultural land in the metropolitan area in favor of urban expansion in Tripoli, El-Beddawi, Qalamoun, and Abou Samra. Most agricultural land loss was in El-Beddawi municipality (28 percent) followed by Qalamoun (21 percent).

TABLE 7 Land use/ cover surface areas and percentages in Al-Fayhaa UoM in 2003 and 2017

Land use/cover	2003		2017	
	m ²	Percentage	m ²	Percentage
Agriculture	14,594,206	44.6	9,433,982	28.8
Wooded lands	10,18,085	3.1	1,225,682	3.7
Grass lands	1,602,560	4.9	3,111,658	9.5
Artificial areas	14,014,766	42.8	17,646,387	54.0
Other	1,448,184	4.6	1,260,091	4.0
Total area	32,677,801	100%	32,677,801	100%

⁷² Rajab, M. 2015. "Al-Fayhaa Sustainable Development Strategy 2020 Plan Review." Al-Fayhaa Knowledge Transfer Center. <http://www.medicities.org/documents/10180/234514/16.02.26+A FSDS+Review-Final+Report.pdf/1d019d9c-7d5c-4f30-8f61-a5c679214e9a>.

⁷³ Ibid.

⁷⁴ Telephone discussion with Khaled Hannouf (elected member in El-Beddawi municipality) on March 2nd, 2022.

FIGURE 4 Municipalities in Al-Fayhaa UoM agricultural land was cut down between 2003 and 2017

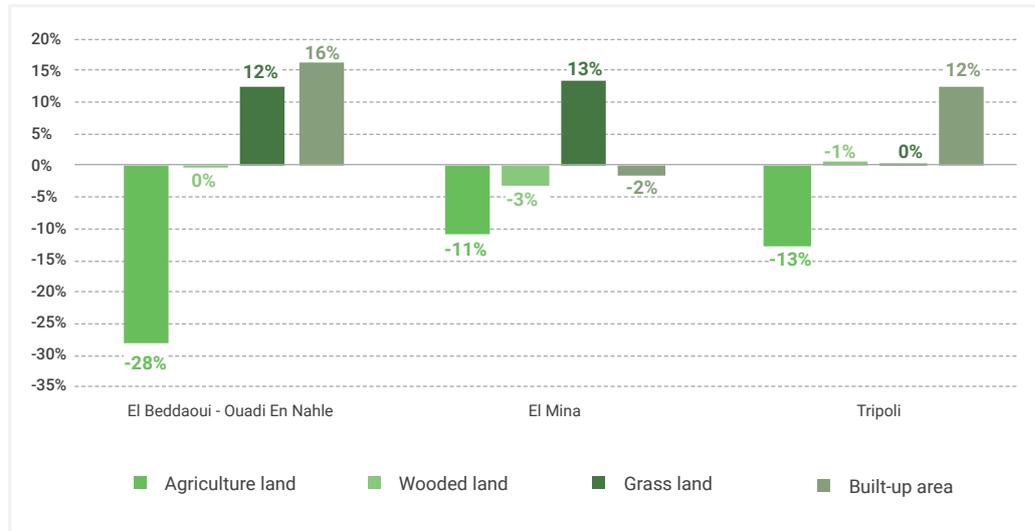


FIGURE 5 Land use/cover in Al-Fayhaa UoM in 2003

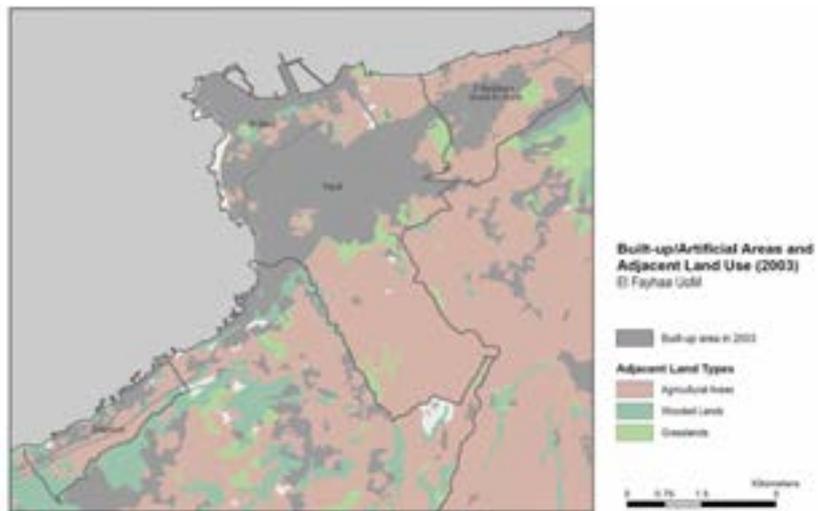


FIGURE 6 Land use/cover in Al-Fayhaa UoM in 2017

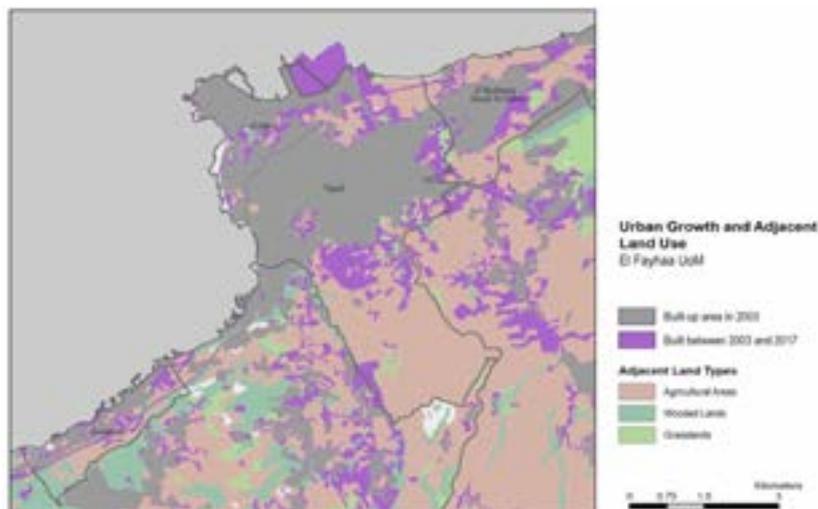


FIGURE 7 Agricultural and natural area in Al-Fayhaa UoM in 2003

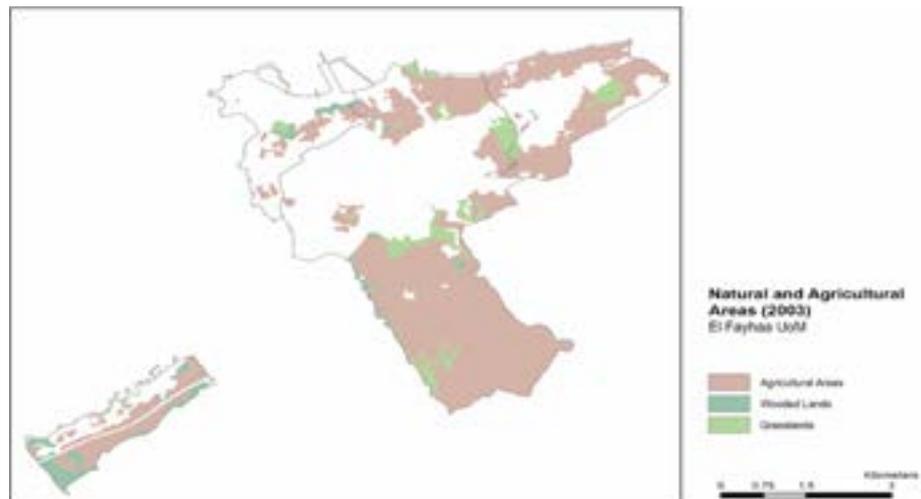
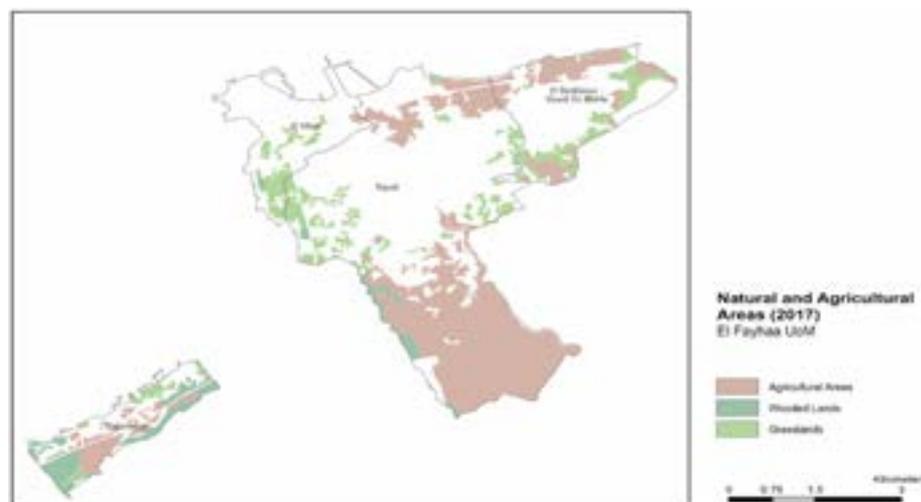


FIGURE 8 Agricultural and natural area in Al-Fayhaa UoM in 2017



Although the agriculture sector in Al-Fayhaa has been sidelined in favor of other sectors of the economy, there is still a significant untapped potential for agriculture development in the region. Increased poverty levels, lack of job opportunities and the rising food prices is raising the awareness of many people to consider investments in agriculture and agro-industries as part of an emerging “crisis economy”. Lebanon’s crisis is also forcing municipalities to think of productive projects, including projects in the agriculture sector, that can improve their revenues without waiting for their dues from the Independent Municipal Fund.

El-Beddawi municipality has taken a first step in this regard. The urban agriculture project it implemented with “Seeds in a Box” organization and Amel Foundation is a good example to capitalize on. The first phase of the project was applied on a relatively small parcel of public land owned by the municipality (an area of one thousand (1,000)m²). Its successful completion encouraged several private agricultural landowners who are facing difficulties maintaining their land to give it to the municipality to plant it, “so the land would not die”. The project is creating training and job opportunities in the agriculture sector for Lebanese, Palestinian and Syrian youth. Future development plans include agricultural reclamation of seven thousand (7,000)m² of public

and private lands (fifteen (15) plots) and training sixty to seventy (60–70) young men and women on the jobs (funded by the MERP project) and a complementary initiative that focuses on training women on agro-processing (funded by Rene Moawad foundation).⁷⁵

C. THE CHALLENGE OF PROTECTING PUBLIC AND COMMUNAL LANDS FROM PRIVATIZATION, TRANSGRESSIONS, AND POLLUTION; AND LEVERAGING THEM FOR PROJECTS SERVING THE PUBLIC GOOD

Like in many areas in Lebanon, public and communal lands in Al-Fayhaa are threatened by privatization, transgressions, and/or pollution.⁷⁶ Tripoli's "garbage mountain", which emerged during Lebanon's civil war and is still active and growing, has changed the city's relation with the sea and disfigured the waterfront in preparation for its privatization. This unsanitary landfill constitutes a major hazard to both the terrestrial and aquatic environments through the leachate and gases it emits. It does not only jeopardize the health of area residents but also threatens vital economic activities in view of its proximity to Tripoli port and Tripoli Special Economic Zone. Land reclamation also includes a failed attempt to falsify the ownership of a water surface in Basateen El-Mina and claim it as private property. Thanks to the efforts of local activists and environmental organizations, the court ruling issued on February 15th, 2022, retained the water surface as part of the maritime public domain.⁷⁷

Transgressions on public and communal lands abound in Greater Tripoli in view of high poverty levels and lack of affordable housing solutions. Infringements on public property have significantly increased after the crisis.⁷⁸ The security forces attempted in March 2022 to demolish illegal construction works on public property in the Abou Samra neighborhood. It is believed that the neglect of public and communal lands by public authorities (municipalities and/or the concerned ministries) and the lack of comprehensive territorial planning frameworks have encouraged such transgressions and deprived municipalities from a potential source of income and/or a territorial development opportunity serving the public good.

It is unclear what proposals and studies are available to guide Al-Fayhaa UoM and member municipalities on how to leverage state and municipal lands for projects serving the public good in the short term. El-Mina and Tripoli municipalities have a joint future public garden project to be implemented on a private domain state land located between the two (2) municipalities. It is also unclear what is the program of activities in this garden, how it will be managed and how it can contribute to job creation and the local economy.⁷⁹ Noteworthy, El-Beddawi municipality initially focused on creating public gardens on its public lands. However, due to their high maintenance cost and need for dedicated staff, the municipality considered the utilization of available public lands for urban agriculture initiatives.⁸⁰

On another vein, despite the availability of municipal and state lands in the Union,⁸¹ it has been difficult for local authorities to leverage these lands for vital infrastructure projects that simulate local economic development, which has sometimes led to losing potential funding opportunities. For example, inability to identify a suitable plot of land for a solid waste sorting and composting project in the area has halted the implementation of the project although funding was available. Key deterring factors include: (i) absence of comprehensive studies that determine the best use for these lands and take into consideration their current uses and existing usufruct rights to them; and (ii) administrative hurdles and lack of coordination between the different committees administering these lands.⁸²

⁷⁵ Information provided by Khaled Hannouf (elected member in El-Beddawi municipality) on March 2nd, 2022.

⁷⁶ Al-Fayhaa SLAT workshop on February 22nd, 2022.

⁷⁷ Legal Agenda (2022). <https://legal-agenda.com/حكم-يعيد-بحر-الميناء-للدولة>

⁷⁸ According to some participants in the SLAT meeting held in Urban Community of Al-Fayhaa on February 22nd, 2022.

⁷⁹ El-Mina municipality response to the issued questionnaire.

⁸⁰ According to an interview with Khaled Hannouf (elected municipal council member of the El-Beddawi municipality) on March 2nd, 2022.

⁸¹ Getting data on the types of these lands, their areas, and geographic distribution was not possible during this assessment. The database of the MoF, even if it contains discrepancies, would be the main source of information. It is believed that this database will be updated based on data that MoF has requested from municipalities.

⁸² According to some participants in the SLAT workshop held in Urban Community of Al-Fayhaa on February 22nd, 2022.

3.3 CONCLUSIONS AND POLICY RECOMMENDATIONS

This section of the report addressed the role of territorial planning in local economic development in Al-Fayhaa UoM. It underlined the presence of important cultural and natural assets in the union (e.g., the international fair, the port, traditional light industries, and the remaining agricultural lands) that can potentially help reinvigorate the local economy in the short and medium-to-long terms. Inquiry into this matter, however, shows that these assets suffer from neglect, lack of protection, and poor management. This is largely because the existing urban and territorial planning system neither supports nor guides land investors to the location and types of needed investments. The consequence is a twofold challenge to LED:

- The area's public and communal lands and productive, cultural, and natural landscapes which constitute a main pillar of the local economy—including sites recognized by the NPMLT as significant natural sites of national importance—are threatened by encroaching urbanization, speculative development, and illegal transgressions.
- The UoM and municipalities of the area are challenged to leverage state and municipal owned lands for vital local development projects (e.g., infrastructure and public services, affordable housing, open markets, municipal gardens) that can potentially enhance the livability of urban and rural areas and stimulate private sector economic activities.

This section also highlighted that many of the territorial planning challenges facing the UoM are country-wide challenges stemming from institutional fragmentation, outdated urban and territorial planning framework (or lack thereof), and economic and political aspects of land use regulations that serve private interests rather than the public good. This reality poses a serious challenge to sustainable development at both the national and local levels. Lebanon's economic and financial crunch is worsening the situation. Significantly, the spike in food and fuel prices, rising poverty and unemployment levels, inadequate infrastructure, and insufficient public services require an integrated and holistic territorial planning approaches that bridge economic, social, and environmental goals.

Local governments everywhere in Lebanon are compelled today to rethink territorial planning and development along two (2) tracks, the immediate and the strategic. These two (2) tracks are interrelated—sustainable development being defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”⁸³ Based on this understanding, it will be **important from a territorial planning and development perspective to prioritize sustainable land management** in policy dialogues on the linkage between local economic development and municipal empowerment and resilience, with special emphasis on the socio-economic needs and land rights of vulnerable groups and the global commitment to “ensuring that no one is left behind”.⁸⁴

In this regard, and considering the suggestions of various people consulted in the LED assessment, key broad recommendations for short term action are:

- **Invest in agricultural reclamation and support small farmers so they do not leave their land.** Land abandonment is a main factor behind land degradation and loss of health and productivity. This is a key global and national challenge that requires “a paradigm shift in land stewardship: from ‘degrade-abandon- migrate’ to ‘protect-sustain-restore’”.⁸⁵ Particularly in the context of Lebanon's looming food crisis this kind of investment becomes even more crucial.
- **Invest in hands-on educational programs geared towards reconnecting people with land.** Land in Lebanon is generally regarded as commodity. This logic ought to change as land has a cultural and social value that can boost its economic value and help provide new income opportunities to vulnerable groups (including women and refugees).

⁸³ Definition advanced in 1987 by the United Nations Brundtland Commission.

⁸⁴ UNDP. 2018. What Does it Mean to Leave No One Behind? A UNDP Discussion Paper and Framework for Implementation.

⁸⁵ United Nations Convention to Combat Desertification (UNCCD). 2017. Contributions to the 2030 Agenda for Sustainable Development Submission from the UNCCD, 28th February. <https://sustainabledevelopment.un.org/content/documents/13708UNCCD.pdf>

- **Assess the development potentials of public and communal lands** based on detailed socio-economic surveys, land suitability studies, and environmental plans geared towards protecting valuable landscape and sites while respecting existing land rights; and support municipalities to gain access to lands that can be deployed for projects serving the public good.
- **Protect important natural and cultural landscapes and agricultural land** by laws and regulations that reject their classification, or reclassification, for other uses.⁸⁶ This entails designating the land use of productive lands located in unplanned areas as “agricultural”. This also involves exploring collective forms of land management (e.g., the concept of *hima*,⁸⁷ the role of agricultural cooperatives, and land trusts) and strengthening multi-level collaborations.

⁸⁶ As mentioned earlier in this around 85 percent of the Lebanese territory is unplanned, i.e., does not have land use classifications.

⁸⁷ The *hima* (Arabic for “protected natural area”) is a communal system of resource tenure that has been practiced since centuries in several Arab countries, including Lebanon. It is believed that this traditional system is “one of the most successful institutions integrating nature conservation with human well-being”. For more information see: International Union for the Conservation of Nature and Natural Resources – Society for the Protection of Nature and Natural Resources. 2007. Al-Hima, a way of life.

04

HUMAN CAPITAL



04 HUMAN CAPITAL

The second factor in our conceptual framework that could lead to low social return is low human capital. While Lebanon is known to have a relatively high human capital, the onset of the financial crisis is affecting its quality. The aim of this section is to identify the changes in human capital accumulation and its determinants in the last year using newly collected survey data.

Human capital is a main contributor to economic development, as its accumulation increases the levels of skill and productivity of the resident population, which has a direct positive outcome on economic outputs. In the context of a deteriorating economic situation in Lebanon, analyzing the determinants of human capital, mainly education and health, is a necessity. Indeed, a decrease in the standards of health and nutrition have immediate adverse effects on the ability of individuals to engage actively in the economic sphere, while lowered access to education plays a major role in weakening the pool of skills and knowledge that can shape local economic development in the long term.

The section relies on data collected through a representative household survey with six hundred and nine (609) households in the Al-Fayhaa union of municipalities. The sample was stratified by cadaster with the main characteristic being the vulnerability of the area. Accordingly, two hundred seventy (270) households were selected in non-vulnerable neighborhoods, while three hundred thirty-nine (339) were selected in vulnerable neighborhoods.⁸⁸

The section is divided as follows: First, we present the socio-economic characteristics of the union and offer an understanding of the effects of the crisis on local communities. Second, we analyze the state of healthcare and education as the main determinants of human capital. We then explore the interaction between the working population and the local economy by investigating the labor dynamics and employment outcomes. Fourth, we look at the access of the local population to key public services and assess their quality. Finally, we observe emerging trends in urban dynamics which include migration and emigration, which play a crucial role in shaping human capital in the short and long terms.

4.1 SOCIO-ECONOMIC CHARACTERISTICS

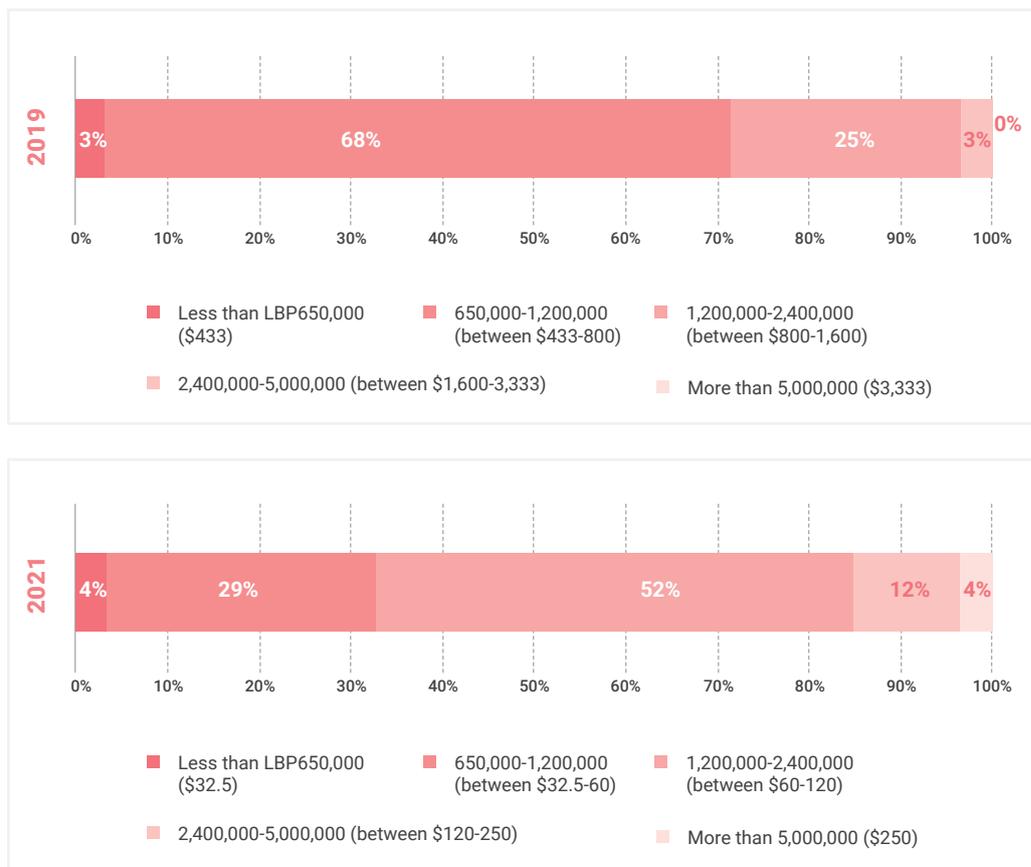
Socio-economic characteristics, which include income and financial situation, determine access to healthcare and education, and therefore feed into human capital development. In this section, we highlight the recent changes in socio-economic characteristics in the Al-Fayhaa Union area since the start of the crisis. The results shed light on a deteriorating situation and a population being pushed into poverty.

The survey results show that most households (98 percent) earn in Lebanese pounds and therefore have not been able to maintain the same standards of living since the start of the

⁸⁸ The vulnerable neighborhoods are: El-Beddaoui, Trablos Ez-Zeitoun, El-Qobbeh, El-Tabbaneh, El-Tell, El-Hadid, El-Mhatra, and El-Haddadine. The non-vulnerable ones are: Qalamoun, Al-Mina, Trablos Jardins, El-Zahrieh, El-Souayqa, En-Nouri, and El-Remmaneh.

economic crisis. While average income in Lebanese pounds has increased, the increase is far from being proportional to the devaluation of the local currency. Before the crisis, around 70 percent of households earned between USD 433-USD 800 per month (total household income as reported by respondents), equivalent to LBP650,000 and 1,200,000 at the official exchange rate of LBP 1,500 to the dollar. Today, half of the sample (52 percent) earn between USD 60 and USD 120 per month or between LBP 1,200,000 and LBP 2,400,000 (Figure 9), using the average LBP-USD exchange rate of 20,000 on the parallel market. Only 4 percent of households earn over USD 250 today or LBP5,000,000 per month, considering the exchange rate of 20,000 to the dollar on the parallel market.⁸⁹

FIGURE 9 Household income in the UCF Region in 2019 and 2021 in USD

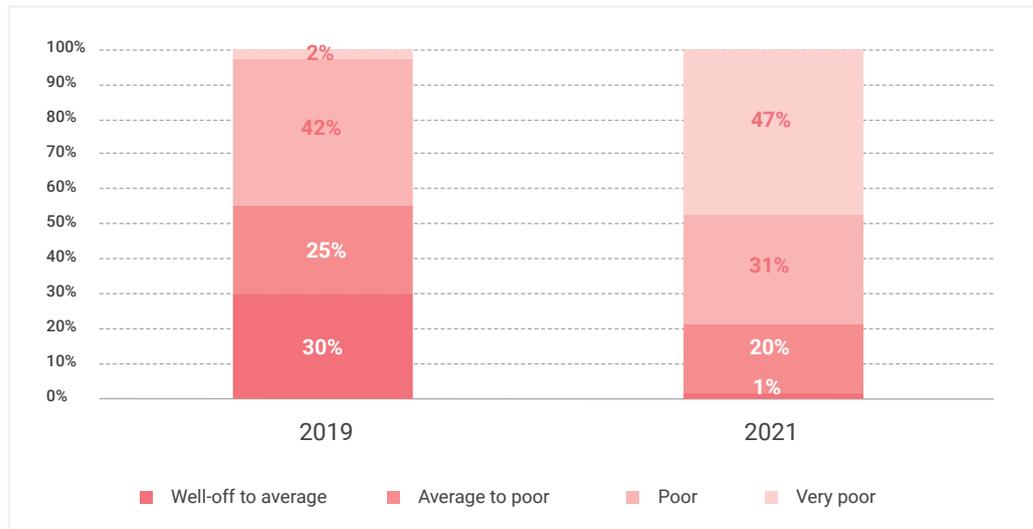


Note: In order to make the comparison possible, we convert the 2019 income to USD using the exchange rate of 1USD for LBP 1,500 and we convert the 2021 income to USD using the exchange rate of USD 1 for LBP 20,000.

⁸⁹ Assuming an exchange rate of 1,500 in 2019 and 20,000 in 2021. Seven (7) households reported their income in USD, and none of them have had their income changed since 2019. Five (5) earn less than USD 433, and two (2) earn between USD 433-USD 800. Eight (8) households reported their income in Lollar, and all of them now earn less than USD 433 Lollar, while in 2019, their average monthly income varied between 1,200,000 and 2,400,000.

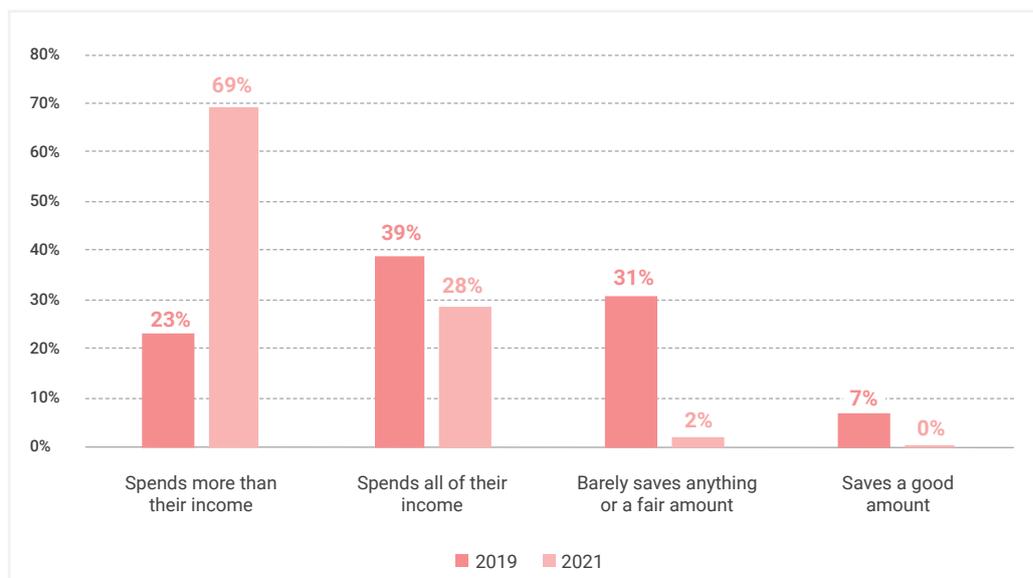
In line with the decrease in the real value of income, households see themselves as moving closer to poverty. Beyond income, self-assessed financial situation provides a measure of whether households are able to cover their needs (Figure 10). The survey shows that a high share of respondents considered their household to be poor or very poor in 2019 (45 percent), however, this has jumped today to 78 percent, with nearly the majority assessing their financial situation as very poor (47 percent, compared to only 2 percent in 2019). On the other hand, while a third considered themselves well-off to average in 2019, nearly none of them do now (1 percent).

FIGURE 10 Self-assessed financial situation of households in the UCF region in 2019 and 2021



Additional indicators of socio-economic situation highlight income insecurity, as income is becoming increasingly hard to predict—52 percent of households consider their income to be extremely volatile, compared to only 10 percent who did in 2019. Households also report to be saving much less than they used to: Nearly all households are spending more than (69 percent, compared to 23 percent in 2019) or all of their income (28 percent, compared to 39 percent in 2019), while only 2 percent are able to save a certain amount (down from 38 percent in 2019) as reported in Figure 11. This inability to save income, combined with current banking restrictions that prevent access to savings households may have had in the past, may lead to lower investments in health, education, nutrition, or housing, which poses a threat to society’s well-being in the short and long-term.

FIGURE 11 Household savings in the UCF region in 2019 and 2021

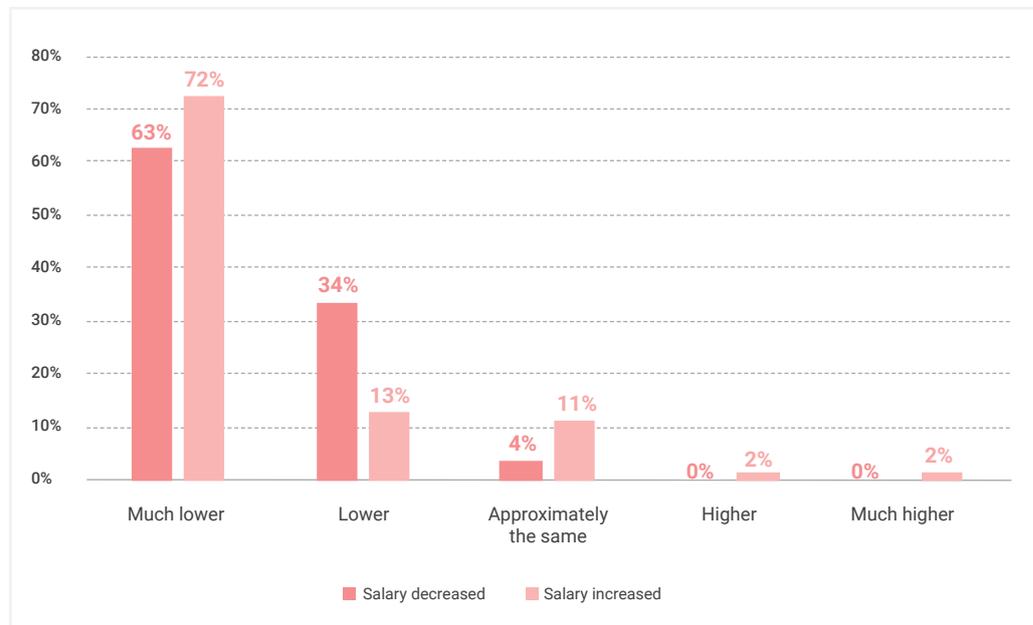


⁹⁰ Employees (full and part-time) represent 31 percent of employed heads of households in the survey.

Most heads of households who are employed (full or part-time), excluding those who are self-employed, receive their full salaries in Lebanese pounds⁹⁰ (81 percent of employees). The majority of them (60 percent) have experienced a decrease in the real value of their salary due to the devaluation of the local currency. Even employees who reported a salary increase since the onset

of the crisis consider their purchasing power to be lower, suggesting that their salaries have not increased in similar proportion to the devaluation of the local currency. Overall, employees reported to be able to cover less of their expenses regardless of whether their salaries have increased or decreased, highlighting financial precarity (Figure 12).

FIGURE 12 Purchasing power in the UCF region in relation to salary change



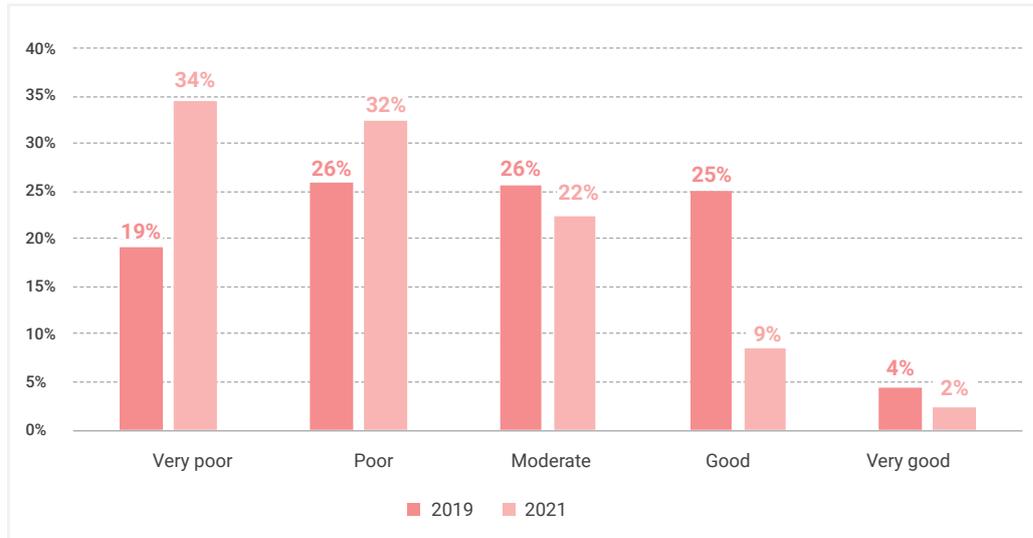
Those employed on an informal contract—i.e., do not have formally established terms of employment—are significantly less likely to be able to cover all their expenses, a relationship that holds even after controlling for salary change and income. Furthermore, even those with a higher household income do not see their purchasing power as having increased, when compared to households with lower income.

4.2 ACCESS TO AND QUALITY OF HEALTHCARE

Al-Fayhaa Union region is characterized by poor healthcare coverage and quality (Figure 13). Only 11 percent of heads of households have health insurance. Coverage is by far more common among retired individuals (45 percent), who all have state-funded public insurance. It is significantly lower among employed (9 percent) and unemployed individuals (3 percent). In total, most heads of households have state-funded coverage (67 percent), followed by private insurance funded by the employer (27 percent), with a few having self-funded insurance or insurance from the municipality (5 percent and 2 percent). Health insurance coverage is also low among the other adults in the household (10 percent) and children (9 percent have insurance).

Financial insecurity is the main determinant of poor medical care. The quality of healthcare households now receive has dropped since the crisis, and while it was already poor in 2019, the situation has become much worse. In 2019, 45 percent considered their quality of healthcare to be poor or very poor, while today this share has jumped to 67 percent. Households whose quality of medical care has decreased attribute this mainly to financial difficulties (55 percent), rather than shortages in medication (35 percent), which is a national-level problem.

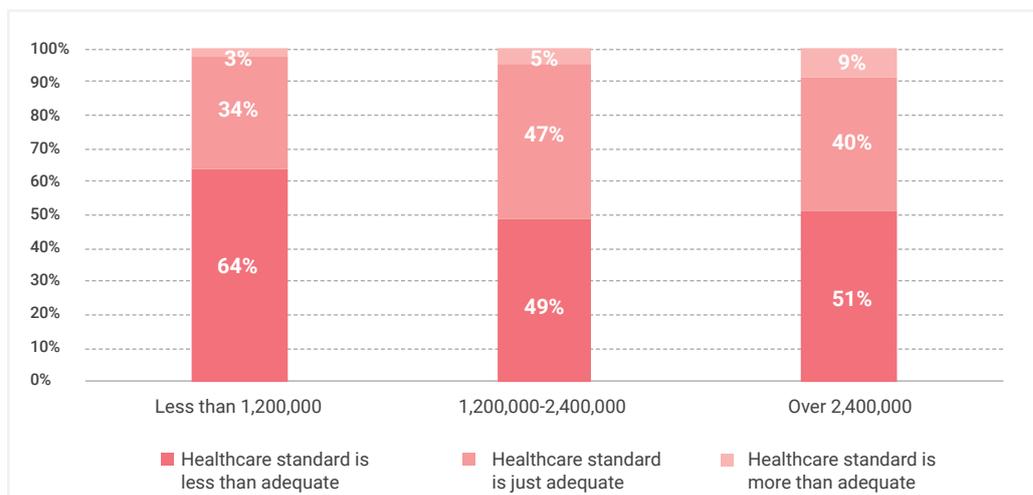
FIGURE 13 Quality of healthcare received by households in the UCF region in 2019 and 2021



Furthermore, access to proper care is low mainly due to financial difficulties. The majority of respondents who have a disability or illness (22 percent of heads of households) report to be in need of additional treatment, with only a third reporting to receive the treatment they need (68 percent and 31 percent, respectively). The reason behind the lack of treatment is again inability to afford it (for 84 percent of respondents), rather than shortages in medication. This was confirmed in a focus group in Tripoli, conducted in February 2022 with residents, where 70 percent less people are visiting hospitals because of the financial crisis, in sync with high emigration rates amongst women nurses. On top of this, focus group participants reported that public hospitals are in poor condition, which further limits their access to affordable care.

Overall, access to healthcare is considered as less than adequate for the majority of households, but even more so for lower-income households. Indeed, 64 percent of lower income households, compared to 51 percent of higher-income households, consider their standards of healthcare as being less than adequate (Figure 14). Furthermore, while the majority are allocating the same share of their household income to medical expenditures (excluding insurance), lower-income households have reduced spending comparatively more than higher-income households (16 percent compared to 6 percent).

FIGURE 14 Standards of healthcare households are receiving by income category in the UCF region



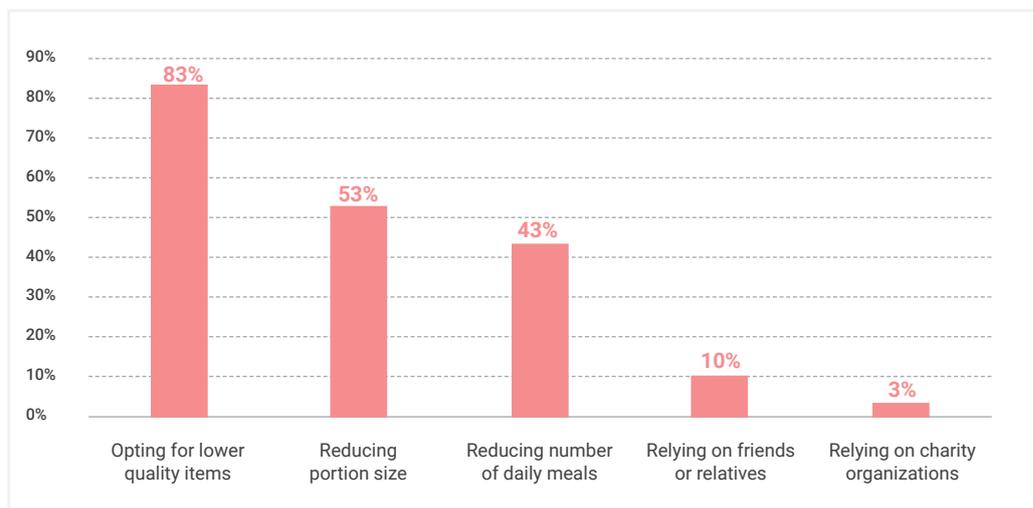
Access to healthcare is severely affected by the worsening financial situation once we control for other variables such as income, nutritional habits, or medical expenditures (i.e., the share of household spending that goes into medical expenditures). Those whose financial situation has worsened are significantly more likely to consider that their healthcare standard is less than adequate. Furthermore, those who do not have health insurance, have an illness, and do not have a public hospital nearby are also more likely to see their standard of healthcare as being less than adequate today.

4.3 NUTRITION

In order to be healthy, individuals need to receive their nutritional needs. The results above show that the quality of healthcare received has dropped. What is more worrying is the rise of malnutrition in Al-Fayhaa Union region. Since the onset of the crisis, nearly all households (93 percent) have had to adopt some negative coping strategies related to nutrition, such as opting for lower quality items or reducing portion size (Figure 15). While switching to less expensive items is by far the most common, the majority are reducing portion size, and a near majority are skipping meals, leading to malnutrition.

There is a correlation between the necessity to change nutrition habits and financial situation: Households with lower income and those whose financial situation has become worse are significantly more likely to have adopted negative coping strategies related to nutrition (see Figure 15).

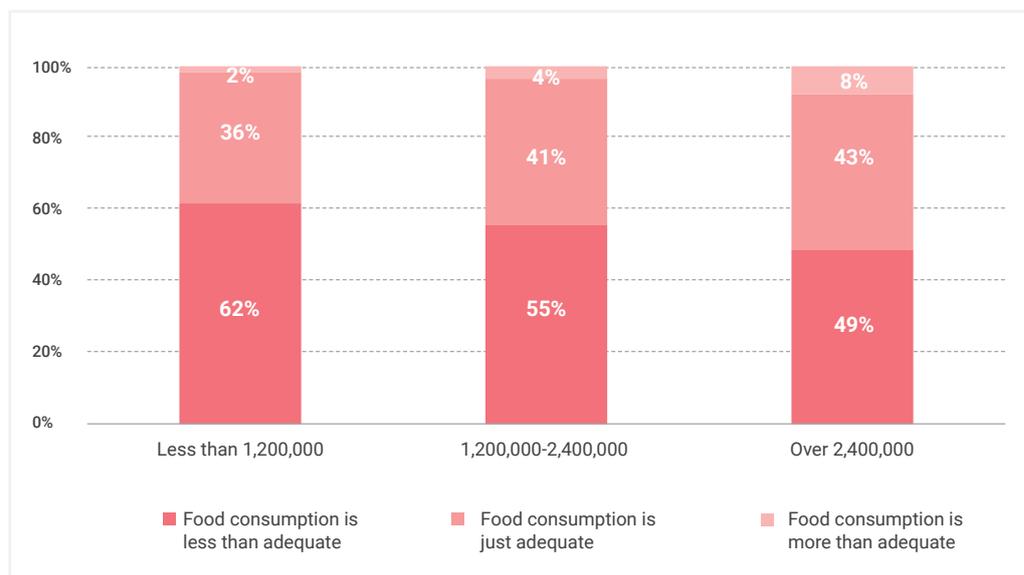
FIGURE 15 Changes in nutritional habits since the start of the crisis in the UCF region



Furthermore, food insecurity is common, as some respondents report to be regularly experiencing trouble with feeding their household (Figure 16). Since October 2019, 22 percent of respondents have been faced with a situation where they did not have enough food to feed the household. This is not an occasional situation, as it happens a few times a month or more for nearly 90 percent of those who have been faced with such a situation.

Overall, in Al-Fayhaa Union area, the majority of households consider their food consumption as being less than adequate, and this share is higher among lower-income households (62 percent) than middle (55 percent) or higher-income (49 percent) ones.

FIGURE 16 Adequacy of food consumption households are receiving by income in the UCF region



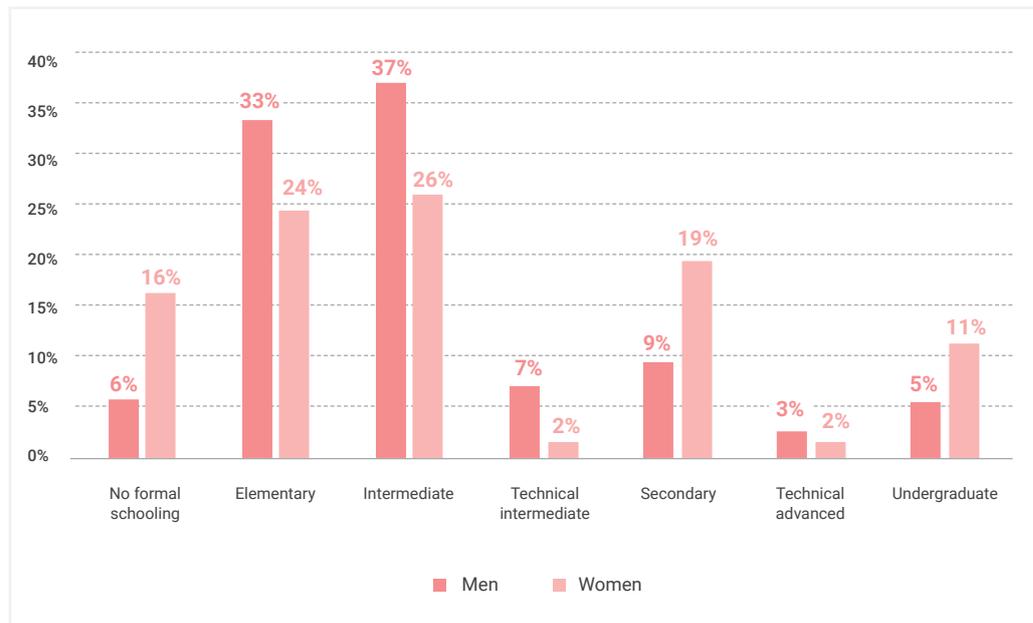
4.4 EDUCATION

Education is an important determinant of human capital, and the survey results show that levels of education and skills in Al-Fayhaa Union region are low compared to the other studied UoM regions (Figure 17).

Nearly all heads of households have secondary education at best (91 percent), with most having achieved elementary (32 percent) or intermediate education (36 percent) only. Only 8 percent have received vocational training or completed university education.

There are some gender variations. While a higher share of women heads of households has no formal schooling compared to men heads of households (16 percent and 6 percent, respectively), the share of women who have a vocational or university degree is also higher (13 percent, compared to 8 percent of men heads of households).

FIGURE 17 Levels of education of surveyed heads of households by gender in the UCF region



Language, computer, and manual skills are relatively scarce. Most heads of households speak only Arabic (89 percent), while a few are able to speak two (2) or three (3) languages (10 percent). Most are not able to use common computer softwares (86 percent). Manual skills are a bit more common, although 67 percent do not master any of them, and 29 percent have one (1) only.

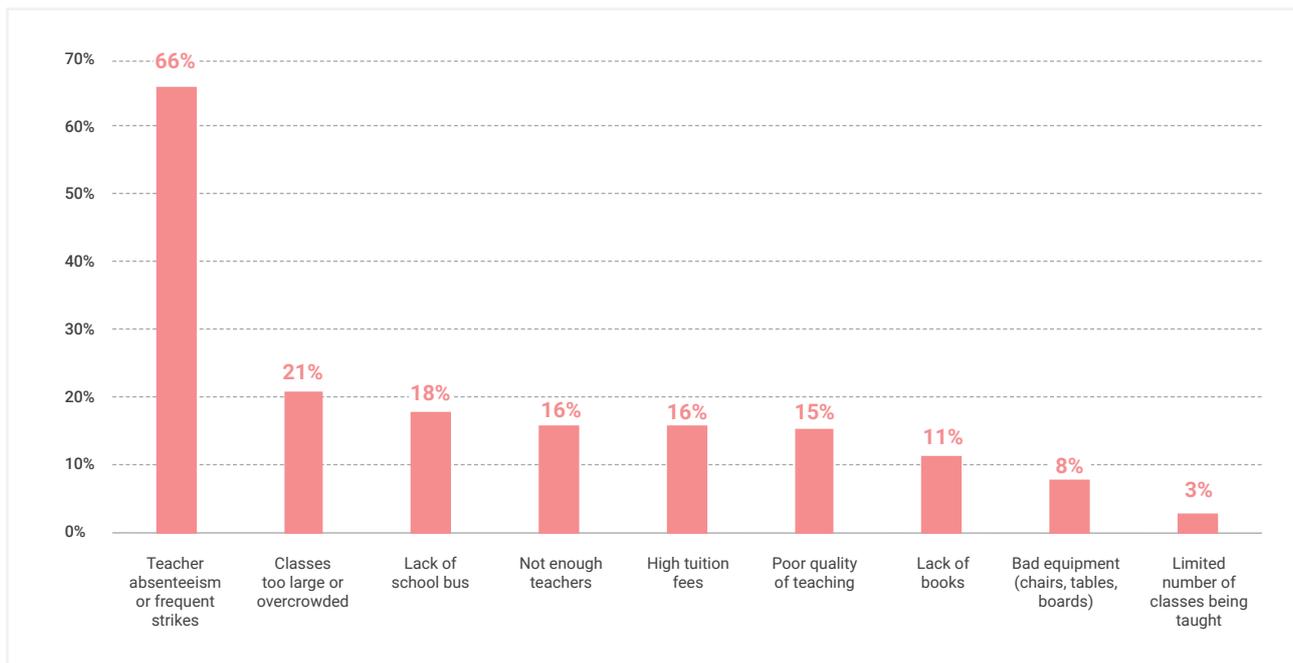
Most children and youth in the households who are of schooling age (5-29) are currently attending school (82 percent). 14 percent of all children and youth in that age range have stopped their education at the secondary level or below and therefore do not have any tertiary or advanced education. The rate is over twice higher among boys and young men (20 percent) compared to girls and young women (8 percent).

Among children who did not continue their education beyond the secondary level, the main reason cited by respondents is a lack of interest (42 percent), followed by the lack of money for tuition (38 percent) and the need to start working (10 percent). This suggests that, not only should access to education be increased, but that there is a need to change perceptions on the value of education and the returns it can bring in the long term, such as better employment. One of the FGD participants we spoke with in October 2021 highlighted how the effect of the crisis was particularly felt by non-Lebanese residents. As a young displaced Syrian, he could not attend university due to **financial and legal reasons**. He needed to support his family financially so was forced into work in precarious market conditions.

The main reasons are similar across genders. However, among children who ended their education at the secondary level, a higher share of girls did so for lack of interest (50 percent) compared to boys (40 percent), while a higher share of boys had to find work (13 percent, compared to no girls).

The main challenges faced during children's education were teacher absenteeism and frequent strikes (66 percent). Other common challenges faced were high tuition fees, crowded classes, a poor quality of teaching, lack of school bus, and a low number of teachers (between 15 percent and 21 percent each). Overall, 98 percent of heads of households reported challenges related to teaching (absenteeism, poor quality of teaching, and lack of enough teachers).

FIGURE 18 Main challenges faced related to education in the UCF region



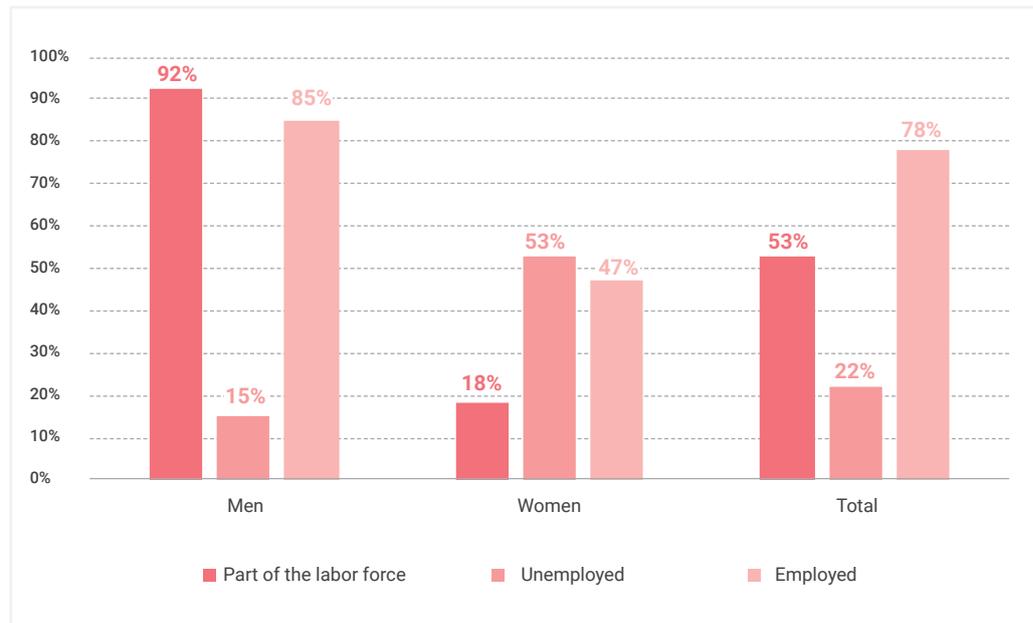
4.5 LABOR DYNAMICS

Nearly all heads of households in Al-Fayhaa Union are part of the labor force, and the unemployment rate has increased from 11 percent in 2019 to 14 percent in 2021. Barely any of those who were employed in 2019 have lost their job since (3 percent). Those who are unemployed attributed this mostly to the lack of available jobs (73 percent of them). The few women heads of households have significantly lower labor force participation and higher unemployment rates: 55 percent of women heads of households are part of the labor force, and the unemployment rate among them stands at 22 percent (compared to 95 percent and 13 percent among men heads of households).

Heads of households among both genders have lower unemployment rates compared to the other adults in their households, suggesting that the number of workers in families tends to be low. Indeed, 80 percent of surveyed households have only one (1) worker in the family, and 11 percent have none.

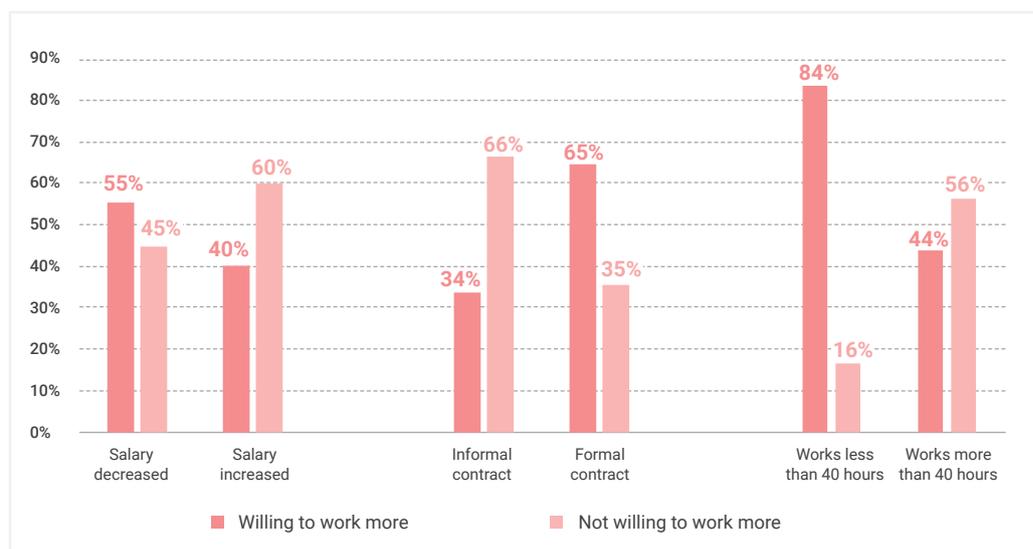
Overall, counting all adults in the households (heads of households in addition to the other adults in the household), yields significantly different results from the ones above—mostly driven by low labor force participation and employment among women (Figure 19). While the unemployment rate among all adults is 22 percent, it equals 53 percent among women and only 15 percent among men. Furthermore, nearly all men are part of the labor force (92 percent), while a very low share of women is (18 percent).

FIGURE 19 Economic activity by gender among all adults in the UCF region



Beyond labor force participation and unemployment, underemployment in Al-Fayhaa is high: 54 percent of heads of households would be willing to work more hours. This rate is much higher among those who work less than forty (40) hours per week (less than full-time; 84 percent), while those who work full-time are less likely to be willing to work more hours, although the share is still significant (44 percent) as reported in Figure 20. Moreover, among the employees, willingness to work more is more common for those who have had a salary decrease: 55 percent of those who have had a salary decrease would be willing to work more hours, compared to 40 percent who have had a salary increase since 2019. Willingness to work more hours also varies by type of contract, and those who are on a formal contract report being willing to work more at a much higher rate (65 percent, compared to 34 percent of those on an informal contract). These relationships between underemployment, salary change, and type of contract are significant even after controlling for other factors such as age, income, and financial situation.

FIGURE 20 Willingness to work more in the UCF region



4.6 ACCESS TO INFRASTRUCTURE

The following section presents respondents' priorities in public service deliveries. As unions of municipalities can have a role in providing such public services, the Urban Community of Al-Fayhaa should address the needs of the local population.

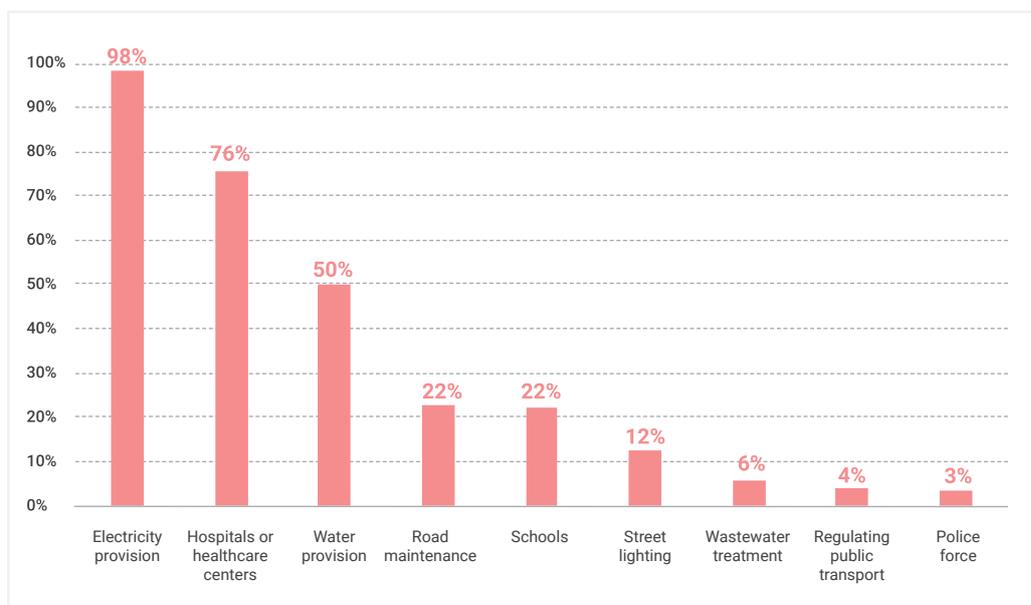
In Al-Fayhaa Union region, infrastructure quality and public services are assessed as poor by the majority of households (Figure 21). Nearly all households (98 percent) rate electricity provision as poor or not provided at all—which is a national level problem. Other services that rank particularly low are solid waste management, public transport regulations, road maintenance, and street lighting.

When asked which services should be improved most urgently, nearly all respondents ranked electricity provision among their priorities (98 percent of households). This was followed by improving hospitals and healthcare centers (76 percent), and water provision (50 percent).

Some priorities vary across genders. While electricity provision is the highest priority among both women and men-headed households, improving hospitals and healthcare centers is relatively more important for men heads of households (77 percent, compared 65 percent of women heads of households), while improving public parks and regulating public transport is relatively more important for women heads of households (10 percent of them prioritize each of these two services, compared to 1 percent of men who prioritize public parks and 3 percent who prioritize regulating public transport).

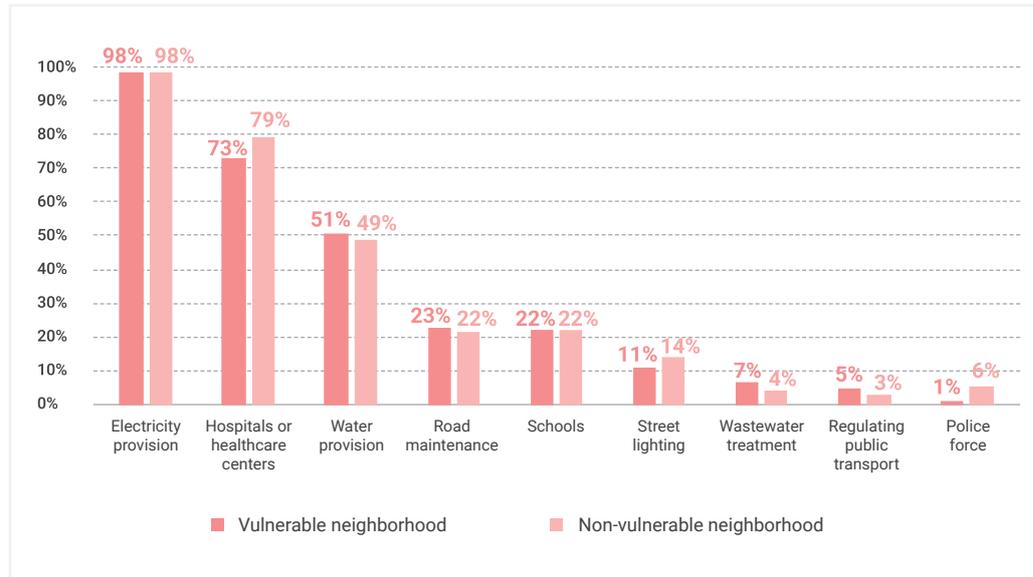
Furthermore, some priorities vary across income groups. While electricity is the priority for all income groups, water provision is much less important for those with the highest income, while improving hospitals and schools is much more important for those with the highest income.

FIGURE 21 Services that should be improved most urgently in the UCF region



Priorities also vary across neighborhoods (Figure 22). Electricity provision is still a priority for all, however, improving hospitals and healthcare centers, as well as street lighting and increasing the capacity of the police force, are much more important for households in non-vulnerable neighborhoods. On the other hand, those in vulnerable neighborhoods give comparatively higher priority to wastewater treatment and regulating public transport.

FIGURE 22 Services that should be improved most urgently by municipalities in the UCF region



4.7 HOUSING

Although the development of housing policies and provision of housing related financial schemes are within the remit of the central government through the Public Housing Cooperation and in coordination with the BDL, adequate housing is an essential need and local authorities should seek to strengthen housing conditions within the prerogatives granted to them by the Municipal Legislation.

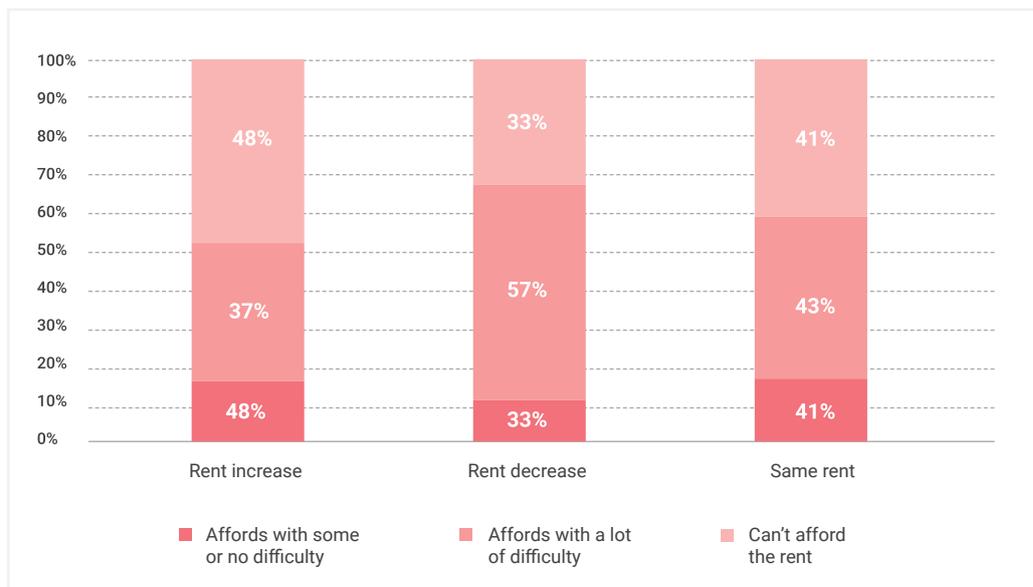
A near majority of households in Al-Fayhaa Union region consider their standards of housing as less than adequate (47 percent) as reported in Figure 23. This rate is much higher for low-income groups (61 percent). There are also variations by form of tenure: Those who rent their house or occupy the house of a friend or family member (44 percent and 15 percent of households, respectively) are more likely to consider their standards of housing as being less than adequate compared to those who own or mortgage their house (39 percent and 2 percent of households).

FIGURE 23 Standards of housing by household income in the UCF region



Housing insecurity is on the rise. Rent has decreased for the majority of households (62 percent, calculated based on USD change). However, this does not mean that families are still able to afford the rent, as even a high share of those who have had a rent decrease struggle to pay it (33 percent) as reported in Figure 24. Furthermore, the majority of households have contracts under the new rental regime which removed rent controls,⁹¹ which, combined with an inability to afford their rent, puts them at increased risk of eviction—in fact, 26 percent of households who rent their house have recently faced threats of eviction.

FIGURE 24 Rent change and affordability in the UCF region



⁹¹ As per Law 160/1992.

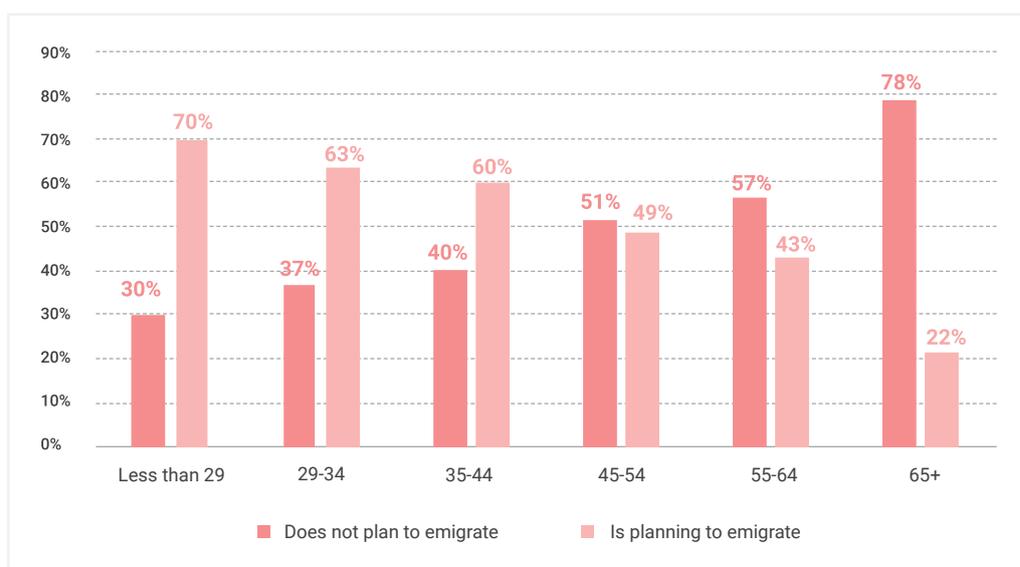
4.8 EMIGRATION

Al-Fayhaa Union area is experiencing a “brain drain” as 54 percent of heads of households are planning to emigrate. There are gender variations, with intentions to emigrate being significantly higher among men heads of households (56 percent) than among women heads of households (39 percent).

The main reason for wanting to emigrate, among both women and men heads of households, is to look for job opportunities abroad (87 percent among men and 83 among women heads of households). Furthermore, the majority of both employed and unemployed individuals are planning to emigrate, although the share is higher among the latter (69 percent, compared to 56 percent of those who are employed).

A striking relationship exists between age and plans to emigrate—over 60 percent of respondents aged less than 45 have taken steps to emigrate, while less than half of those aged above 45 have done so. The share is particularly low among the elderly (22 percent), which also reflects low intentions to emigrate among retired individuals (18 percent) (see figure 25).

FIGURE 25 Plans to emigrate by age in the UCF region



Having social networks abroad also seems to positively affect one’s intentions to emigrate. Indeed, 86 percent of those who have had a family member or friend emigrate in the last year are planning to emigrate themselves, while 41 percent of those who have not experienced emigration in their close circle are planning to emigrate.

A multivariate regression highlights the factors that significantly drive intentions to emigrate. Controlling for financial situation and employment status, younger individuals are significantly more likely to be planning to emigrate. Those who are unemployed, but have higher levels of education, as well as those with lower income are more likely to be planning to emigrate. The threat of a “brain drain” points at the dire need to create employment opportunities, particularly for younger individuals, who may now be suffering even more from the deteriorating situation in the country. Higher emigration among the youth will reduce the human capital pool in Lebanon, and thus poses a threat to long-term economic development.

4.9 CONCLUSION AND POLICY RECOMMENDATIONS

Al-Fayhaa Union area's population has become increasingly vulnerable in light of the country's multiple crises. With rising income insecurity and instability, the population's ability to invest in their future will continue to shrink. Consequently, as investment in human capital decreases, the future and health of the workforce is under threat both in the short and long term.

Our analysis reveals that the Urban Community of Al-Fayhaa area's population has become increasingly vulnerable considering the country's multiple crises. First, incomes have sharply decreased, become highly volatile, and are barely covering basic expenses. Second, it appears that the access to and quality of healthcare households receive has decreased since 2019, which can be mainly attributed to financial difficulties, that are preventing individuals from seeking and receiving proper care. Another worrying finding is the rise of malnutrition, as the vast majority of households have had to compromise their nutritional needs to cope with the deteriorating financial situation. Third, public service provision in Urban Community of Al-Fayhaa area is poor. We find that electricity provision ranks particularly low and is the main service all residents prioritize for improvement. This was followed by healthcare facilities. Finally, our results show that Al-Fayhaa Union region's sustainable development prospects are threatened by a growing brain drain, particularly among the youth although such a trend exists for all members of the workforce. Intentions and plans to emigrate are being driven by people's desire to find job opportunities.

While some of the above social repercussions are a national-level problem, local authorities can play an active role in mitigating the risks of society falling further into poverty and deprivation.

One of the main priorities the Urban Community of Al-Fayhaa (UCF) should address is healthcare, in collaboration with the Ministry of Public Health. First, Al-Fayhaa's residents seem to prioritize improvement in healthcare facilities, a measure which falls under the prerogative of UoMs. Second, individuals' ability to seek healthcare has decreased due to financial difficulties. Urban Community of Al-Fayhaa should therefore think of investing in public hospitals and providing medical assistance to its population through supporting existing health care centers or establishing new ones. UCF officials can support the Ministry of Social Affairs' Social Development Centers (SDCs). The health of Al-Fayhaa's population in the long-term is also at risk due to the rise of malnutrition and food-insecurity, as nearly all households have been compromising their nutritional needs as a coping strategy to deal with the crisis. In light of this, the UoM could provide food aid or collaborate with charity organizations in order to ensure the nutritional needs of its population.

The UoM must also address challenges faced in the education sector. Beyond access to education, issues related to teaching are prevalent, as teacher absenteeism, strikes, poor quality of teaching, and lack of enough teachers are common concerns among households. In order to address this, the UoM can increase the human resources in the education sector and organize training for existing teachers. In addition, there is a need to change perceptions on the value of education and the returns it can bring in the long term, such as better employment. As a lack of interest seems to be a main reason for dropping out, the Union should organize awareness campaigns on the value of education in the long term.

Furthermore, emigration trends point at a decreasing human capital pool in Al-Fayhaa. Intentions to emigrate, particularly among the youth, are widespread, posing a threat to long-term economic development. There is a need to create employment opportunities and the UoM could collaborate with the private sector to identify which workers are in demand. The UoM must also do what it can to preserve the education and health standards of its population and sustain and build its workforce.

Finally, Al-Fayhaa Union area's residents consider public service provision as poor, if provided at all. Electricity provision ranks particularly bad, and although this is a national issue, the UoM could invest in renewable energy sources as a local solution to a national-level problem. Water provision is also in dire need of improvement, which calls for building better water and sewage networks. Residents also prioritize road maintenance; the union should therefore direct more public investment into that sector.

05

MARKET ANALYSIS: AL-FAYHAA'S LACKLUSTER LOCAL ECONOMY IN SPOTLIGHT



05

MARKET ANALYSIS: AL-FAYHAA'S LACKLUSTER LOCAL ECONOMY IN SPOTLIGHT

Poor local development could also be attributed to low appropriability. That is local economic actors are not reaping their investment efforts due to market or government failures. In this section, we examine generally market failures and the obstacles facing firms which are preventing them from (re-)investing in the Urban Community of Al-Fayhaa region.

Faced with currency depreciation, inflation, and restricted access to credit/microcredit following Lebanon's financial crisis, many local businesses ended up with large losses in their financial books. Furthermore, dwindling foreign currency reserves since the onset of the crisis have also largely limited the ability of the central bank to subsidize essential raw material– the bread and butter of the region's private sector– such as fuel.⁹²

In light of the above, this section aims to unpack the specific market conditions that have come to surface and influenced LED in the region since the onset of the crisis. To establish this, we spotlight a key development actor, namely the private sector, and assess the effect of the ongoing crisis on its performance and growth. Particularly, we examine how firms' employment growth – a key driver of local development – was affected during the crisis period. To complement these findings, the research then zooms in on private sector needs ranging from improved credit access and business support to road infrastructure, electricity, and health services.

This section is organized as follows. Part 5.1 summarizes the sectoral composition of Urban Community of Al Fayhaa's economy and its key characteristics.⁹³ Part 5.2 offers a binding constraint analysis that aims to gauge the effect of different business obstacles, such as poor market conditions, inadequate governance and infrastructure, and weak human capital, on the private sector. Part 5.3 presents a balance sheet analysis, with a focus on business sales and costs, to quantify the effect of the crisis on job creation and local development. Part 5.4 explores firms' different survival strategies such as introducing remote work or altering working hours. Part 5.5 investigates the interaction between the UoM area's private sector and the local government and zooms in on firms' priority needs. Part 5.6 looks into the local economy's long-run prospects in light of the ongoing crises. Part 5.7 concludes with a few policy recommendations.

⁹² Prior to the crisis, the central bank made business access to raw material goods at a subsidized rate possible. However, amid dwindling foreign currency following the financial crisis, many of these subsidies were lifted.

⁹³ This is based on a firm-level survey conducted in the Urban Community of Al-Fayhaa region in December 2021 with one hundred twenty-six (126) firms. A detailed breakdown of the sample follows.

5.1 AL-FAYHAA'S ECONOMY: KEY CHARACTERISTICS

Economic activity in Urban Community of Al Fayhaa is concentrated in services and trade (wholesale & retail), followed by manufacturing (industry), and then agriculture to a much smaller extent. Prior to the crisis, 74 percent of men and 95 percent of women were employed in services and trade, 25.2 percent of men and 6 percent of women in industry, as well as 0.8 percent of men and no women in agriculture according to the 2018 CAS Labor Force and House Living Conditions Survey (LFHLCS). After Matn, industrial firms are concentrated in Urban Community of Al-Fayhaa, specializing in agro-foods and furniture. Informality of economic activity is a dominant characteristic of Urban Community of Al-Fayhaa. For example, 44 percent of the region is employed informally compared to 35 percent for the national average (based on the CAS LFHLCS 2018-19). Microenterprises employing less than five (5) workers comprise the majority of all businesses (CAS census of buildings dwelling and establishments in 2004). Therefore, the average firm size is quite small by international standards.⁹⁴

These key features of economic activity in the region are also reflected in the firm-level survey we conducted on one hundred twenty-six (126) enterprises in the Urban Community of Al-Fayhaa region. The majority of firms (58 percent) belong to the trade sector (wholesale & retail). Another 13 percent belong to services, 12 percent to real estate, 13 percent to manufacturing, and less than 5 percent to agriculture.⁹⁵

More than 82 percent of the firms in Urban Community of Al Fayhaa region employed five (5) or fewer full-time workers. The average firm size in the region in 2019 pre-crisis was six (6) workers and the median firm size was three (3) workers. As will be discussed in the next section, average employment has since decreased, so that by 2021 the average firm employed four and a half (4.5 workers) although the typical median firm still employed three (3) workers full-time.

The average share of temporary workers in total employment also went down somewhat from 4 percent to 3 percent, indicating that temporary workers were more likely than full-time workers to be let go. It is also worth bearing in mind that these characteristics are computed based on the surviving firms that were surveyed in December 2021. In reality, employment fell more when accounting for the businesses that shut down and dismissed their workers.

Other characteristics of the firms in the Urban Community of Al Fayhaa sample confirm the small and diffuse nature of firms. More than half are sole proprietorships and close to another 15 percent are family businesses. This means that roughly two-thirds (2/3) of firms in UCF do not have a diversified ownership structure and control is limited to an individual or family decision-maker. They are therefore more vulnerable to shocks if the individual or family's savings are also hit by the crisis and cannot be used to plug gaps in business cash flows. Of note, there are no partnerships in the sample or the larger type companies, unlike in other regions like Matn.⁹⁶ Almost none of the sampled firms exported goods between 2019 and 2021. Only two (2) of the one hundred twenty-six (126) companies sold some of their products in foreign markets; one working in wholesale and the other in real estate.

One characteristic that highlights the fact that Al-Fayhaa Union area along with the rest of the country is experiencing a sharp recession is that no firm in the sample has been established since the financial crisis. Indeed, the youngest firms in the Al-Fayhaa Union region were established three (3) years ago in 2018 pre-crisis.⁹⁷ This is a very sobering statistic in that there has been anemic business creation in the Al-Fayhaa economy, if at all.

⁹⁴ The World Bank classifies small firms as employing less than twenty (20) workers in its country enterprise surveys.

⁹⁵ While the weight of industrial manufacturing firms in the sample appears less than their population weight, other surveys such as the World Bank Enterprise Survey (WBES) intentionally overweight the manufacturing sector (more than half of surveyed enterprises in recent rounds) and also sample from larger firms with five (5) or more employees.

⁹⁶ There are no limited liability companies (SARL) or joint stock companies (SAL) in the sample either. All firms are privately owned. None are non-profit organizations.

⁹⁷ The mean age is 26. The median age is 24.

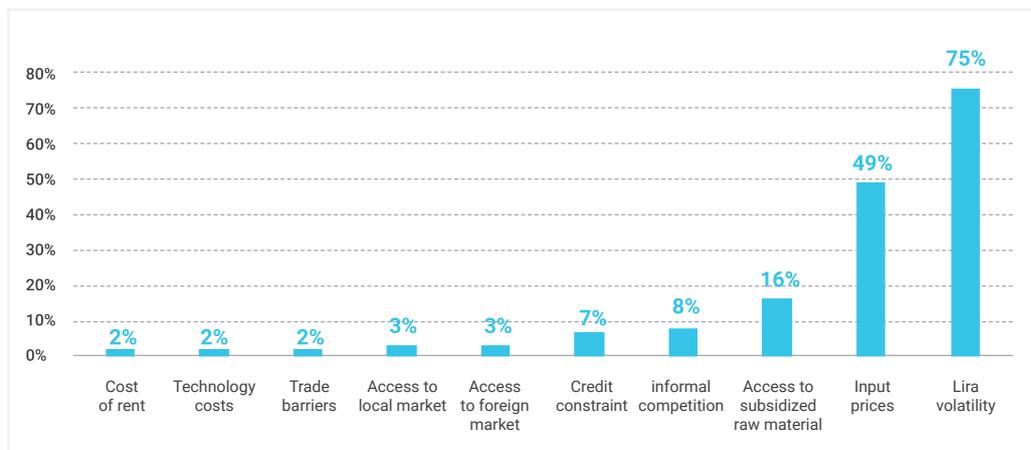
5.2 A LOCALIZED GROWTH DIAGNOSIS

Building on Rodrik et al.'s growth diagnostics framework and the scaled-down version of the latter presented in Section 1, the team now analyzes the main constraints that unambiguously deterred firms' business activity during the crisis period. Sampled firms were each asked how they would rate certain obstacles (one (1) to four (4), four (4) indicating significance). These obstacles were subdivided into five (5) main categories: *market*, *human capital*, *governance*, *infrastructure*, and *territorial capital (land)*.

The main constraints facing firms in the region are volatility in the Lebanese lira (as reported by 75 percent of the firms), increased price of input goods (49 percent), and some were slightly constrained by access to subsidized raw material (16 percent), and restricted access to credit (7 percent). See figure 26 for more information.⁹⁸

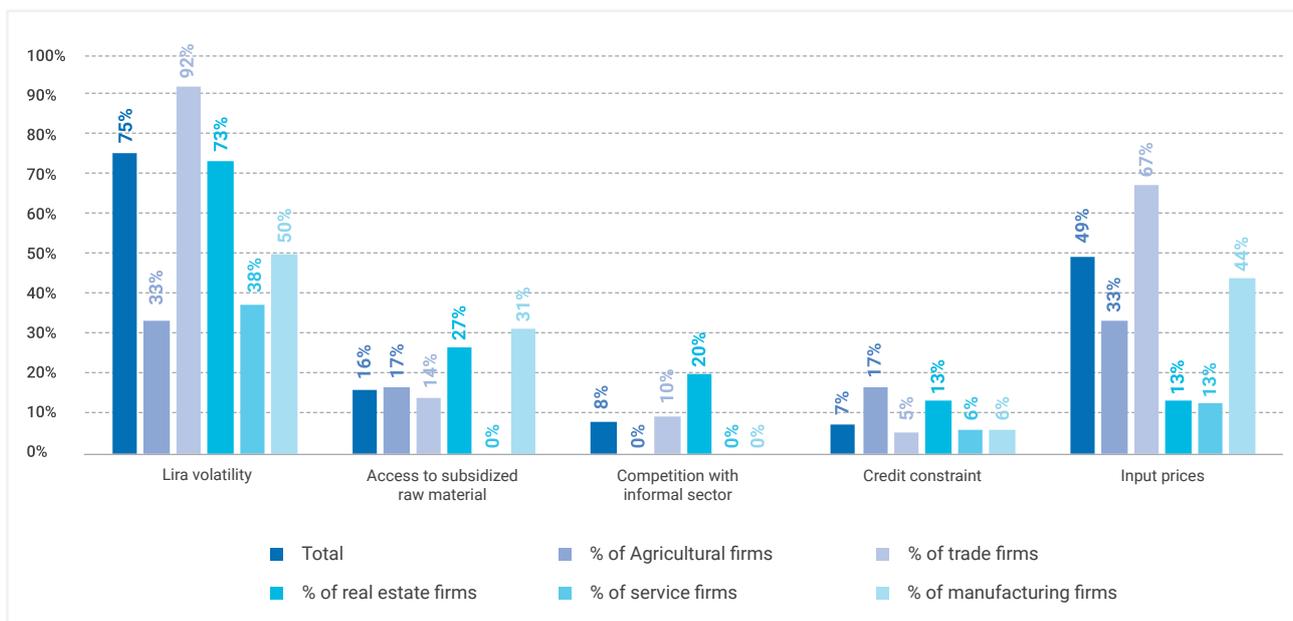
⁹⁸ See Annex 1,1 for more information on the administered survey questions.

FIGURE 26 Market obstacles in the UCF region



Note: We define a 'binding' constraint as one which has been rated as either "Moderate" or "Significant" by at least 20 percent of the firms.

FIGURE 27 Market obstacles by economic sector in the UCF region



Note: We define a 'binding' constraint as one which has been rated as either "Moderate" or "Significant" by at least 20 percent of the firms.

The magnitude was even more acute when we looked at the data by economic sector (Figure 27 and Table 8). Manufacturing firms, for example, are the most constrained by volatility in the domestic currency (Lebanese Lira) (50 percent), limited access to subsidized material (30 percent), and high input prices (50 percent). On the contrary, the only binding constraint to service firms appears to be lira volatility. Table 8 presents the most binding constraints by economic sector.

TABLE 8 Binding constraints by economic sector in the UCF region

Sector	Lira volatility	Access to subsidized raw material	Competition with informal sector	Credit Constraint	Input prices
Agriculture	Yes	No	No	No	Yes
Wholesale/trade	Yes	No	No	No	Yes
Real estate	Yes	Yes	Yes	No	No
Services	Yes	No	No	No	Yes
Manufacturing	Yes	Yes	No	No	Yes

Note: We define a 'binding' constraint as one which has been rated as either "Moderate" or "Significant" by at least 20 percent of the firms. 'Yes', indicates that a particular constraint was binding.

Across the board, the most binding constraints alternated between lira volatility, high input prices and limited access to subsidized material. One interesting observation here is that barely any firms classified the scarcity of credit as a major constraint. However, it is worth noting that a big chunk of small firms in the region were constrained by lack of access to credit even pre-crisis according to WBES data.⁹⁹

However, and in light of such a sizable market shock, these firms do not seem to be constrained by high labor costs. Only thirty-seven (37) companies (29 percent) find the cost of hiring workers to be a binding constraint to their business activity (Figure 28).¹⁰⁰ This indicates that firms were less likely to lay off workers for cost-related reasons, which is not consistent with the observed reality.

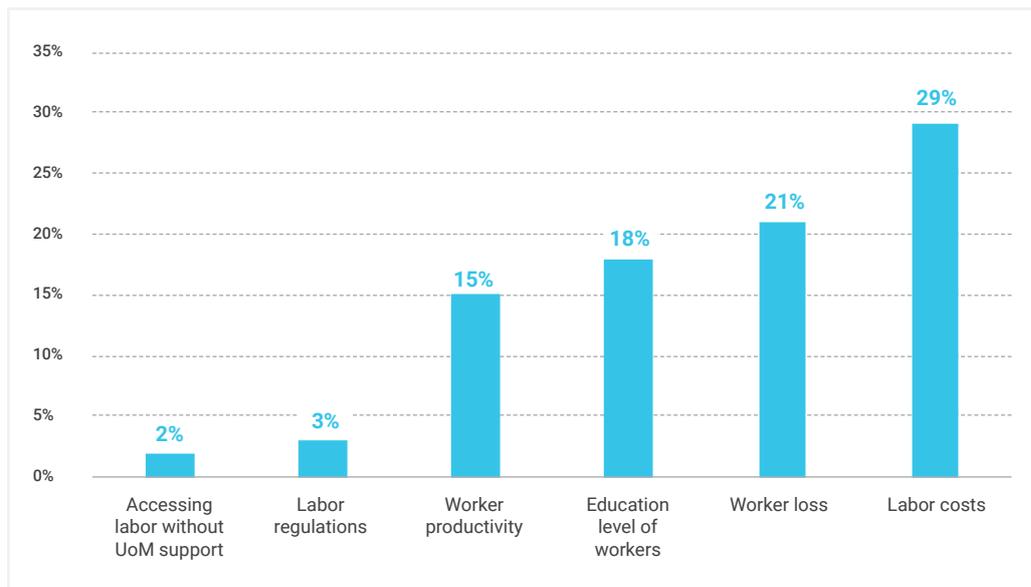
This paradoxical result then shows that in a crisis setting, the burden of labor costs becomes less of a concern to firms as it can be dealt with using direct and targeted policies such as laying off workers, reducing hours of work, or alternatively cutting salaries. Moreover, low worker productivity seems to constrain an even lower number of firms (15 percent), which suggests it is unlikely that workers are being laid off for productivity reasons. Indeed, when we asked firms to provide reasoning behind laying off workers, only 21 percent mentioned worker productivity. The rest attributed their decision to current business climate or the COVID-19 pandemic.

Another interesting finding here is that barely any firms (2 percent) found accessing labor without the support of the Urban Community of Al Fayhaa a serious obstacle. This is seen as a drawback as it might imply that firms see little benefit in collaborating and/or partnering with local authorities to reach potential employees or recent graduates.

⁹⁹ In our firm-level survey, there is little variability in the set of businesses that are not operating at the scale they would be if they had unrestricted access to affordable credit (i.e., any credit where the interest rate is less than the rate of return on their expanded business).

¹⁰⁰ Although one might assume that familial ties may have affected this outcome, we find no correlation.

FIGURE 28 Human capital as a constraint to business in the UCF region



Note: We define a 'binding' constraint as one which has been rated as either "Moderate" or "Significant" by at least 20 percent of the firms.

Our binding constraint analysis shows that firm activity in the UCF region has become severely constrained by the current economic crisis. Particularly, currency depreciation and inflation have burdened many of these firms', across economic sectors, with high input prices and limited access to subsidized raw material. These results are especially pronounced for firms in the manufacturing, wholesale/trade, and real estate sectors, less so in agriculture and services. Finally, in the absence of proper local financial aid support, the private sector perceives labor layoffs to be an inevitable business decision. In what follows, we try to identify these firms' real business constraints by superimposing their specific balance sheet changes.

5.3 THE 'REAL' EFFECT OF LEBANON'S FINANCIAL CRISIS ON THE LOCAL MARKET

In this section, we examine firms' cost and revenue structures to get a better sense of the real effect of the crisis on their performance. This approach allows the local planner to quantify the magnitude of the binding constraints discussed earlier.

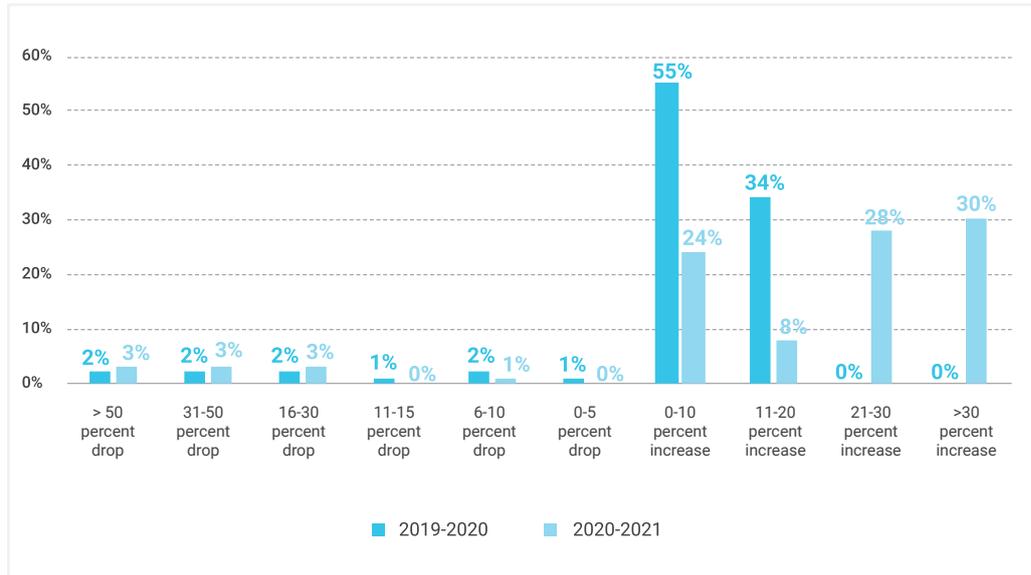
Survey data suggests that firms' balance sheets were heavily affected by the current market shock, leaving many in Al-Fayhaa Union region and around the country struggling to stay afloat.

5.3.1 Unhinged Cost Surges and Weakened Sales

The private sector in the UCF region is being left to fight extortionate costs in the absence of a national economic recovery program or local/municipal financial aid schemes. Our data shows that 81 percent of the sampled firms witnessed a significant increase in costs (exceeding 10 percent) during either the 2019-20 or the 2020-21 periods.

Figure 29 presents the magnitude of cost changes during 2019-20 and 2020-21 for firms in the sample. More than half of the firms (55 percent) witnessed an increase in costs ranging between 0 and 10 percent between 2019 and 2020.

FIGURE 29 Share of firms by magnitude of cost change between 2019 and 2021 in the UCF region



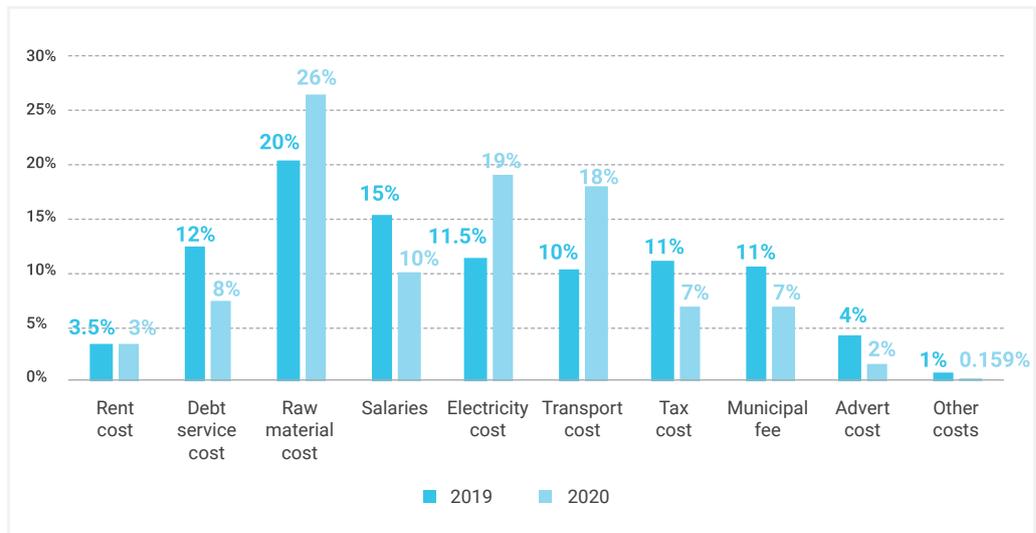
Upon closer look, it appears that the magnitude of cost surges was even higher between 2020 and 2021 for several firms in the sample. Indeed, during this period, almost a third of the sampled firms— up from zero (0) in the year before— saw an increase in overall costs of above 30 percent (See Figure 29).

This sharp increase in costs may be explained by the steep currency depreciation coupled with inflationary pressures during the crisis period. Consequently, these events dictated the extent to which companies were able to access import goods, raw material, or basic services in the area, thus reaffirming our earlier binding constraint assessment. Expectedly, data on change in firm expenses (as percent of total costs) between 2019 and 2021 reveals that raw material goods (6 percent increase), electricity (7 percent increase), and transport services (8 percent increase) accounted for much of the surge in costs (See Figure 30). Another interesting finding here is that salary expenses (as a percentage of the total) plunged for the average firm in the UCF region, by far more than in the other two (2) regions (Matn and Tyre). Data shows that salary payments (as a percent of total firm expenses) dropped by 5 percent between 2019 and 2021.

Focus group findings validate these statistics. For example, a Lebanese woman who manages a clothing shop in Tripoli used to have over ten (10) workers in 2019, but then she had to lay off six (6) workers by 2021. As a result, she had to reduce production and supply local alternative goods that are in higher demand. In light of soaring input prices and currency depreciation, she tried to raise salaries, but that did not suffice.¹⁰¹

¹⁰¹ This FGD was held with industrialists in Tripoli in March 2022.

FIGURE 30 Changes to cost composition of firms during the crisis in the UCF region

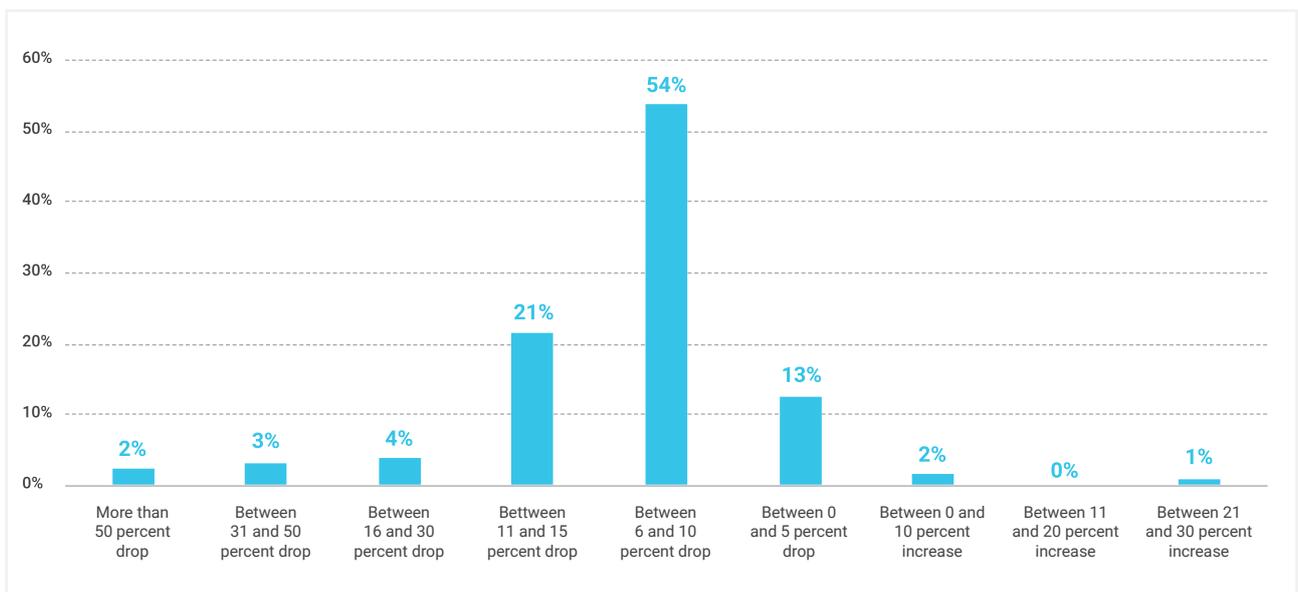


We also explore how sales growth, which we refer to as sales turnover in this section, can have a critical effect on the region’s local economy. Broadly speaking, a positive sales turnover typically implies the presence of a strong local demand and steady consumption spending, both of which are vital for any LED process. Considering the financial crisis, this indicator is even more important as it paints a critical picture of the size of the market shock. In the UCF region, sales turnover was unambiguously poor during the crisis period, but more so towards the end of 2021.

¹⁰² Between 2020 and 2021, sales figures worsened even more. More than 40 percent of the sampled firms experienced a drop in sales ranging between 31 and 50 percent at the time.

On average, 71 percent of the surveyed firms (ninety (90) out of one hundred twenty-six (126)) witnessed a significant drop in sales (i.e., exceeding 10 percent) during either 2019-20 or 2020-21 periods. Of those, sixty-nine (69) were wholesale/trade firms, twelve (12) were real estate, and three (3) were in the services sector. Between 2019 and 2020, almost half of the firms (54 percent) witnessed a drop in sales ranging between 0 and 6 percent (Figure 31).¹⁰²

FIGURE 31 Share of firms by sales turnover between 2019 and 2020 in the UCF region



According to Khaled Hannouf of Beddawi municipality, a “new crisis economy” was born after the crisis which should be given more attention, especially in terms of small-sized, local, and solidarity-based investments. Such an economic transformation in the region can be seen as a driver of sales following the crisis.

Our balance sheet analysis presents three (3) important findings. First, it validates our binding constraint assessment. Raw material/input prices, coupled with currency depreciation and limited access to subsidized raw material have been most constraining to firms. Second, we also find that transport and electricity costs have surged in light of the aforementioned business obstacles. Third, this analysis allows us to complement our earlier evaluation of supply-side constraints by additionally tapping into demand-side shocks using sales data. The area’s negative sales turnover tells us that firms have also been constrained by an overall drop in demand for goods and services, a finding that is pronounced across all economic sectors. In what follows, we measure the effect of these balance sheet changes—constraints— on region’s economic development process, with a focus on job creation.

5.3.2 Compromised Employment Growth as A Feature of The Crisis

As is clear by now, the crisis has limited the flow of income into the *real* local economy. Coupled with demand and supply-side shocks, this has pushed firms into making unfavorable business choices to survive, one of which is laying off workers.

In this section, we center our analysis on employment growth due to the significant role it plays in bringing about inclusive local economic development. Specifically, job creation has two (2) main implications in this context. First, it enables the private sector to meet local demand by offering diversified and relatively accessible products and services. Second, it ensures that workers – across a wide skills spectrum – are earning a livable wage to sustain themselves and their families, thus streamlining a satisfactory level of social stability and economic activity.

Using regression analysis controlling for cost, sales turnover, size, sector, and age, we attempt to answer the following question: Did meager sales outcomes and unhinged cost surges seriously guide the average firm’s layoff policy and employment growth during the crisis? Our findings suggest that the large drop in sales had both a sizable and negative effect on employment growth in the UCF region, bearing in mind that the upsurge in costs contributed only moderately to this outcome.

We zoom in on firms that witnessed a large drop in sales (i.e., exceeding 10 percent) during the crisis, as those are expected to have absorbed much of the market shock. Between 2019 and 2021, the average firm in this group reduced its workforce by around 17 percent more than firms whose sales drop was less significant (Figure 32).¹⁰³

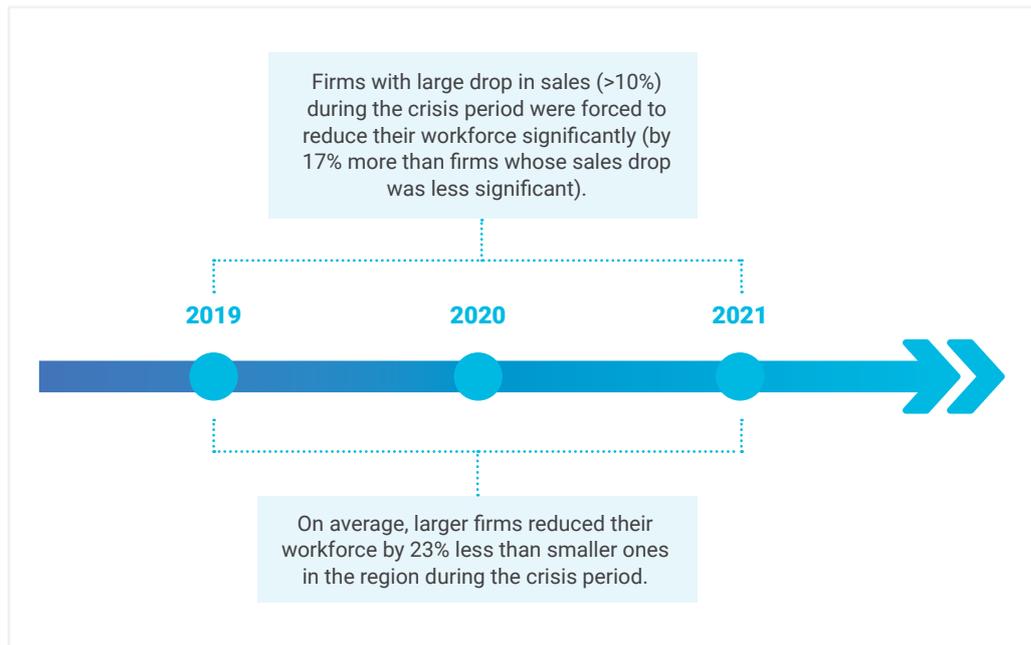
However, firms whose costs increased during the crisis period seem to have had a moderate drop in employment (around 5 percent more than other firms in the sample). The latter modest effect may be explained by lower labor costs in the region, i.e., the cost of hiring an employee is comparatively cheaper. Hence, any drop in sales will likely have a more significant effect on firms’ employment decisions.

More generally, when controlling for age, size, sector, and balance sheet changes, it appears that firms in the services sector largely reduced their workers most (by 10 percent more than real estate firms, the base category).¹⁰⁴ On average, larger firms reduced their workforce by 23 percent less than smaller firms in the sample. This might imply that large-sized firms were more resistant to and better prepared for the market shock, possibly helped by accumulated savings and low labor costs. See figure 32 for a summary of these results.

¹⁰³ This result is statistically significant at the 10 percent level.

¹⁰⁴ This result was statistically insignificant.

FIGURE 32 Effect on employment growth and LED in the UCF region



We also ran a probability (probit) regression to confirm these results. Expectedly, firms that experienced a major drop in sales during the crisis turned out to be almost 24 percent more likely to reduce employment.¹⁰⁵ On the other hand, the change in costs was not really a determining factor for these firms' layoff decisions.

¹⁰⁵ Controlling for firm size and sector, we gauge the effect of both cost burden and weak sales turnover on the probability of laying off a worker using a probit regression. The result is statistically insignificant due to an insufficient sample in this group.

¹⁰⁶ 52 percent of households consider their income to be extremely volatile, compared to only 10 percent who did in 2019.

¹⁰⁷ Policies on the extensive margin relate to any changes in the units of labor or capital (i.e., hiring or firing workers). Policies on the intensive margin have a direct influence on productivity of labor already employed.

¹⁰⁸ A total of fifty-three (53) firms laid off workers between 2019 and 2021.

¹⁰⁹ Data from the human capital survey conducted by our team in January 2021 confirms this finding. 67 percent of six hundred nine (609) sampled households in the region reported not paying their municipal taxes during the crisis period.

To recap, it is important to keep in mind that our results might be driven by two (2) main factors: the region's particularly income and price-sensitive demand (even in comparison to the national level or other regions) and firm liquidity. First, UCF's income volatility, as validated by human capital survey data, is seen to restrict demand via high income elasticity of demand.¹⁰⁶ In other words, a small cut in income will likely cause a significant drop in local demand and consequently, sales. Second, should firms have sufficient liquidity (which is likely to be the case as we will see later), they could manage to sustain themselves by meeting their own expenses for a longer period, which is why the effect on layoffs appears to be modest here.

Policies on the extensive margin in the region are directly tied to changes in the units of labor or capital (i.e., hiring or laying off workers). Our data shows that such changes were not always driven by concerns over worker productivity in times of crisis.¹⁰⁷ In fact, survey data suggests that a significant share of firms (79 percent) laid off people due to the economic crisis or worker characteristics such as age.¹⁰⁸

Furthermore, we find that around 45 percent of sampled firms in the region decided to reduce the salary of their workers by at least 11 percent, as also validated by data on cost composition between 2019 and 2021. This indicates that income loss haunted surviving workers as well, thus increasing their social vulnerability via a distorted or volatile income stream.

Amid a steep loss in local jobs and income, workers – part and parcel of the local community – will likely be forced into reducing their consumption and social spending, or even pay tax dues to stay afloat.¹⁰⁹ Eventually, losses in local jobs and income might drive weak local service provision as local governments lose their capacity to meet any spending commitments, particularly ones that could aid business.

5.4 BEYOND LAYOFF POLICY: LOCAL FIRMS' KEY SURVIVAL STRATEGIES

We asked firms about the strategies they implemented to stay in business.

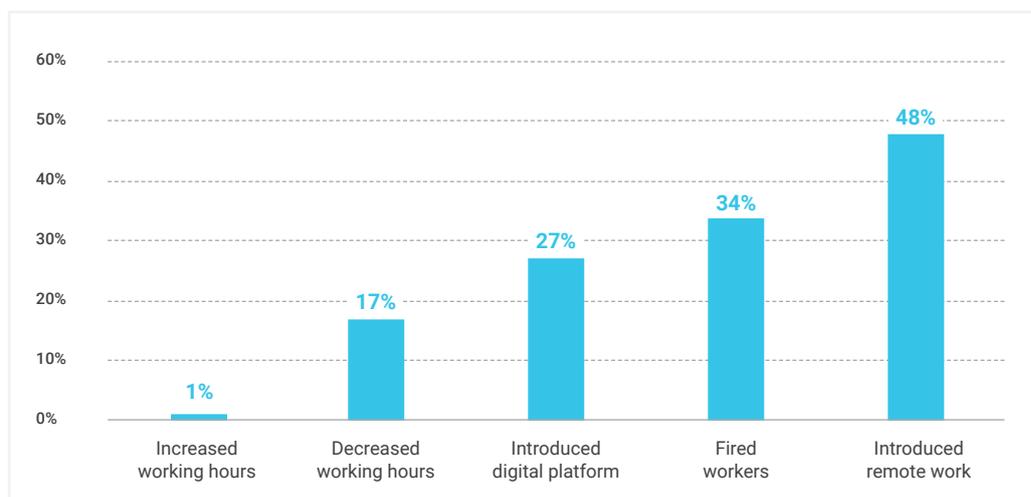
None of the one hundred twenty-six (126) companies reported receiving financial (or other) support to bolster their business functions. See Table 9 which presents the different kinds of support we inquired about.

TABLE 9 Private sector support by entity

From national government	From Union of Municipalities (UoM) or Municipality	From International Donor(s)	From Trade Union(s)
Credit access	Microcredit	Discretionary loans	Support in hiring
Cash transfer	Business grant	Grants	Campaign to improve quality of public services
Deferral of fee payment	Deferral of fee payment	Technical support	Political campaign in support of policies that could serve your business
Tax exemption	Tax exemption	In-kind support	Wage bargaining to boost worker productivity
Fee exemption	Fee exemption	Other kinds of support	Other

Indeed, in the absence of such support, firms relied on four (4) key policies (besides layoffs) to increase their chances of survival during the crisis period. In light of the COVID-19 pandemic, 27 percent of the sampled firms in the region introduced a digital platform (online website or social media pages) to facilitate business operations. Almost half of the sampled firms introduced remote work in order to cut costs. Other firms altered the number of working hours. 17 percent reduced hours of work and only 1 percent increased them (Figure 33).

FIGURE 33 Firms' survival strategies in times of crisis in the UCF region

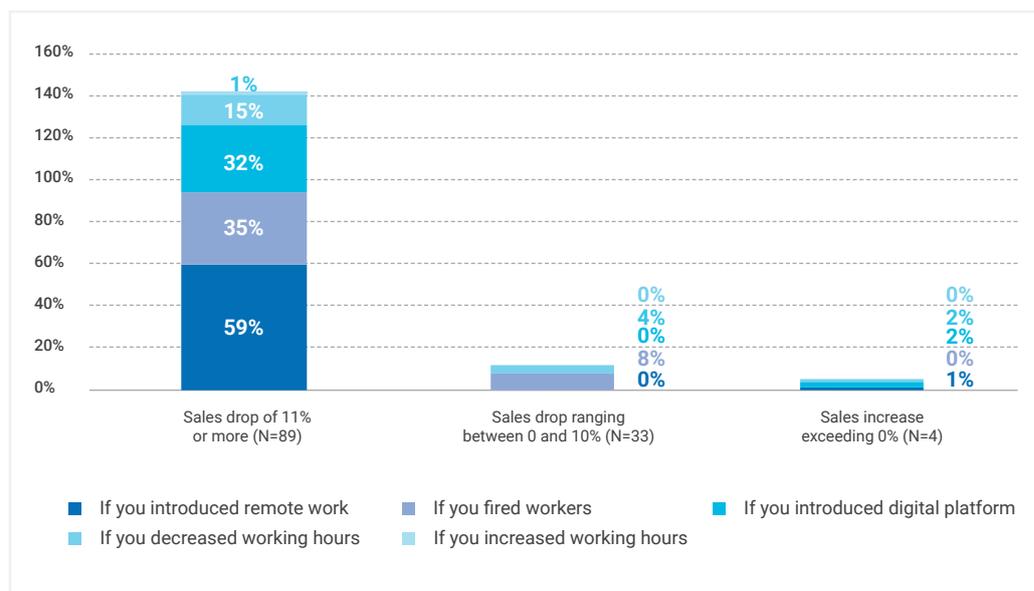


However, most of these strategies also varied by sector. For example, all service firms in the sample decide to let workers go, as opposed to manufacturing firms or agriculture firms which barely laid off any workers.

Only firms in the wholesale/trade and real-estate sector introduced work from home policy as a response to the crisis. Data shows that 47 percent of real estate firms (seven (7) out of fifteen (15)) and 70 percent of wholesale firms (fifty-one (51) of seventy-three (73)) exploited this survival strategy. A similar trend emerged for digitizing work: 40 percent of real estate firms (six (6) of fifteen (15)) and 37 percent of wholesale/trade firms (twenty-seven (27) of seventy-three (73)) introduced a digital platform. Almost none of the firms in manufacturing, agriculture, or services sector relied on such a strategy. Finally, there was barely any variation across sectors when it came to increasing or decreasing working hours.

We also investigate how these decisions might have been shaped by the magnitude of the local market shock. To unpack this relationship, we disaggregate the data on survival strategies by change in sales between 2020 and 2021.¹¹⁰ It is evident that firms who were in a better positioning in terms of sales were less likely to rely on survival strategies like laying off workers (Figure 34).

FIGURE 34 Survival strategies by sales turnover between 2020 and 2021 in the UCF region



Finally, we find that around 10 percent of the sampled firms voluntarily closed for a short period to cut losses.¹¹¹ To understand the factors that might have triggered these closures, we ran a regression to estimate the probability that a firm temporarily closes its doors voluntarily during the crisis period. Our findings suggest that firms that witnessed a substantive drop in sales (exceeding 10 percent) at a certain point during the crisis (either in 2019-20 or 2020-21) were 27 percent more likely to voluntarily close. The result was not statistically significant nor was it sizable for firms whose costs significantly increased during the crisis.

¹¹⁰ We focus on the second half of the crisis because this is when average sales plunged even more.

¹¹¹ 60 percent of firms that voluntarily closed did so for more than three (3) months. The reason was not related to October 2019 protests or the pandemic.

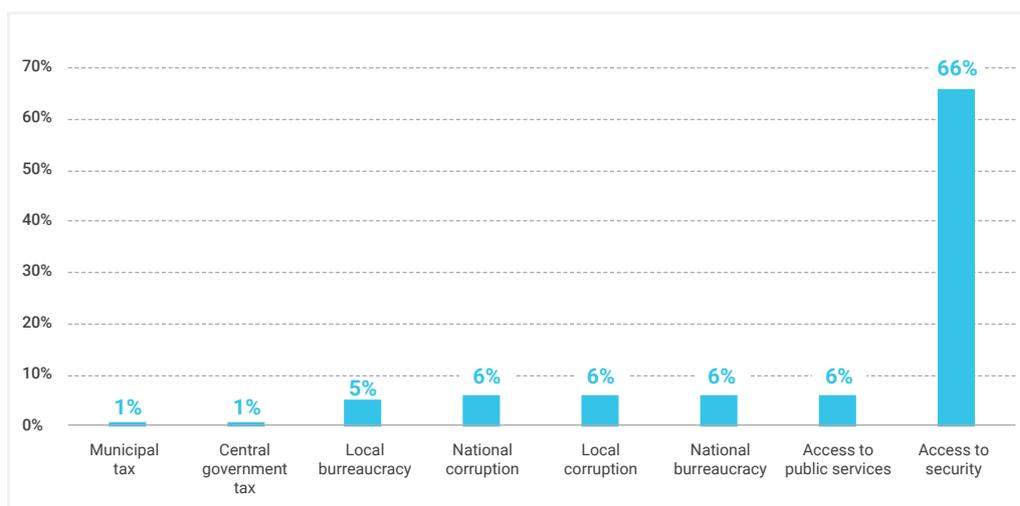
It is worth noting that the likelihood of voluntary closure varied by sector. Agriculture and trade firms were 53 percent more likely to follow such a policy. This probability, however, shrunk to 44 percent for manufacturing and service firms.

Interestingly, this survival strategy was also driven by firm growth prospects. Firms who expected positive long-run growth for their business were 34 percent less likely to rely on temporary closure.

5.5 THE PRIVATE SECTOR'S ASSESSMENT OF LOCAL GOVERNANCE AND POLICY IMPLICATIONS

When firms were prompted to rate the extent to which poor governance has constrained their activity, the results turned out uncanny (Figure 35).

FIGURE 35 Poor governance as an obstacle in the UCF region



Note: We define a 'binding' constraint as one which has been rated as either "Moderate" or "Significant" by at least 20 percent of the firms.

Our measure of local governance is dictated by five (5) key indicators. Those are the management of the municipal tax and firms' ability to pay it, extent of local bureaucracy (including readying registration documents, issuing business permits etc.), access to security, access to public services such as solid waste management, and local corruption (i.e., irregular procurement processes for projects). Returning to our definition of a binding constraint,¹¹² it appears that weak security measures was the only constraining factor, affecting 66 percent of firms, which is much higher than what we saw in Tyre and Matn Unions' areas.¹¹³

These results may be clouding the reality, whereby firms' productivity might be adversely affected by even more government policies and practices. To rationalize this finding and best understand how firms perceive governance in real terms, we prodded them even more by asking about their interaction and collaboration with local governments.

5.5.1 Interactions with Local Government

The interaction of the private sector in the UCF region with various levels of their government is weak. The main "interaction" is a transactional one: the payment of taxes. For example, about 60 percent of firms have fully paid their tax obligations since the crisis and the remaining 40 percent have at least partly paid their tax obligations. However, there are almost no direct interactions between firms and their municipality or Union of Municipalities (UoM). For example, 78 percent of firms did not interact with their municipality and an even greater share 83 percent did not interact with their UoM in the previous twelve (12) months.

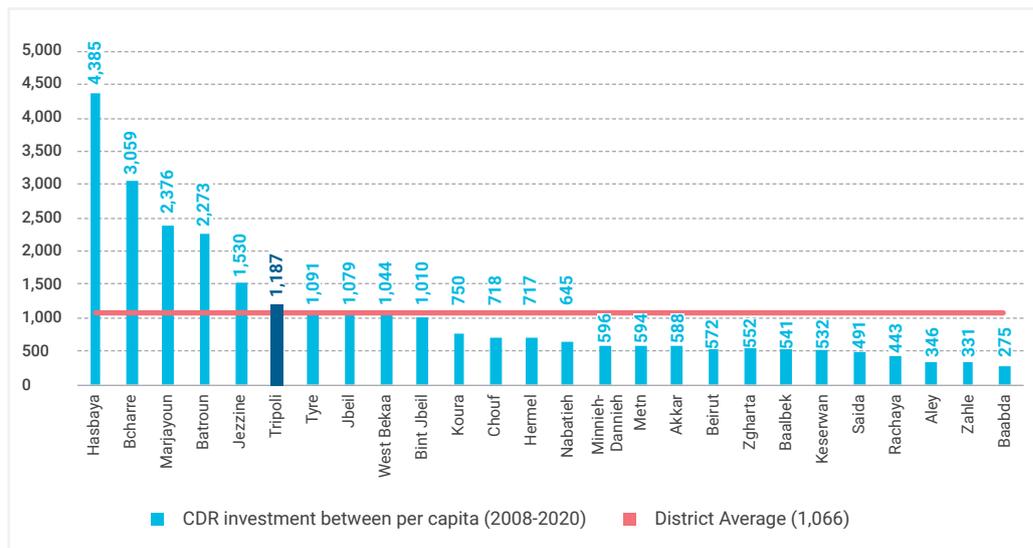
¹¹² We define a 'binding' constraint as one which has been rated as either "Moderate" or "Significant" by at least 20 percent of the firms.

¹¹³ When we spoke with Union officials in a recent workshop, this was linked to a weak and underfunded municipal police body.

Firms reported little interaction around implementing infrastructure or development projects with the municipality or UoM (and almost no instances of collaboration reported or follow-up after initial collaboration). Even among the 22 percent that interacted at least once with their municipality, the main two (2) purposes were for i) settling taxes and other financial issues; ii) registration and permit issues.

Weak infrastructure in the area confirms such poor coordination with local authorities. Between 2008 and 2020, nearly USD 290 million have been allocated to CDR infrastructure projects in the Tripoli district.¹¹⁴ After restructuring the data as seen in Figure 36, it appeared that there is significant disparity in the level of investment across districts, with Tripoli receiving around the national average (nearly USD 1,200 per capita).¹¹⁵

FIGURE 36 Infrastructural investment per capita in the UCF region



Source: Council for Development and Reconstruction (2021); CAS (2019).

When prodded to answer specifically if they were ever invited by their municipality or their UoM to discuss local economic development, the findings are more positive: Between 20 percent to 24 percent of firms answered in the affirmative. It is not clear, however, where those discussions led and if there were any concrete initiatives taken as a result.

When asked to assess their relationship with various levels of government, the typical response was “moderate” (on a scale of poor, moderate, or good). The average responses were also similar with the highest average assessment assigned to the level of government closest to the firms: municipal employees and the municipality mayor.

Questions pertaining to the capacity of the different levels of government produced moderate ratings; however, with a more sizable fraction of firms assigning “poor” capacity marks despite their having “moderate” relations with them. For example, 15 percent of firms assessed the capacity of their mayor to be poor. Interestingly, 20 percent of the firms perceived the capacity of municipal employees to be “poor”.

Overall, only few firms answered that these questions “did not apply” to them. This means that firms in Al-Fayhaa Union region are at least aware of their role in evaluating the capacity of and relationship with their government.

¹¹⁴ Higher than the national district average of USD 131 million.

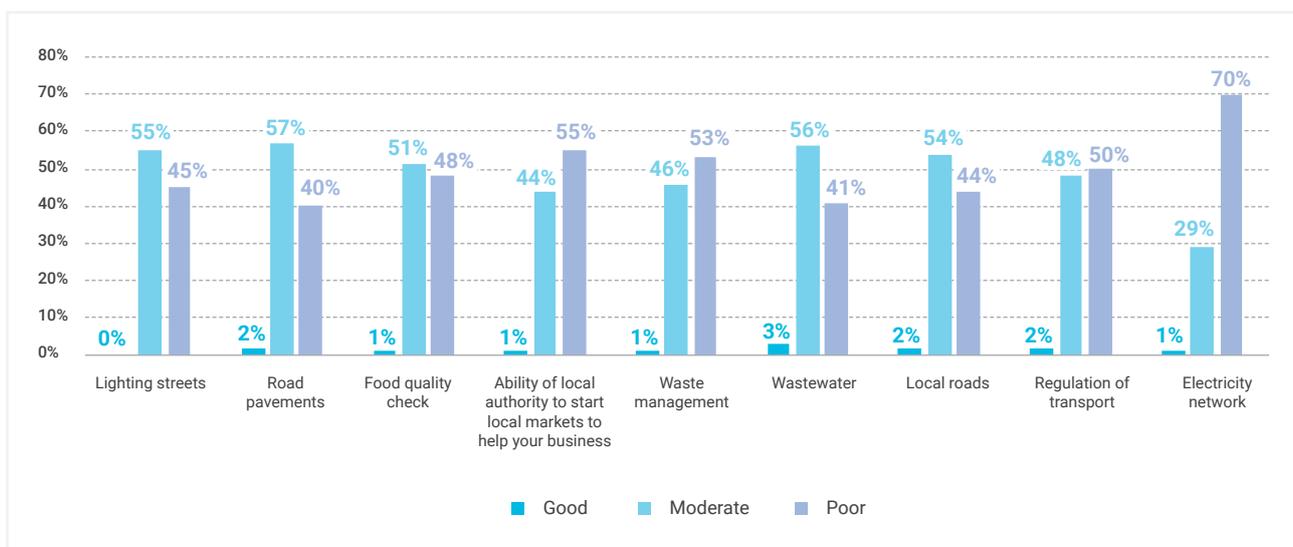
¹¹⁵ Sanchez, D. 2018. “Perpetuating regional inequalities in Lebanon’s infrastructure.” Lebanese Center for Policy Studies.

5.5.2 Local Government Priorities and Service Provision

Firms were also asked their views about local public spending priorities. One (1) striking result is that less than half of firms in the Urban Community of Al-Fayhaa area (only 45 percent)—compared to large majorities in Tyre and Matn Unions’ areas—said they would be willing to pay higher local taxes in return for better local services. Note that the question was clearly qualified with the statement: “supposing that your firm has sufficient funds”. Therefore, their response is not reflective of the North being more financially constrained at the present (even if that were true). This is an important finding because it shows that there remains significant work to be done in order to increase the private sector’s trust and gain its confidence in government service provision in the UCF region, which is essential for a proper LED process.

In terms of assessing the current quality of the different public services and infrastructure in the area, “poor” marks were given to each of electricity generation, transport organization, solid waste management, and public markets by at least half the respondents (Figure 37). The median response to the other public services listed was “moderate”. These numbers may be validated by the fact that almost 67 percent of the firms found their poor access to electricity a severe (binding) constraint to their business. This was followed by access to roads (33 percent), access to water (30 percent), and access to telecommunications (28 percent).

FIGURE 37 Firms’ assessment of local service provision



Another interesting finding is that around a third of the firms classified the ability of local authorities to start local/public markets that could help businesses promote their own products (such as fairs for firms to market or advertise own-goods and services), as poor.¹¹⁶ This effectively implies that firms perceive a supportive, market-centered role for municipalities, beyond setting up proper infrastructure and delivering public services.

Such a market-specific contribution has already been witnessed in recent years. For example, the Tripoli municipality offered a land to relocate the old market of El-Tabbaneh to support a newly emerged CDR-managed market. The municipality is set to manage the market and facilitate its operation by contracting a private company called ‘Imkan’.¹¹⁷

That said, when we spoke with local authorities in the region about their willingness to set up local markets to help businesses,¹¹⁸ most of them were unsure how to go about providing such a service or found this activity to be financially taxing in a crisis context.

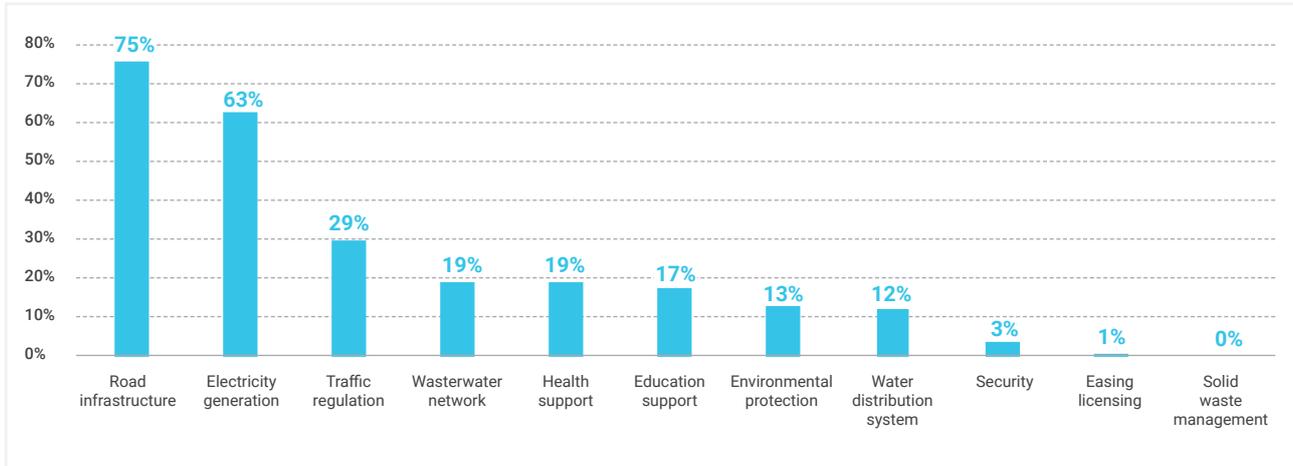
¹¹⁶ According to the municipal act, Unions for example can set up popular markets to help businesses advertise their products.

¹¹⁷ The selection of contracted company is not yet confirmed. The contract fees are going to be paid by the wholesalers involved. The number of wholesalers is approximately one hundred eighty (180).

¹¹⁸ During a SLAT workshop in February 2022.

Road infrastructure and electricity generation were selected as the top two (2) priorities for the local government to focus on in order to facilitate business delivery (Figure 38).¹¹⁹ In that question, a pre-selected list of possible infrastructure options was given to firms to choose from.¹²⁰

FIGURE 38 Local firms' needs in the UCF region



That said, there are significant differences in local private sector needs across economic sectors. For the sake of simplicity, we categorize a particular local need as a priority if it was selected as such by at least 15 percent of the firms in the sample.

For example, all agricultural firms in the sample ranked road infrastructure as a top priority for business enhancement, followed by electricity generation (as reported by 17 percent of the firms). The latter need, however, was not at all a top one for service firms in Urban Community of Al-Fayhaa region. In addition, some wholesale firms (32 percent) classified traffic regulation by municipality as a top need, which was followed by health support (26 percent), education support (25 percent), wastewater networks (21 percent), and proper water distribution networks (18 percent).

Expectedly, manufacturing firms have expressed a great desire for better road infrastructure (81 percent of the firms), traffic regulation (44 percent), and electricity generation (31 percent). A small group of these firms (25 percent) demanded better local environmental policy such as organized waste collection. Interestingly, almost none of the firms seem to have an interest in education and health support as a means of upscaling their business outcomes. A detailed mapping of priority needs is summarized in Table 10.

¹¹⁹ The results displayed in Figure 38 should be treated with caution as the 'solid waste management' option, along with a few others, may have been omitted inadvertently.

¹²⁰ The options provided were 1) road infrastructure, 2) environmental protection, 3) traffic regulation, 4) waste-water network, 5) water distribution system, 6) electricity generation, 7) health support, 8) education, 9) solid waste management, 10) security, and 11) easing licensing policy.

TABLE 10 Local service priority by economic sector

Local service or need	Agriculture firms	Manufacturing firms	Wholesale/ trade firms	Real estate firms	Service firms
Road infrastructure	x	x	x	x	x
Traffic regulation	Not a top need	x	x	x	Not a top need
Electricity generation	x	x	x	x	Not a top need
Environmental protection	Not a top need	x	Not a top need	x	Not a top need
Wastewater network	Not a top need	Not a top need	x	x	x
Water distribution system	Not a top need	Not a top need	x	Not a top need	Not a top need
Health support	Not a top need	Not a top need	x	x	Not a top need
Education support	Not a top need	Not a top need	x	x	Not a top need

An alternative open-ended question asked firms to propose their top priorities in a hypothetical scenario where they were given the equivalent of USD 500,000 and also given the authority to implement local economic development policy. This question resulted in a wider range of responses, as expected. There are frequent mentions for the direct construction of factories and large-scale industries or the reopening of closed factories with various aims including packaging of produce, furniture production and clothing, exporting, and job creation. For example, one response typical of this region was a *“factory irrespective of what it produced; the important thing is to attract a large number of workers.”*

5.6 FUTURE PROSPECTS

One common challenge for the private sector in the region is how to recover and sustain growth in the years ahead to make up for lost years. The last two (2) years since the onset of the crisis have been characterized by widespread business and job losses with little to no creation since 2018.

More than one-third (1/3) of firms laid off workers. Upon taking that decision, the cuts to their workforce were large, and not cosmetic. The average share of workers dismissed ranged between 30 percent to 50 percent. What is interesting about this statistic is that even though more firms laid off workers in other regions such as the Matn Union, but upon making the decision to reduce the workforce, the cuts were deep across all regions in a similar range of 30 to 50 percent. Moreover, as emphasized in the previous part, a significant share of those dismissed was due to reasons unrelated to individual productivity and job conduct. This was especially true in Urban Community of Al-Fayhaa compared with other regions. For example, only 20 percent of workers in the region were dismissed due to productivity and conduct reasons, whereas about half of dismissals were due to these fundamental reasons in the other two (2) regions. Indeed, about one-third (1/3) of dismissals was related to years of experience (or lack thereof) and likely affected the youth. In addition, there were significant reductions in hours, salaries, and benefits as mentioned previously.

There is a strong risk of a jobless recovery. Because firms are operating significantly below full capacity, even if the Urban Community of Al-Fayhaa region slowly recovers, they can expand production without increasing labor. The longer the recession continues, and the longer firms continue to operate below capacity, the lesser their incentive to hire workers and create jobs. This could cause a situation of persistent unemployment and under-employment, and the eventual exit of discouraged workers from the labor force altogether as skills atrophy. The risk is highest to the current young cohort, which has not had the opportunity to gain job experience and skills. They risk losing out the most when well-paying jobs with health and other benefits return to the economy.¹²¹ On the long run, local business conditions may be exacerbated by the ongoing emigration of highly educated youth.

A key finding from this section is that getting workers back into well-paying jobs and ensuring local job creation will not be a direct outcome of national economic recovery and resulting sales pick-up witnessed by firms.

We asked firms a hypothetical question on how they would best spend USD 100,000 if offered such a grant. They were given various options which can be grouped as follows: 1) the option to expand (by increasing production or by hiring more workers); 2) the option to diversify and innovate (by diversifying production or by opening new branches or by investing in technology); and 3) the option to close their business and invest the extra funds elsewhere in presumably higher-return opportunities. That fact that only 10 percent of firms in Al-Fayhaa Union region chose to invest elsewhere while more than 90 percent chose to either expand or diversify their business means that firms believe they have good business prospects but are financially constrained and vulnerable to liquidity-induced closures.

It is, therefore, encouraging that with some form of financial support, businesses expect to recover and expand (the large majority chose to expand (55 percent) or diversify and innovate (36 percent)). Our key finding, however, is that when asked about how they will expand, only a small minority chose to hire more workers (14 percent). Even when they were allowed three (3) spending choices for how to allocate the funds, less than half chose to do so by hiring more workers. This is a key finding implying that 1) firms are operating significantly below capacity and can expand production of goods & services demanded without creating new jobs. A recovery will be a jobless recovery and, therefore, 2) if policymakers and international aid agencies want to see local job creation, they cannot rely on passive recovery of businesses but instead should take a more active role in aiding that process. This is especially true in Al-Fayhaa Union region where unemployment has greatly affected the youth. Moreover, a frequently cited reason by firms for dismissing workers was due to “years of experience”, which we interpret as affecting the youth with few years of experience. The next section discusses what shape and form that active aid should take.

One encouraging statistic in Urban Community of Al-Fayhaa region is that despite poor business outcomes to-date, the private sector’s outlook about the future is the most positive relative to Matn and Tyre Unions’ regions. Indeed, more than 60 percent of firms in the region assess their growth prospects over the next three (3) years as being good (where “good” is defined as more than or equal to five (5) on a one (1) to ten (10) scale, where one (1) is very weak and ten (10) is very good). The median typical firm rates its future as six (6) and the average firm a five point three (5.3).

From an economic growth and development perspective, we expect poorer regions to converge to richer regions for various reasons: Returns on investment should be greater in poorer regions because the capital stock is relatively low (not only physical capital but also human capital). As credit increases to poorer regions and more projects get financed, physical capital increases. At the same time a younger population getting more educated and skilled should drive labor supply growth.

Combined, this should result in higher economic growth in poorer regions that eventually leads to economic convergence in income levels.

¹²¹ Jobs with benefits were already scarce in Al-Fayhaa pre-crisis in 2019. For example, the share of firms offering health insurance pre-crisis was only 10 percent. Similarly, the share of workers in Al-Fayhaa eligible for the National Social Security Fund (NSSF) was only 5 percent.

Therefore, it is encouraging that the trend will likely continue if these firms can survive over the next three (3) years. There are supportive reasons why surviving firms in the UCF region will still be in business over the longer term. First, they have survived so far (albeit with significant worker attrition) in the face of: 1) sharp increases in operating costs and lower sales; 2) being small, disparate and isolated (not part of larger conglomerates as they are mostly individual and family firms); 3) not receiving any outside support since the crisis from various possible sources including government, municipal, and trade unions; and 4) not receiving any financing in the form of either formal bank credit or informal loans.¹²²

The second main reason for why surviving firms are expected to make it to the longer term is that very few perceive their likelihood of closure over the next six (6) months as being high (where "high" is defined as more than or equal to five (5) on a one (1) to ten (10) scale, where one (1) is very unlikely and ten (10) is very likely). Less than 2 percent of the sample believes that.

Overall, this seems to indicate that the surviving firms in the UCF region perceive they have sufficient liquidity and savings to keep them afloat in the more difficult short-term environment in order to later benefit from good recovery prospects long-term. Nonetheless, this does not diminish from the two (2) problems highlighted: 1) that surviving firms have little intention to create jobs anytime soon and 2) that new business creation is stunted in the region with no significant creation since 2018.

5.7 CONCLUSION AND POLICY RECOMMENDATIONS

To summarize, the market shock that hit firms in the UCF region has severely constrained economic activity in the area through various channels.

Our analysis suggests that lira volatility, high input prices, and limited access to subsidized raw material are the most binding business obstacles facing firms in the sample. This effect was even more acute for firms in the manufacturing, wholesale/trade, and real estate sectors, whose work largely depends on the availability of input goods.

Second, we find that many firms had to significantly lay off workers to put a brake on their losses amid weak sales turnover and high-cost burden. Expectedly, the effect was most pronounced in the services, wholesale, and manufacturing sectors. As a result, we posit that this substantially restricted local income and economic activity during the past three (3) years.

Third, though proper government support or financial aid programs were completely absent, firms continue to be optimistic about their long-run growth, which implies that there is still some potential for local interventions to reverse the current situation. Interestingly, this finding was only applicable for a few manufacturing and real estate firms and almost all wholesale/trade firms.

Fourth, firms appear to be highly constrained by weak local infrastructure such as electricity, wastewater networks, and roads with no variation by economic sector. This finding suggests that the area's weak infrastructure has in fact distorted economic activity.

Fifth, we find that there is very weak coordination between the region's private sector and local authorities on development and infrastructure projects, which we believe may inhibit any proper attempt at LED.

Finally, we predict that the local economy might undergo a jobless recovery, whereby firms seek to

¹²² It is striking that all one hundred twenty-six (126) firms in Al-Fayhaa region answered in the negative to having received any financing since the crisis or any support from the national or local government and other sources such as trade unions and international agencies.

scale up production but refrain from hiring.¹²³ Indeed, survey data suggests that a small minority of firms would prioritize hiring in the circumstance that they are provided with additional funds. Hence, local authorities and international donors cannot rely on passive business recovery but should instead take a more active role in aiding that process.

To that end, there is a clear desire by the private sector for better local public service provision, and in particular, the improvement of the infrastructure of roads and electricity generation to help businesses across-the-board operate and be productive.

Sector-tailored policies should be spearheaded by local authorities to optimize the work of firms in the region and their contribution to LED. For example, besides enhanced roads and electricity access, the needs of manufacturing firms center around sound environmental policy and practices as means to increase their productivity and sustainability. Wholesale and retail estate firms appear to favor better education and health services, both of which could have a direct influence on worker performance (measured via output units per worker) and local economic activity. In Table 11 we consider the different measures that could be taken-on by authorities to enhance business across different economic sectors.

¹²³ An economy that undergoes jobless recovery may bounce back from a recession without reducing the unemployment rate.

TABLE 11 Measures to support firms in the UCF region by economic sector

Service priority	Sector				
	Agriculture	Manufacturing	Real estate	Services	Wholesale
Road infrastructure	Enhancing internal roads to facilitate transport of material and agricultural products.	Enhancing internal roads to improve consumer access to cities and ease transport of goods between factories etc.	Enhancing internal roads to improve consumer access to cities and ease transport of construction material and workers etc.	Enhancing internal roads to improve consumer access to cities and ease transport of goods between business units.	Enhancing internal roads to improve consumer access to cities and ease transport of goods and workers between business units etc.
Traffic regulation	Not a top need.	Hiring more municipal police and introducing training programs to organize traffic.	Hiring more municipal police and introducing training programs to organize traffic.	Hiring more municipal police and introducing training programs to organize traffic.	Hiring more municipal police and introducing training programs to organize traffic.
Electricity generation	Not a top need.	Alternative energy.	Alternative energy. Subsidizing fuel. Connecting business with investors to support in funding this need.	Alternative energy. Subsidizing fuel. Connecting business with investors to support in funding this need.	Alternative energy. Subsidizing fuel. Connecting business with investors to support in funding this need.

Service priority	Sector				
	Agriculture	Manufacturing	Real estate	Services	Wholesale
Environmental protection	Not a top need.	Waste management centers. Technology to reduce air pollution and external contaminates. Sorting and recycling initiatives.	Waste management centers. Sorting and recycling initiatives.	Not a top need.	Not a top need.
Wastewater network	Not a top need.	Not a top need.	Map out key wastewater networks and fund water treatment plants to support with this work.	Map out key wastewater networks and fund water treatment plants to support with this work.	Map out key wastewater networks and fund water treatment plants to support with this work.
Water distribution system	Not a top need.	Not a top need.	Not a top need.	Not a top need.	Maintenance of key water networks.
Health support	Not a top need.	Not a top need.	Set up local medical centers to support staff of real estate companies.	Not a top need.	Set up local medical centers to support staff of wholesale companies.
Education support	Not a top need.	Not a top need.	Supporting with education fees or tuition waivers to enhance skills of potential workers. Training graduates of university/vocational training institutes.	Not a top need.	Supporting with education fees or tuition waivers. Training graduates of university/vocational training institutes.

The willingness to pay higher local taxes, however, remains an issue in the region. One option to get around firms' reluctance to pay is to deliver a good quality and well-managed road project by, for example, partnering with a private company that finances a build-operate-transfer project. The bidding process for the private company should be transparent and clear to avoid falling into scenarios of resource capture or inadequate implementation. Another option is for the local government to secure a concessional loan in advance from an international agency and then repay it over time with a direct usage fee from the project (such as road tolls) or through small-scale donor projects. These approaches would also regain public trust in the ability of authorities to deliver services, which may in turn increase private sector tax compliance.

What is less clear is what policy recommendation best addresses the strong desire by the private sector in the UCF region for industrial policy. Indeed, many responses seem to want the local government to become an industry creator.

There are important lessons to be learned from successful local development policy as applied in France based on discussion with French LED agencies.¹²⁴ One of the main ones is that it is not the job of the local planning agency to replace the private sector and provide employment directly to the unemployed and underemployed. Nor is the lesson that local planning agencies take a passive laissez-faire approach either and expect that the market will achieve the first-best outcome in terms of local economic activity and job creation. The key lesson is that local outcomes are optimized when the planning agencies serve as facilitators bringing together the private sector and entrepreneurs with the investor class. The local planning agency is instrumental at the launch phase, for example, by providing “incubators” for new businesses or by supporting marketing and promotion agencies to attract investment capital into the area. This is especially relevant to Lebanon where firms are small, diffuse and disconnected from their local planning authorities and disconnected from financing sources to grow and create jobs. At the same time, there is a donor, industrialist, and expatriate class that can be attracted to fund or support local investment projects.

¹²⁴ This was based on a joint workshop with French experts (Ms. Elizabeth Batcave, Mr. Franck Merelle, Mr. Jean-Francois Vereecke, and Mr. Gregory Dubois) along with local authorities from Al-Fayhaa region and our team in February 2022. We presented this report’s findings and reflected on these results in light of the ‘French’ LED experience.

06

GOVERNANCE AND DEVELOPMENT



06

GOVERNANCE AND DEVELOPMENT

Poor local development could also be the result of low appropriability whose source lies not necessarily in market failure but in governance failure. That is local investments, in a certain area, are hindered due to factors that emanate from the nature and quality of interactions among social actors and between social actors and the state. In other terms, they are context dependent, contingent on mechanisms, processes, and institutions through which collective decisions are made and implemented, how citizens, groups and communities pursue their visions, articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences.

Hence, capturing the shortcomings or weaknesses of these different actors, stakeholders, bodies, and institutions governing a certain area is what governance in the conceptual diagnostics framework refers to.

Accordingly, governance can be defined as “the exercise of political, economic, and administrative authority to manage a society’s affairs” – UNDP.¹²⁵

From this perspective, the approach of multi-governance in political science and public administration theory is best suited to act as a framework analysis of the relationships of these different state levels with the different types of actors. It stresses the complexity of policy making, implementation, and responsibilities among different governmental and societal actors in their activities on supranational, national, subnational, and local institutions for the coordination of services through several functional areas. It describes the way power is spread vertically across many levels of government, including their institutional and financial aspects and horizontally across multiple quasi-government, municipal, and NGOs actors.

Multi-level governance gives expression to the idea that there are many interacting structures at work.

According to Romeo (2002), good local governance practices depend upon the legal and regulatory framework governing the political and administrative public sector powers’ responsibilities and resources, and the role and status of civil society and private sector associations and organizations. In addition, the buildup of local governments’ capacity along three (3) dimensions: performance, partnership, and participation.

Thus, good local governance has impacts on improved services delivery and local economic development; the latter being our focus of interest within the framework of our report on Urban Community of Al-Fayhaa LED governance.

LED initiatives can take many forms and are context dependent. We can distinguish between three (3) main categories of local economic development initiatives:

- The first set refers to actions that may be broadly described as community/livelihood/neighborhood based economic development and which could be applied to both rural and urban settings.

¹²⁵ <https://www.parlicentre.org/about-us/area-expertise/governance>

- The second category refers to business/enterprise/corporation development.
- The third category refers to regional/locality/town development.

However, community economic development would apply to all types of localities and regions, while business/enterprise development initiatives have their greatest relevance in those localities and regions which have an economic or export base. Moreover, issues of locality/town development policies have their greatest relevance in the more urbanized areas (though in principle applies also to all types).

Building on the above, the assessment of the local territorial economic development governance of Urban Community of Al-Fayhaa, is to be based on the analysis of the dynamic relationships and interactions between two (2) sets of interconnected systems:

- The first set is a multilevel governance system at local, national, and international levels.
- The second set addresses the governance dimensions of local good governance system at the level of the Union in terms of performance, participation, and partnerships and their impact on economic development and its three (3) levels which we defined above as (i) community based economic development, (ii) enterprise, business, and corporation development and (iii) regional, locality, and town development.

The identification of the strengths and weaknesses of the two (2) interconnected systems as well as potential options (whenever applicable) to strengthen them is essential for the gradual “nesting” of local economic development within local governance structures in Lebanon and particularly union of municipalities level structures.

The “Governance and Development” part of the report will, therefore, start with the analysis of Lebanon’s multilevel governance system within which the local governance structures and particularly union of municipalities’ are embedded (please see Section 6.1: The Multi-Level Governance System). This will cover the current political model of consociationalism and its impact on public institutions as well as the prevailing economic regime. It will be followed by a presentation of the decentralized structures administratively and financially, the administrative control mechanisms overseeing local structures, and the actual constraints local authorities are facing.

We will then assess the governance structures of the Al Fayhaa UoM underlying any current and/or potential LED role in-depth (please see Section 6.2: Al Fayhaa UoM LED Governance). This will cover two (2) different UoM governance scopes using each time the same three (3) dimensions of local governance system set above as per the relevant governance and public administration literature: performance, participation, and partnership.

The scope of our analysis of the UoM Al Fayhaa LED governance will be initiated with an “institutional” and be completed with a “territorial” focus.

The “institutional” focus covers the various roles,¹²⁶ practices,¹²⁷ as well as the organizational structure, various forms of knowledge and capacities, tools, and technical resources available to the Union to achieve its mission and objectives (please see Sub-section 6.2.1: The Governance Structure of the Union).

The second scope will broaden the focus and look at Al Fayhaa UoM’s governance and its limitations and challenges within the geographic context of the district and its territorial dynamics. The “territorial” focus will delve into key topics such as the Union’s internal coordination and cohesion, natural hazard and disaster threats, preservation and protection of built and natural heritage, urban sprawl, what is constraining them as well as the existing capacity to address these objectives and capacity gaps (please see Sub-section 6.2.2: The Territorial Governance of the Union).

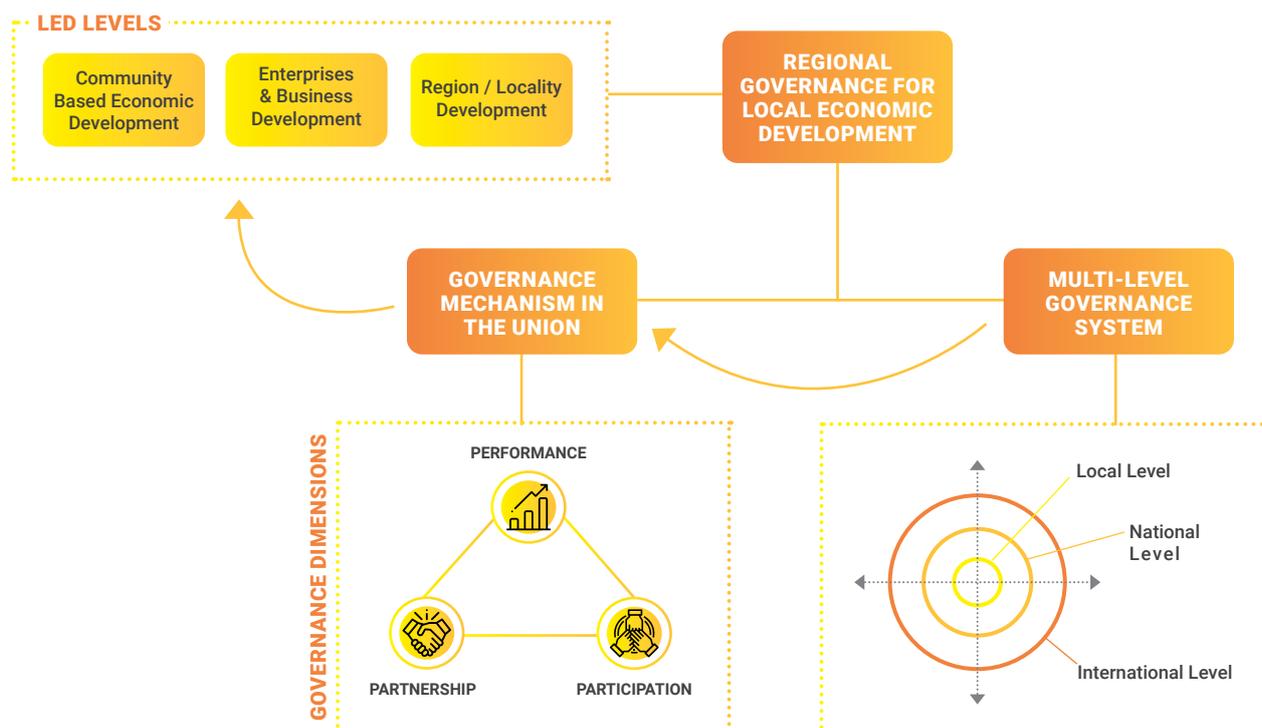
¹²⁶ As set by the Lebanese legislation and as commonly understood by local governance actors and practitioners. This includes administrative, financial, planning, and basic service provision roles among others.

¹²⁷ For example, regular engagement of local communities, partnership building with private sector etc.

- The “Governance and Development” component will conclude with a final section dedicated to setting the contours of pro-active LED policymaking at Union level and the national requirements to optimize such policy making.

Figure 39 sketches the different components that will be discussed and analyzed as a basis for policy recommendations.

FIGURE 39 LED multilevel governance environment components



6.1 THE MULTILEVEL-LEVEL GOVERNANCE SYSTEM

6.1.1 The National Level

Based on a review of main laws and administrative structure, the Lebanese State seems to need many reforms; but nothing hints to the continuous crisis Lebanon has been living for decades and that has culminated in last years to a situation of near collapse. Lebanon might not be a secular state and its decentralization could be enhanced; however, it has modern laws covering a wide diversity of social, economic, and environmental issues adopting internationally recognized values and standards. Hence, the explanation for this situation should be sought elsewhere.

In fact, the Lebanese State has been facing since its creation and to this day, two (2) structural challenges:

- Dealing with socio-cultural diversity when identity polarization is growing in the country, the region, and the world.

- Dealing economically with a growing demographic of highly educated and qualified population seeking high living standards in a country with limited resources and complex geopolitical situation.

Lebanon has historically tried to answer these questions. The dominant political powers seem to have steered the position of the Lebanese state regarding these questions in the direction of two (2) answers: 1) a consociationalist regime, 2) a liberal then neoliberal economic development approach.

These answers have tremendous implications. In fact, they redefine profoundly the mechanisms of decision-making and public institutions' policies and actions of the Lebanese State. Informal political, economic, financial, and confessional networks operate within and outside public institutions at the margin of the text of the law, and it is in this grey area - not officially recognized but central to the social, economic, and political systems - that most decisions are made.

A. CONSOCIATIONALISM

Consociationalism, or as it is sometimes called consensus democracy, is a non-majoritarian form of democracy that its theorists believe to be the most stable form of government in fragmented societies. Its central feature is that political elites representing different communities eschew majoritarian democracy processes in most public institutions including union of municipalities by relying on consensus and compromise to deal with political conflict.

The case of Lebanon reflects this situation. Consociationalism - Democratia Tawafuqia as it is usually called in Lebanon - is widely seen among scholars and even among certain communitarian groups as flawed and the source of most crises.

B. IMPACTS OF CONSOCIATIONALISM AND COMMUNITARIANISM ON PUBLIC INSTITUTIONS

We here identify five (5) avenues through which consociationalism and communitarianism are affecting the functioning of public institutions and the Urban Community of Al Fayhaa directly or indirectly:

1. **Communitarian networks within public institutions.** With the growing entrenchment of consociationalism and specifically power-sharing of communitarian groups within public institutions, access to public service even at the lower ranks of government are increasingly determined based on communitarian affiliation. This affiliation means that communitarian networks exist within most institutions. These networks support their members and often try to shield them from any disciplinary decisions or even control from their superiors. This leads to situations where disciplinary measures could become issues of "community oppression", employees openly defying their superiors and an overall crumbling of institutional decision-making and operational processes.
2. **Employees are not selected upon merit.** As communitarian affiliation, and not meritocracy, is the first rule of recruitment in most public institutions, the quality and productivity of these institutions is much affected.
3. **Clientelism.** The existence of communitarian networks within public institutions often translates in favoritism by employees to citizens affiliated to their own communities. This is what is often dubbed 'wasta'. It is even common practice among deputies and ministers to have someone in their office who follows up within public institutions the requests of their political clients. This is usually done by tapping into these communitarian networks and securing reciprocal favors.
4. **Impacts on public institutions' programs and projects.** There are two (2) direct impacts of consociationalism and communitarianism on public programming. The first relates to the idea

of “equal” access to State services and has always been at the heart of communitarian parties’ programs, presenting their own communities as marginalized or not benefitting from public institutions as much as others. This has become a very sensitive issue after the civil war that the amendments of the Constitution of 1989 state in its preamble “balanced development” as an objective to be included in all State policies. All this translates into the replication of public services and facilities in areas where different communitarian groups are dominant - even though this has no objective reasons. The second impact is even more structural, with communitarian groups being linked and effectively controlling decision-making in central institutions (e.g., the Council of Development and Reconstruction, the Council of the South, the Displaced Fund, State security apparatuses and even Ministries). This translates into difficult relations between different public institutions and practical disintegration of the idea of public interest at the heart of these institutions. With ever more unstable and weak governments, many of these institutions have been setting their own strategies without real coordination and complementarity with others. This is leading to increasing fragmentation of the State.

5. **Impacts on local authorities.** Communitarianism is also strong at the level of local institutions. This is related to the fact that in many areas in Lebanon there is communitarian homogeneity - the civil war has heavily contributed to that. In the last decade, large communitarian parties have become more interested in controlling local authorities. In fact, local authorities with their growing services and resources are becoming more present in the daily life of citizens. Moreover, they represent opportunities for employment as well as public works and procurement contracts. Most importantly, their prerogatives allow them to have close control on their territories. Today, as most local authorities lack resources, they increasingly rely on large communitarian parties and their affiliated networks to tap into central institutions resources and get support for their towns and villages. In the towns and villages where there are multiple communities, informal conventions exist for representatives of the different communities to share representation in the Municipal Council, the Presidency of the Municipality, the Union Council, and the Presidency of the Union Council. Breaches to these conventions could lead to tensions. In some cases, tensions have led to pressures for municipality secession.

C. THE NEOLIBERAL ECONOMY

From the founding of the Republic of Lebanon, there is a strong overlap between the economic and the political elites. In fact, one could say that the Lebanese political regime is based on an understanding between political elite made of communitarian networks’ leaders often themselves members of the economic elite and implicated in its most lucrative activities. This understanding is based on a series of principles that could be sketched as follows:

- A. Free enterprise and private propriety as central values that should be ensured and protected.
- B. The investment of the State in large infrastructure projects and utility related state-owned enterprises.
- C. The strategic importance of the banking sector perceived as the “pillar of the Lebanese economy” and of the banking secrecy law.
- D. The importance of maintaining strong relations with Western and Gulf countries as they represent the main partners of Lebanese economic elite and sources of diaspora remittance and tourists.

These principles ensured, on one hand, a constant flow of incoming hard currency and, on the other, secured rent income for those who could tap in the lucrative markets of State projects and procurement - and after the civil war on State debt - and real-estate rent economy. The division of the latter markets between the different communitarian political networks is at the heart of the political dynamic in the country. This means that geopolitical instability in the region has a very destabilizing effect on Lebanon’s economy and political system.

6.1.2 The Local Level

A. THE DECENTRALIZED STRUCTURES

The country knows a particular form of decentralization, in the Law of Municipalities of 1977. The law recognizes the municipalities and unions of municipalities as local administrations and councils for their territories respectively but does not formally speak of decentralization. These local administrations have administrative and financial autonomy, within the margins defined in the law.

B. MUNICIPALITIES

The territory of a municipality is set within the MoIM decision of its creation and usually encompasses a village, town or a group of villages. It could also be created by secession from a former larger municipality or by the fusion of former smaller municipalities.

A municipality has competence on all that could be considered as of general interest in its territory. The law cites, as example, planning of land-use, provisions of facilities (schools, nurseries, hospitals, clinics, museums, libraries, leisure spaces, gardens, cinemas, sport courts, public pools, social housing, markets, cool-storage, grain insolation spaces), infrastructures (public transport, water, wastewater, solid waste), support and financial contribution to schools, clubs, associations, social, cultural and sport activities and poor and handicapped populations.

The municipal apparatus is divided in two (2) authorities: a decisional authority (the elected Municipal Council) and an executive authority (the President of the Municipality). The Municipal Council can create committees to help him or her study particular issues and give recommendations. Members of these committees could be selected from outside the Municipal Council but are named by it. The municipal law and other relevant municipal legislations insist on the creation of four (4) specific committees, that of tenders, procurement, receipt of goods and services procured, and rental assessment. For engaging in the management of the municipality the execution of projects and implementation of services, municipal staff assist the President.

Each municipality must set its own inner rules of procedures, personnel policies and employees' salary scales. It can create administrative departments, municipal police, civil defense, and ambulance units. The Municipal Act defines seven (7) types of incomes for municipalities: fees directly collected by municipalities, fees collected by State and the public institutions on behalf of the municipalities and distributed directly to each municipality, fees collected by the State on behalf of all municipalities, incomes from renting municipal proprieties, fines, donations/wills, and loans/financial aid. The amounts of the fees are defined by law in ranges of maximum and minimum for each fee.¹²⁸ Municipalities are not allowed to impose new fees for services it provides. Presently two (2) fees account for 85 percent of the income of the thirty-six (36) fees municipalities could impose: the rent fee on occupied properties and the fee on construction permits.¹²⁹

Box 1: Administrative Control as Exercised by the Minister of Interior and Municipalities:

- Decisions by virtue of which the municipal rules of procedures are established.
- Loans.
- Naming public streets, squares and buildings as well as setting up monuments and statues.
- Creating municipal units, organizing them, determining their cadre and competence as well as the scale of salaries and wages.
- Creating Unions consisting of many Municipal Councils in order to carry out common tasks of public interest:
 - 1) Compensations for the President and Vice-president of the Municipality,
 - 2) Transferring public municipal property to private municipal property,
 - 3) Ordering the beneficiaries of a construction project for which the study has been made to contribute to the fees of the said project,
 - 4) Assigning some of the municipal present and future returns to the donor or to the State.

¹²⁸ Law 60/1988 on Municipal Fees and Surtaxes define the fees and set their nominal ranges when applicable (certain fee rates such as the rental value fee are set on an ad-valorem basis). The fees rates are to be set annually by decision of the Municipal Council from within their respective ranges.

¹²⁹ DRI & LCPS. (2020), Restructuring Subnational Governance in Lebanon.

Municipalities face two (2) types of administrative control by public institutions: ex-ante control and ex-post control. These controls and audits are made for municipal decisions by the Qaemaqam, the Governor, the Minister of Interior and Municipalities, and for some municipalities the Court of Audit, the Civil Service Council and a General Controller attached to the Ministry of Interior and Municipalities. All municipalities fall under the ex-ante control of the Qaemaqam, the Governor, the Minister of Interior and Municipalities (see Box 1 and Box 2). Forty-one (41) municipalities are subject to the Court of Audit, which has financial control mostly over the larger municipalities both for ex-ante and ex-post controls. Fifty-eight (58) municipalities are assigned general controllers from the MoIM, who exercise control over municipal budgets, contracts, revenues, and financial operations and transactions. Only ten (10) municipalities (those of cities at the center of Governorates as well as the municipalities of Al-Mina and Bourj Hammoud) are subject to the Civil Service Council, which oversees all municipal decisions regarding employees, administrative organization, and salary scale.

C. CONSTRAINTS FACING GOVERNANCE CAPACITIES AT THE LOCAL LEVEL

The institutional capacity (human and financial resources, physical and material assets) of municipal unions determines their ability to provide effective public service delivery and achieve developmental objectives in a systematic and accountable way.

- Unions of Municipalities are local councils created by decrees, bringing together representatives of several member municipalities. The union's mission is to assist the municipalities in their mandates and to develop projects that may serve them all. Like municipalities, unions have their councils and their executive authorities. Representatives of member municipalities form the union council. As with municipalities, the council can form specialized committees. It elects a president of the union who oversees the union administration. This administration must have by law at least three (3) departments: the administrative

Box 2: Administrative Control as Exercised by the Qaemaqam and the Governor:

The Qaemaqam has to authenticate:

- Municipal budget including transferring and opening credits;
- Fixing the rates of the municipal fees;
- Buying or selling properties in the limits of LL 100 million;
- Lease contracts in the limits of LL 20 million in the municipalities being subject to the pre-audit control of the Court of Audit and LL 10 million in the other municipalities. In both cases, it shall not exceed LL 40 million;
- Providing help to the disabled and supporting clubs, association and other cultural, social, sports, health activities when the total of donations exceeds LL 10 million per year;
- Authorizing transactions regarding the supplies, works and services for value between LL 30 million and LL 80 million;
- Authorizing works held in trust when buying supplies if their value is between LL 20 million and LL 50 million;
- Approval or rejection of donations and ordered funds being related to charges.

The Governor has to authenticate:

- Buying or selling properties whose value does not exceed LL 100 million;
- Lease contracts whose annual rent exceeds LL 40 million;
- Authorizing transactions regarding the supplies, works and services when their value exceeds LL 80 million;
- Authorizing works held in trust and buying supplies through invoices if their value exceeds LL 50 million;
- Transferring public municipal property to a certain profit, when this property has been allocated to a public benefit purpose;
- Establishing markets, racing places, museums, hospitals, popular residences, waste disposal and others.

and financial department, the department of health and engineering and the department of police. The revenues of the union come essentially from the contributions of the member municipalities equivalent to 10 percent of their budget each, revenues from projects it develops, and which serve several member municipalities, its share from the Independent Municipal Fund, revenues of the public domains falling within the competence of the council of the union, donations/wills, and financial aids/loans. The union falls under the same rules of control, oversight, and financial reporting that concern municipalities.

- The Independent Municipal Fund set up by the Municipal Act has its functioning detailed in a specific decree.¹³⁰ The IMF holds the fees due to municipalities and unions gathered by central institutions and then redistributes the fees annually to them by decree based on set mechanisms. The unions ought to receive a percentage of the IMF that cannot exceed 25 percent and the rest goes to municipalities. In practice this percentage has been in the last decades between 10 percent and 12 percent. 60 percent of these union fees are to be directly distributed based on number of registered populations in each union, and 40 percent are distributed to unions based on the number of member municipalities for the development projects and the related studies. As for municipalities, according to the regulatory decree, 70 percent is to be directly distributed based on the number of their registered populations and the income of municipalities in the two (2) previous years and 30 percent is to be redistributed to development projects. However, prior to actual distribution, 5 percent of the municipalities' share are retained for the Civil Defense as per the legislative decree establishing it and an additional 10 percent has been going to the municipalities that have less than four thousand (4000) registered population for development projects as per the latest decrees allocating IMF monies. The remaining amount is currently divided as per the following formula 78 percent based on the number of registered population and 22 percent based on the income of the two previous years. The weight of the IMF in municipal finances varies considerably, while it remains limited for a number of larger and richer municipalities, it is a central income for smaller and poorer municipalities as well as larger municipalities in peripheral areas of Lebanon.
- The Municipal Act opened the way for a dynamic of local development that has been growing steadily since 1998 - the year of the first municipal elections after the civil war. Many municipalities and unions are involved in a wide range of projects with local and international partners to transform their villages and towns. However, there is a very wide disparity between municipalities and between unions which makes it questionable to be talking about them in general. In fact, the one thousand one hundred thirteen (1,113) municipalities vary in terms of territory, population, and economic activities, but also more importantly, in terms of budgets and human resources. Some municipalities have considerable resources and hundreds of employees while others are practically broke and without employees. The same could be said for the fifty (50) or so unions. This is largely due to the absence of clear criteria and purpose in creating municipalities and unions in the Law and how successive Ministers of Interior and Municipalities have been supporting the creation of new municipalities and unions. Moreover, the transfers from the IMF that constitute an important part of municipal revenues are highly volatile. In the past decades, governments have not respected deadlines in the Law for transfer of IMF money to municipalities and have arbitrary made deductions in it. This is to say nothing of the criteria of the IMF distribution adopted. Focusing on registered populations is inappropriate as it does not allow capturing the real demographic realities: people living in large cities and their suburbs are usually still registered in their villages of origin and vote there. In terms of IMF, this punishes these large cities while benefiting small villages.

¹³⁰ Decree No. 1917 dated April 6th, 1979.

¹³¹ INGOs come mostly to fill a void left by the incapacity of the Lebanese State to respond to large and sweeping crises. Their presence in Lebanon goes back to the beginning of the Syrian crisis or to the aftermath of the July 2006 war, with some active in Lebanon since the civil war (1975-1990). The interaction between Lebanese public institutions and international organizations was developed in the context of renewal of municipal action as of 1998. These included technical and financial support on territorial development issues (planning, public service delivery, environmental protection, local economic development, etc.).

6.1.3 The International Level

Relations between international organizations and public institutions in Lebanon are deep rooted and varied.¹³¹ Nevertheless, these relations face important challenges. Some of these challenges are of strategic nature while others are at the practical levels.

International organizations are believed to be overall competent, having solid expertise gathered from worldwide experience, the recruitment of skilled staff and participation in learning processes in multiple international forums. Most are progressive in their orientations pushing for reforms for the respect of human rights, better governance, and sustainable development. They can address donors in a successful way and access funds. They have elaborated operational mechanisms that should ensure adequate implementation of projects and services as well as ensuring quality of these projects and services.

However, there is always a question regarding their political or cultural neutrality.¹³² A complex role in development projects is being played by these 'new intermediaries' often with power but no legitimacy, able to facilitate communication and action between levels.¹³³ In addition, external actors provide opportunities for new vertical alliances in which certain discourses lacking national or local credibility can become favored because of their amplification internationally.

The current emphasis on combining project-based grant aid with 'capacity building' can be a valuable form of policy transfer.¹³⁴ However, the reasons for the successes or failures of international organizations in pushing governments towards change and reform are still contested in literature. Most literature points to the weight of domestic political and socioeconomic specificities in host communities.¹³⁵

In other words, while it is important to give attention to the ways strategies, narratives and practices of international organizations are conceived and implemented, it is even more important to have a good understanding of the institutional system, the political regime, and the political economy of the host country in order for government engagement to be appropriate and relevant.¹³⁶

6.2 URBAN COMMUNITY OF AL-FAYHAA LED GOVERNANCE

The Urban Community of Al Fayhaa was established in 1982 by the decree No.7349 and started by three (3) municipalities:¹³⁷ Tripoli, Al-Mina and El-Beddawi. Qalamoun municipality joined the Union in 2014.

In 2019, the election of Al-Mina mayor as president of the Union led to an objection from the municipalities of Tripoli and Qalamoun, as the Union was always traditionally presided by Tripoli.

After the resignation of Al-Mina mayor, he was replaced by the mayor of El-Beddawi.¹³⁸ In 2020 the two (2) municipal councils of Al-Mina and Qalamoun resigned. Moreover, Tripoli was not attending the Union council until March 2022 when the Mayor resumed attendance. However, despite the attendance of a couple of meetings this year, Tripoli has once again suspended its participation".

Municipal unions, and among them the Urban Community of Al-Fayhaa, were established to spearhead collective projects, programs and investments that address the development and planning needs of their territories. However, they are all subjected to the multilevel governance frameworks analyzed in the previous sections. Moreover, the Urban Community of Al-Fayhaa region has been at the forefront of the refugee crisis, juggling available means to maintain a basic level of services while managing economic, social, and environmental challenges. It has now to provide for many more inhabitants while drawing on the same, largely insufficient, resources it had before the refugee influx and the current dire economic situation in the country, in addition to the gridlock of the central government with the bureaucratic hurdles, outdated systems and, the lack of institutional backstopping by the line ministries.

¹³² Abdallah Ahmad, Director General, Ministry of Social Affairs, November 6th, 2021.

¹³³ Tarek Osseiran, Program Manager at UN-Habitat, November 2nd, 2021.

¹³⁴ Natasha Marshalian Saade, Chief of Party at Foundation Mouawad, December 21st, 2021.

¹³⁵ Tarek Osseiran, Program Manager at UN-Habitat, November 2nd, 2021.

¹³⁶ Sarah Sannouh, Regional Partnership Advisor at IRC, November 10th, 2021.

¹³⁷ The romanization of the municipalities' names follow municipal actual practices and not standard rule of Arabic to English transliteration.

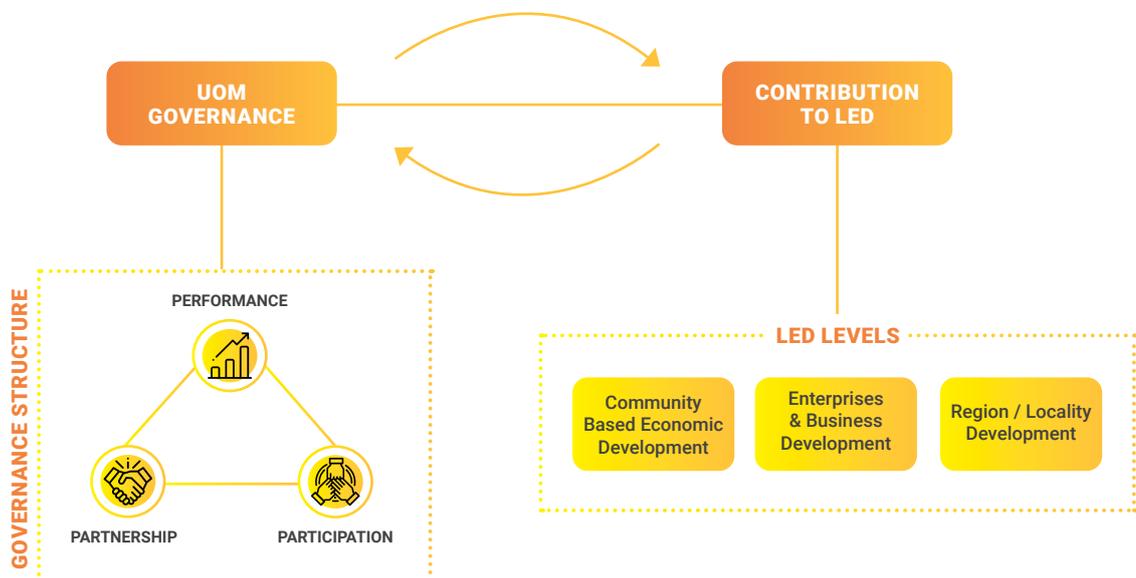
¹³⁸ The vice president of the Union replaces the president in case of vacancy according to the Municipal Act.

Hence, in this context, to assess LED governance of the Union is somehow to assess, on one hand, the governance structure of the Union and, on the other, the territorial aspects of local governance.

Based on the interviews, surveys and FGDs conducted as part of this assessment, LED is to be reviewed as a process in which partnerships between local governments, community and civic groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined area by using the potentials of human, institutional and physical and area natural resources. Governance of LED contributions aim to mobilize actors, organizations, and resources, develop new institutions and local systems through dialogue and strategic actions.

Figure 40 shows the relationship of the components, descriptions of which will follow in the text.

FIGURE 40 The relationship of LED governance structure/institutional and territorial dimensions



6.2.1 The Governance Structure of The Union

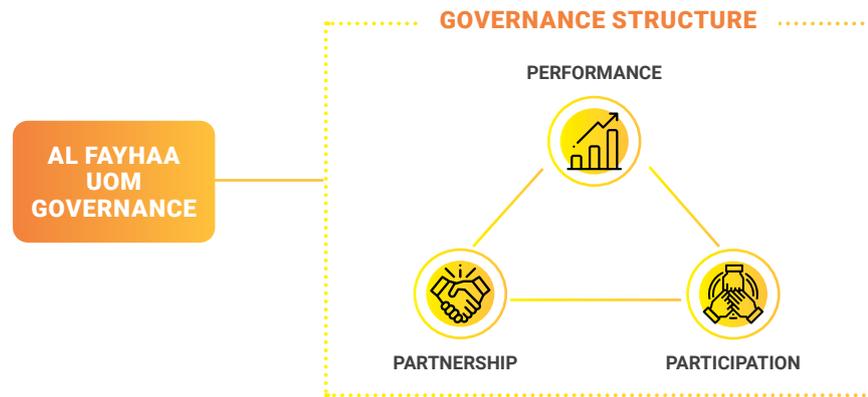
THE GOVERNANCE DIMENSIONS

Good governance on the local level as defined by Romeo¹³⁹ is an institutional system for managing local public affairs, characterized by three (3) interrelated critical dimensions:

1. **Performance** of the local authorities in managing public resources and discharging their responsibilities for delivery of economic and social services, protection of the environment and management of natural resources, and promotion of economic development.
2. **Participation** of organized and individual citizens in local public sector decision-making, through mechanisms that supplement and enhance, rather than replace or contradict, the functioning of the institutions of democratic representation; and
3. **Partnership** (networking or collaboration) between local authorities, Civil Society Organizations (CSO) and private sector units for the provision and production of local collective goods and services.

¹³⁹ Romeo, L., (2002), Local Governance Approach to Social Reintegration and Economic Recovery in Post-Conflict Countries: Towards a Definition and Rationale, Discussion Paper, Institute of Public Administration (IPA) and UNDP, New York.

FIGURE 41 The governance structure/institution



In what follows are analytical descriptions of each dimension in figure 41 and their associated entities and relationships within the governance structure of the Union.

Through the performance dimension, we will look at financial resources, administrative capacities defined as the organizational structure in relation to its functions (basic services, planning etc.), tools and resources, environmental awareness, and territorial knowledge. We will then analyze the engagement of communities, businesses, institutions, and access to information through the prism of participation. Finally, we will assess the partnership dimension by looking at collaboration with central government and international organizations.

1. PERFORMANCE

1.1 FINANCIAL RESOURCES

This analysis allows understanding the reality of the Union and its actual capacities, in addition to estimating the extent of its impact and its ability to promote and implement projects. Hence, the analysis of the Union’s revenues and expenditures is directly related to its performance at all levels.

It aims to show the Union’s revenues and expenditures between 2016 and 2020. The financial strength of municipal unions is partly influenced by that of their member municipalities. According to the Municipal Act of 1977, member municipalities must pay their unions an annual contribution of 10 percent of their total revenues from their previous year. In addition, the Union also collects its share from the central government’s IMF, revenues from union’s assets and properties, financial aids, and loans, donations, and additional contribution (in percent) from the budgets of member municipalities which are benefitting from specific projects yielding shared benefits.¹⁴⁰ However, many of these are subjects to constraints, restrictions, decisions.¹⁴¹

1.1.1 REVENUES

The Union’s Closing of Accounts (CoA) for the years 2016 to 2020 show that the Union’s revenues are highly volatile, ranging from LBP 9 billion in 2016 to LBP 3.1 billion in 2018. They increased in 2019 and reached LBP 6.7 billion, in part due to higher contributions from municipalities.

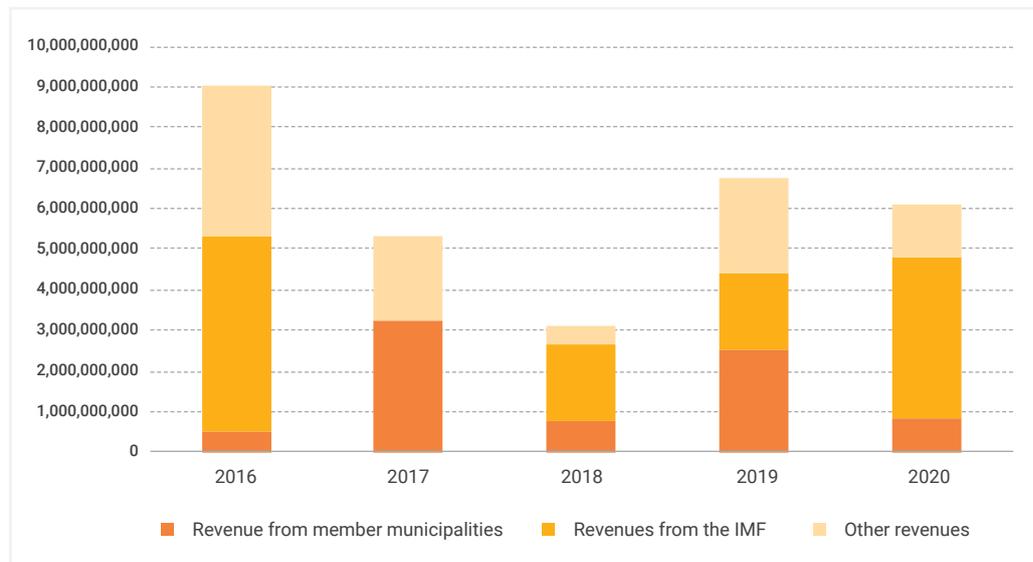
- The UoM’s municipalities paid contributions to the Union between 2016 and 2020, but their contributed amounts highly varied through the years; for example, it totaled LBP 500 million in 2016 and LBP 2.5 billion in 2019. Similarly, the IMF’s distributed amount was highly unstable: It did not transfer any funds in 2017, while revenues from it in 2016 spiked, as part of the monies accrued for the years 2013 and 2014, and all of those for 2015, were disbursed in 2016. The IMF revenues were also significantly high in 2020 (nearly LBP 4 billion). The

¹⁴⁰ DRI & VNG International, (2020), How resilient are Lebanese municipal unions? An institutional capacity assessment.

¹⁴¹ According to Iman El Rafei, Qaemaqam of Zgharta District, municipalities cannot get considerable cash donations nor can spend them without receiving various approvals, which is why an alternative solution is to accept in-kind donations. However, conditions apply as the municipalities have to mention in the contract that they will not have to incur expenses related to the donation either now or later on. If the donation meets these conditions, the approval of the Qaemaqam is sufficient.

Union also received other revenues in the form of cash transfers. Other Revenues refer to revenues generated from rental fees, sports and cultural centers, slaughterhouses, popular markets, and libraries as well as “other revenues”. In Urban Community Al-Fayhaa, “other revenues” come from two (2) sources that are the “slaughterhouse” and “other revenues”. The CoA does not provide additional information concerning the nature of those “other revenues”. These “other revenues” are the tax on landline telephone bills which is collected by the telephone company on behalf of municipalities.¹⁴² A closer look at the CoA reveals that in addition to its annual revenues, UCF has been drawing on its Reserve Fund.¹⁴³ This has been specially the case in 2018 when LBP 2.06 billion were drawn to compensate for the lack of transfers from the IMF witnessed that year.

FIGURE 42 Revenue of Urban Community of Al-Fayhaa between 2016 and 2020 (excluding Reserve Fund)



Source: Urban Community of Al-Fayhaa Closing of Accounts (2016 – 2020).

While municipalities have been paying a contribution to the Union, the revenues collected represent a small share of its projected revenues for a given year. Table 12 highlights large discrepancies between the Union’s projected revenues from municipalities and the amount received, showing that municipalities have not been paying their contributions fully.

In 2020, the latest data available, contributions from municipalities were projected to be LBP 6.6 billion, yet less than LBP 1 billion were paid to the Union.

TABLE 12 Projected and actual revenues from contributions of member municipalities to the Urban Community of Al-Fayhaa Budget

Year	Expected Contributions	Actual Contributions	Actual over Expected Contributions
2016	24,000,000,000	499,821,000	2%
2017	28,466,462,000	3,247,767,000	11%
2018	32,000,000,000	780,782,000	2%
2019	6,900,000,000	2,496,764,000	36%
2020	6,650,000,000	842,907,000	13%

Source: CoA (2016-2020).

¹⁴² Municipal Finance Assessment, Al-Fayhaa, prepared by Innovative Institutional Solutions “IDEAS” and submitted to UNDP July 2021.

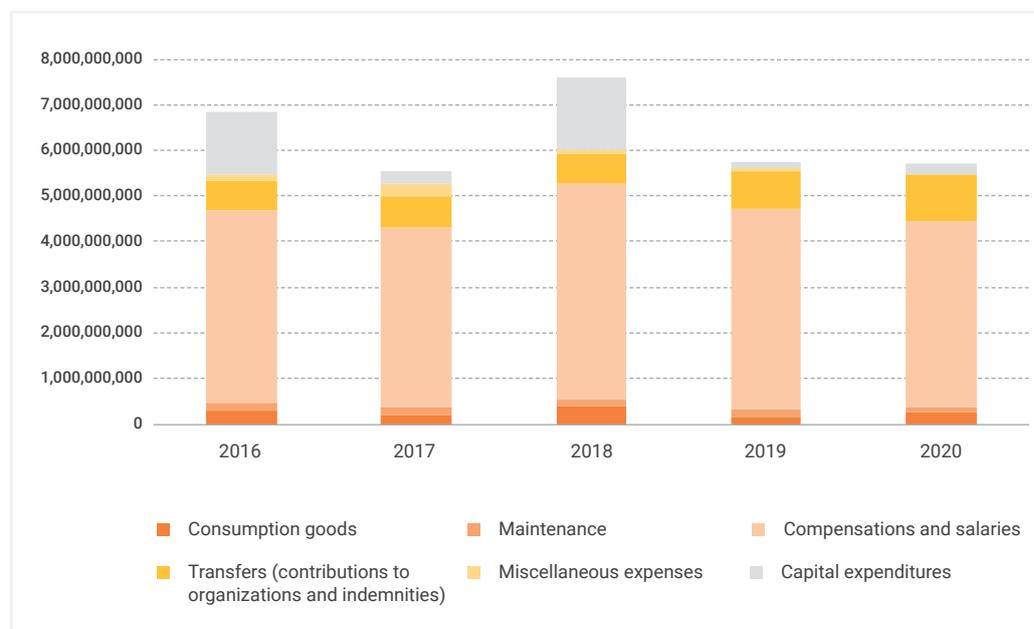
¹⁴³ As a Union that is subjected to the Public Accounting Law, the UCF is allowed to set aside its surpluses in a “Reserve Fund” to use them in future years.

Overall, the CoA shows that the Urban Community of Al-Fayhaa has limited capacity to collect the contributions from the member municipalities and that the municipalities are unwilling, or unable, to contribute to the Union’s sustainability. As a result, municipalities are unable to use the UoM as an opportunity for collective development.

1.1.2 EXPENDITURES

Most of Urban Community of Al-Fayhaa’s spending has been directed toward the Union’s employees’ salaries: The amount spent on salaries was highest in 2018 (LBP 4.7 billion, up LBP 0.7 billion or 17.5 percent from LBP 4 billion in 2017) and decreased again in 2020 (LBP 4 billion). In addition, 2018 was also the year when the union recorded its largest deficit (LBP 4.5 billion deficit), as it spent twice as much as it received in revenues. This deficit is partly due to the spending on salaries, wages and related allocations, as well as that on capital expenditures (which largely vary by year). This increased spending on salaries, wages and related allocations followed the adoption of new minimum wages and salaries for civil servants, as per the 46/2017 Law. By contrast, Urban Community of Al-Fayhaa ended 2016 and 2019 with surpluses (LBP 2.2 billion and LBP 1 billion, respectively). Other expenditures, such as transfers to organizations and end of service indemnities are of relatively constant amount each year.

FIGURE 43 Urban Community of Al-Fayhaa spending from 2016 to 2020



Source: Urban Community of Al-Fayhaa Closing of Accounts (2016 - 2020)

It should be noted that budgeted expenditures are higher than actual expenditures.¹⁴⁴ Comparing the Union’s budgets since the start of the crisis using 2018 as a baseline year –to its CoA shows that the union had planned to spend LBP 10 billion in 2020 but spent less than LBP 6 billion. The Union spent much less than it had budgeted across all categories. It is also clear that the union’s budget has sharply decreased since the onset of the crisis, from LBP 38 billion in 2018, to LBP 17 billion in 2019 and LBP10 billion in 2020. In 2018, the Union budgeted over LBP20 billion towards maintenance, although barely any funds were spent on this as per the CoA.

¹⁴⁴ The main reasons unions and municipalities overestimate their budget allocations is to avoid later seeking authentications for potential reallocations across budget lines from authorities exercising administrative and financial control over them.

TABLE 13 Budgeted and actual expenditures of Urban Community of Al-Fayhaa from 2018 to 2020

		2018	2019	2020
Consumption goods	<i>Budgeted</i>	854,000,000	738,000,000	445,000,000
	<i>Actual expenditures</i>	387,854,000	153,230,000	254,690,000
Maintenance	<i>Budgeted</i>	25,256,000,000	261,000,000	321,000,000
	<i>Actual expenditures</i>	158,736,000	172,573,000	113,184,000
Compensations and salaries	<i>Budgeted</i>	5,705,200,000	5,440,200,000	5,347,200,000
	<i>Actual expenditures</i>	4,719,158,000	4,370,873,000	4,058,093,000
Transfers (contributions to organizations and indemnities)	<i>Budgeted</i>	1,015,000,000	1,015,000,000	1,215,000,000
	<i>Actual expenditures</i>	644,933,181	845,060,000	1,024,434,000
Miscellaneous expenses	<i>Budgeted</i>	172,000,000	190,000,000	140,000,000
	<i>Actual expenditures</i>	118,503,000	69,872,000	12,919,000
Exceptional expenditures	<i>Budgeted</i>	1,272,800,000	565,800,000	1,076,800,000
	<i>Actual expenditures</i>	-	-	-
Capital expenditures	<i>Budgeted</i>	3,725,000,000	8,790,000,000	1,455,000,000
	<i>Actual expenditures</i>	1,549,530,000	132,763,000	252,628,000

Source: Urban Community of Al-Fayhaa CoA and budget (2018-2020).

1.2 ADMINISTRATIVE CAPACITIES

This section aims to show the Union's organizational structure through mapping human and administrative capacities. This mapping allows the analysis of several organizational challenges and issues such as the internal organizational management, knowledge constraints, public space and security, the ability of the union to attend to basic services (Solid Waste management and wastewater management), and the capacities and challenges regarding the implementation of strategic planning.

According to the Municipal Act, unions are composed of a policymaking body, represented by the union council, and an executive body, represented by the union administration. By law, the executive consists of finance, administrative, engineering and health, and police departments as well as a chief administrator known as the "director general" serving as a link between the policy-making and executive branches. Both branches are chaired by the union president. Moreover, unions are also required by law to have organizational charts that set forth the relationships between these different departments and provide clear lines of reporting.

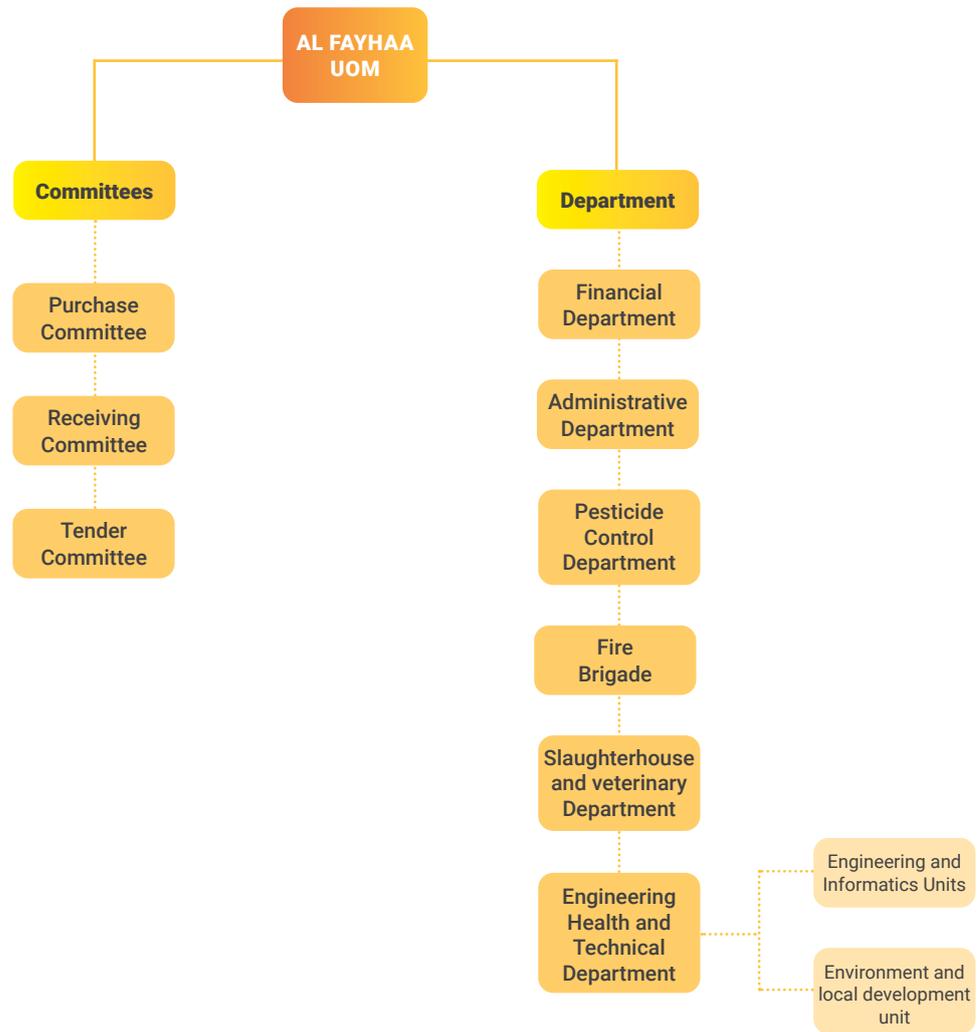
Hence, the organizational structure (see figure 44) of the union consists of three (3) committees (counting a purchase committee, a receiving committee, and a tender committee), and six (6) departments that are: a financial department; an administrative department (counting twenty (20) permanent employees¹⁴⁵); a pesticide control department; a fire brigade (including seven (7) vehicles but lacking the presence of an ambulance and consisting of fifty-five (55) firefighters¹⁴⁶); a slaughterhouse and veterinary department (that suffered many problems before meeting the necessary sanitary criteria); and finally, an engineering department that is divided into two (2) main units: the engineering and informatics unit and the environment and local development unit.¹⁴⁷ Today, the Union includes thirty-four (34) fixed employees and fifty-six (56) invoice workers (or daily workers).

¹⁴⁵ According to Dima Homsy, Director of Urban Community of Al-Fayhaa UoM, September 13th, 2021.

¹⁴⁶ The Union is planning to bring this number to five hundred fifty (550) according to Ms. Dima Homsy, Director of the UCF.

¹⁴⁷ According to Dima Homsy, Director of the UCF, September 13th, 2021.

FIGURE 44 The Organization Structure of Urban Community of Al-Fayhaa



¹⁴⁸ Dima Homsj, Director of the UCF, September 13rd, 2021.

¹⁴⁹ Iman El Rafei, Qaemaqam of Zgharta District, December 14th, 2022.

¹⁵⁰ Abdallah Abdel Wahab, former Director General of UCF and Director of the Environment and Local Development Observatory (formerly known as TEDO), September 9th, 2021, and Fawaz Hamidi, President of BIAT, December 14th, 2021.

¹⁵¹ Sami Minkara, Former Mayor of Tripoli and Former President of City University Tripoli, November 19th, 2021.

¹⁵² Fawaz Hamidi, President of BIAT, December 14th, 2021.

ASSESSMENT OF THE UOM'S KEY ORGANIZATIONAL ISSUES

In what follows, we examine five (5) main aspects of the UoM's organizational structure: knowledge constraints, public spaces, service delivery, strategic planning, and administrative procedures.

- Knowledge constraints.** The lack of training on one hand, and the lack of qualified staff on the other, are hurdles to the proper functioning of the Union.¹⁴⁸ The reasons behind this, in addition to political clientelism¹⁴⁹ are the absence of job descriptions and classifications, outdated personnel policies and the central government regulations restricting employment in public service by law. This inhibits the empowerment of the Union in terms of actively participating in writing proposals for projects or funding development initiatives.¹⁵⁰ Moreover, some of the municipal councilors do not fully grasp the power of the local authority's prerogatives to exercise their power to act or implement development actions.¹⁵¹
- Public space.** The public space is violently appropriated by dominant groups for commercial use and excluding others, and thus creating an insecure environment.¹⁵² In addition, street vendors are also perceived to be illegal occupants of the public space.

- **Attending to basic services.** The Union does not possess the prerogatives needed or the technical, human or the financial resources to deal with some of the basic public services:

i. Wastewater management. The newly built water treatment plant is managed and controlled by the state-owned Northern Lebanon Water Establishment (NLWE), while the wastewater and sewer infrastructure and networks are constructed and managed by the Tripoli municipality. This duality needs attendance and cooperation, which is not the case in some instances.¹⁵³

ii. The solid waste management. Urban Community of Al-Fayhaa suffers from lack of appropriate proper SWM, as the Union's largest seafront dumping site, located in Tripoli, and currently receiving an average of four hundred fifty (450) tons/day (mainly from the slaughterhouse, the Palestinian refugee camp, and a few resorts), is a source of local pollution. A private company, LAVAJET, is responsible for municipal solid waste collection and street cleaning, while another private company, BATCO, is responsible for managing the landfill. The Union faces today a challenge related to the company in charge of the solid waste collection due to financial issues, which led to the accumulation of waste in the streets.¹⁵⁴

- **Implementing strategic planning.**

i. The AFSDS 2020. Only two (2) of the twenty-four (24) projects listed in the strategic plan were implemented- corniche Al Mina and the Development Office.¹⁵⁵ However, AFSDS includes projects for the member municipalities to implement, not the Union itself. Hence, in its current shape the AFSDS 2020 cannot be directly implemented by the Union itself.¹⁵⁶ Moreover, many assets and projects listed within the strategic plan like the port, highways and the international fair are out of UoM prerogatives.¹⁵⁷ For them, it would have been better if the strategic plan was designed according to the Union's prerogatives, competences, and financial capacities in the first place¹⁵⁸ and, in addition, more care should have been devolved to identify the main stakeholders and actors and their respective competences, resources and their socio-political weight in the process for the implementation of the various projects, actions or policies.¹⁵⁹

ii. Project based approach to development. The dominant development culture is a project-based approach in terms of opportunities with regard of available funds, either internal or external.¹⁶⁰ Hence, the need for a better leadership in understanding the complex web of the local socio-political and partisanship dynamics of the local landscape. In addition, the vision for the future of the Union should be based on the assumed and clearly identified roles of the various concerned actors in designing and implementing the vision. In this regard, "the role of the Qaemaqam is project-based and does not take into consideration strategic planning. We should rethink the law in order to impose coordination in this context".¹⁶¹

iii. Administrative procedures. The Union is complaining from the lengthy administrative procedures when engaging with central and deconcentrated authorities in terms of oversight and control, or the provision of public services.¹⁶² Bureaucracy is a major hurdle since it empowers the centrality and weakens decentralized authorities. Authorizations from deconcentrated and central authorities take more time than the timeframe of the project.¹⁶³

1.3 TOOLS AND TECHNICAL RESOURCES

This section allows the mapping of different planning tools that exist at the Union level such as the Section for the Observatory of Environment and Local Development, the regional technical office (RTO) and the GIS system. This mapping helps in understanding the impact of these tools on the work of the Union in terms of planning.

¹⁵³ Dima Homsy, Director of the UCF, September 13th, 2021.

¹⁵⁴ Abbass et al. (2021), Trust and armed conflict in solid waste management: A case study of the Urban Community of Al-Fayhaa UoM, Lebanon.

¹⁵⁵ Abdallah Abdel Wahab, former Director General of UCF and Director of the Environment and Local Development Observatory (formerly known as TEDO), September 9th, 2021.

¹⁵⁶ Dima Homsy, Director of the UCF, September 13th, 2021.

¹⁵⁷ Mosbah Rajab, Lebanese University Professor and Consultant of Al Fayhaa 2020 Strategic Plan, September 8th, 2021, and Abdallah Abdel Wahab, former Director General of UCF and Director of the Environment and Local Development Observatory (formerly known as TEDO), September 9th, 2021.

¹⁵⁸ Dima Homsy, Director of the UCF, September 13th, 2021.

¹⁵⁹ Michel Samaha, Urban Economy Expert, September 9th, 2021.

¹⁶⁰ Mosbah Rajab, Lebanese University Professor and Consultant of Al Fayhaa 2020 Strategic Plan, September 8th, 2021.

¹⁶¹ Iman El Rafei, Qaemaqam of Zgharta District, December 14th, 2021.

¹⁶² Dima Homsy, Director of the UCF, September 13th, 2021.

¹⁶³ Khaled Hannouf, Member of El-Baddawi Municipality Council, December 15th, 2021.

- **Planning tools.**

i. Section for the Observatory of Environment and Local Development. The Tripoli Environment and Development Observatory started in the late 90s and six (6) years later became a unit within the Union in the Engineering, Health, and technical department. Its formal mission was to empower the Union and members municipalities to implement good governance practices by providing them with data, regulations, and laws.¹⁶⁴ However, the Section for the Observatory of Environment and Local Development's tasks are restricted mainly to data collection and building indicators for specific issues.

ii. The Development Office. In 2011, funded by Marseille municipality, a development office was established, which two (2) years later was integrated within the Section for the Observatory of Environment and Local Development (formerly known as TEDO). This Observatory now encompasses both missions of data collection and indicators, on one hand, and development plans, on the other.

iii. RTO. The Regional Technical Office is part of UN-Habitat projects' implementation strategy/approach at the regional level and performs under the mandate of the Union and comprises local experts and technical persons. It is covered according to Article 122 of Decree-Law no. 118/1977. However, due to the complicated bureaucratic and time-consuming recruitment process of permanent staff, the RTO stands today as a legal and official consultation unit within the UoM.

iv. Geographic Information System (GIS). The GIS system in the UoM was introduced in 2006.¹⁶⁵ It plays a central role by collecting and storing data about construction permits and sharing them with member municipalities. Member municipalities were trained to use it.¹⁶⁶ However, besides Tripoli municipality, no data available on the usage of GIS by the other municipalities in the Union. This lack of database is a major hurdle in identifying the needs, priorities for the elaboration of strategic actions or plans at the municipal level.¹⁶⁷

1.4 ENVIRONMENTAL AWARENESS

As the Section for the Observatory of Environment and Local development (formerly known as TEDO) collects environmental data, especially related to SWM, it was tasked to evaluate the contribution of municipalities within the Union to fund the landfill based on the quantities and amounts of waste produced by each. However, no environmental awareness has been conducted. It should be noted that SWM is the most important issue for the Union.¹⁶⁸

1.5 TERRITORIAL KNOWLEDGE

Many assets and projects listed within the strategic plan¹⁶⁹ like the port, highways and the international fair are out of UoM prerogatives. The Olympic Stadium is also out of the UoM prerogatives. The Union area is home to other important assets such as the oil refinery, but it has been a brownfield since the Lebanese Civil War. Another asset is the government residential housing project in El-Qobbeh (also known as Al Hariri Compound), but it is illegally squatted by hundreds of families. No inclusive urban strategy has been proposed.

The vernacular fabric of the city is neglected too. However, CHUD was funded by AFD as a way towards LED especially when it comes to heritage protection, and it evolved to LED (lighting, public gardens, harbor, ...).

¹⁶⁴ Abdallah Abdel Wahab, former Director General of UCF and Director of the Environment and Local Development Observatory (formerly known as TEDO), September 9th, 2021.

¹⁶⁵ Ibid.

¹⁶⁶ Ibid.

¹⁶⁷ Khaled Hannouf, Member of El-Baddawi Municipality Council, December 15th, 2021.

¹⁶⁸ Dima Homsj, Director of the UCF, September 13th, 2021.

¹⁶⁹ "Al Fayhaa Sustainable Development Strategy 2020".

2. PARTICIPATION

2.1 CIVIL SOCIETY PARTICIPATION

“Civil society participation (not only the Lebanese, but the Palestinians too, as there are many projects interfering with the refugee camp) is a primordial part in our work as a municipality when it comes to development”.¹⁷⁰

2.2 BUSINESS PARTICIPATION

The firm-level survey we conducted offered an opportunity to interrogate the sampled businesses regarding their relationships with the Union. The relationship and participation are both weak. It has been shown that:

- 77 percent of firms in UCF region have never interacted with the Union and for those who did, the interaction was mostly transactional, aimed at settling financial issues or registration and permit issues by municipalities.
- 99 percent of firms in UCF region have never had the opportunity to collaborate with the Union (for example, on joint development projects).
- 76 percent of firms in UCF region have never been invited by their municipality to discuss local development and 87 percent have never participated in a procurement process launched by local authorities.

2.3 INSTITUTIONAL PARTICIPATION

Based on the spirit of the Legislative Decree number 116 dated 12 June 1959 and the tasks involved,¹⁷¹ the Qaemaqam can be a participant in LED and ensure equal development, where he/she can advise the local authorities and the Union on what project to implement and where. Moreover, he/she can coordinate with many municipalities to help identify their needs and strengths.¹⁷²

2.4 ACCESS TO INFORMATION

The Union used to share data over the internet and the Section for the Observatory of Environment and Local Development (formerly known as TEDO) used to share hard copies of data with thirty (30) to thirty-five (35) selected stakeholders. However, the Union’s website is no more active. For now, the data is only accessible in the Union offices and available for those interested (research centers, universities, municipalities...)¹⁷³

3. PARTNERSHIP

3.1 COLLABORATION WITH CENTRAL GOVERNMENT

Partnership and networking with ministries are considered a hurdle. Getting their authorizations is much time consuming and exceed the time frame for the implementation of projects. Moreover, it is counterproductive as it empowers centrality.¹⁷⁴

3.2 COLLABORATION WITH INGOS

Hence, the increasing number of partnerships with INGOs and International Organizations (IOs) to bypass bureaucracy and implement projects funded directly by them. Examples include the MERP project for the revitalization of the citadel in order to help and empower youth in El-Beddawi

¹⁷⁰ Khaled Hannouf, Member of El-Baddawi Municipality Council, December 15th, 2021.

¹⁷¹ See Annex 1.6 – Deconcentrated structures.

¹⁷² Iman El Rafei, Qaemaqam of Zgharta District, December 14th, 2021.

¹⁷³ Abdallah Abdel Wahab, former Director General of UCF and Director of the environment and local development Observatory (formerly known as TEDO), September 9th, 2021.

¹⁷⁴ Khaled Hannouf, Member of El-Baddawi Municipality Council, December 15th, 2021.

(Wi-Fi, studios, trainings, ...) and another project implemented by Amel Organization with Seed in a box NGO (led by Dr Bachar Bou Saayfan), funded by UNDP on a municipal land for Lebanese and Syrian farmers.¹⁷⁵

Public Private Partnerships (PPPs) are also considered for an agricultural project on a municipal land of 15 000m² in addition to a sports field in El-Beddawi.¹⁷⁶

6.2.2 The Territorial Governance of the UoM

What follows is rapid overview on the territorial governance in the Union which aims at highlighting the challenges that might prevent the UoM to play the effective LED role that will be explored in the next section.

The Union's geography has the assets needed for local development in terms of territorial and human capitals. However, for the governance system to be performative, the Union needs to address a set of issues ranging from capacities at administrative level to important and complex challenges at the socio-economic and political levels. According to the interviews, literature, and the SLAT meetings, the Union's territorial governance across the three (3) dimensions (performance, participation, and partnerships) suffers mainly from the following points:

1. PERFORMANCE AT THE SCALE OF THE UNION SUFFERS FROM THE FOLLOWING MAIN POINTS:

- a) **The lack of internal cohesion of the Union.** The political division within the member municipalities of the Union and within the municipalities themselves is affecting the decision-making process and hindering the ability of the Union to perform its duties and implement actions in a cohesive way.
- b) **Governing and administrative and capacities.** The Union should update and adapt the strategic plans and priorities at the light of the actual and prevailing situation in the country. Thus, there is need for adaptation and capacity building to face these challenges from a human resources perspective and political collective will in a participatory fashion with the social and economic stakeholders of the Union's territory. Moreover, the Union suffers from shortages in human and financial resources.
- c) **Financial resources.** Revenue collection is a prime concern for the Union in terms of the annual membership fees to be received from member municipalities and the annual contribution of the IMF. The member municipalities are not paying, IMF transfers are paid late, and their real value has fallen drastically, and this is threatening the survival of the union.
- d) **Underperforming planning tools.** The Union is endowed, on one hand, with tools to monitor the social and environmental state of its territory (the Observatory of Environment and Local Development Section, formerly known as TEDO), and strategic and development plans and strategies with identified projects (AFSDS 2020), on the other. However, due to lack of human resources or mismanagement, these tools, plans, and strategies are not playing their intended role as decision-making tools nor being implemented for lack of political will or financial resources or informed partnerships with the right public and private concerned actors.
- e) **Poverty alleviation.** Poverty in the Union is multiform (rural and urban) and multilayered (societal, geographical, and political).¹⁷⁷ The Union is not properly empowered to partner with the central government's authorities, the civil society's organizations as well as with the INGOs to tailor local policies and actions to reduce poverty. While Tripoli is home to an influential and well-endowed political and social elite, many of them, however, live outside the city and are thus either ill-informed or indifferent about the acute poverty crisis. Moreover, they consider

¹⁷⁵ Ibid.

¹⁷⁶ Ibid.

¹⁷⁷ Michel Samaha, Urban Economy Expert, September 9th, 2021.

themselves not responsible in finding solutions and rely mostly on the role of the State and its institutions. Local NGOs set up by some of these elites do serve local development, however on a clientelist basis.¹⁷⁸

f) Public space and security issues. The Union also faces a security problem that challenges the role of the political forces in reducing physical, societal, and political violence in its territory. This is mainly affecting the public space where commercial and social transactions and exchange take place. The Union is having to face individuals and groups, backed, and supported by powerful local political parties, sometimes with arms, controlling the access and use of the public space, informally or formally, or the forced appropriation of parts of it for different objectives. For this, the Union is invited to be a central actor in this multilevel governance system where municipal police would play an urban role in concerted and joint effort with the deconcentrated (Muhafiz and Qaemaqam) and central government.¹⁷⁹

g) Addressing natural hazards. Lately, in addition to repeated shocks at the economic, social, political, and security levels, disasters such as fires (either provoked or natural) are becoming a recurrent phenomenon in the North.¹⁸⁰ The firefighting department of Urban Community Al-Fayhaa which operates at the scale of the Union is certainly a key tool. However, it needs to be empowered and equipped to play a role not only for the member municipalities of the Union, but also beyond its geographic boundaries.¹⁸¹

h) Preservation and protection of the built and natural heritage. Urban Community of Al-Fayhaa has unique built heritage (related to the crusades era, the Mamluk Era, the Ottoman Empire, the French mandate, modern architecture, etc.) and natural assets (the coastline and the Palm Islands Nature Reserve of El Mina). This territorial heritage is under threat for a lot of exogenous and endogenous reasons. However, for it to be central in the course for the economic development scheme in the Union - as advanced, advocated and implemented by the international organizations and the central authorities - it needs special care for its preservation and protection; which can only be provided by the local public authorities with the active participation of central institutions, such as the DGA and DGUP, and the local associations in the service of the inhabitants and the users of this heritage. Unfortunately, this is not the case for the moment.

2. PARTICIPATION AT THE SCALE OF THE UNION SUFFERS FROM THE FOLLOWING MAIN POINTS:

Participation of local populations and stakeholders in the process of decision-making and priorities. Besides the electoral law, which excludes swaths of resident populations from being represented in the municipal councils, on one hand, and the lack of participation of the residents, civil society institutions, and associations in decision making processes in the municipalities, on the other, distorts the order of priorities in addressing the real needs of communities and priorities.

3. PARTNERSHIP AT THE SCALE OF THE UNION SUFFERS FROM THE FOLLOWING MAIN POINTS:

a) Partnerships with local economic and social actors. Local economic public and private economic actors are actively present with clearly identified geographies in the territory such as the Rashid Karame International Fair (RKIF), the Tripoli Special Economic Zone (TSEZ), the port, the refinery, the train terminal, the Chamber of Commerce, Industry and Agriculture of Tripoli and North Lebanon (CCIAT), the souks and others. However, these geographies are isolated and quasi autonomous islands, each with self-serving interests without an aggregated economic inclusive developmental role on the scale of the Union's territory. Hence, the need for the Union to be served by proper legislative and administrative tools and prerogatives that enables it to

¹⁷⁸ Mosbah Rajab, Lebanese University Professor and Consultant of Al Fayhaa 2020 Strategic Plan, September 8th, 2021, and Mr. Michel Samaha, Urban Economy Expert, September 9th, 2021.

¹⁷⁹ Fawaz Hamidi, President of BIAT, December 14th, 2021.

¹⁸⁰ Such as the fires in the Akkar region.

¹⁸¹ In order to meet this objective, MERP is supporting the implementation of a project that aims to strengthen this department through the rehabilitation of the fire brigade building and equipping it with the needed fire fighting vehicles and equipment, in addition to building the capacity of its staff on topics related to fire fighting and first aid techniques.

control the land use of its territory and act as a mediator or as partner with these different public and private economic actors; to gear action and policies towards the common good and the development of the Union's geography.

b) Relations with central administrations. The need for a smooth working relationship with central government entities, particularly the Ministry of Interior and Municipalities (MoIM), the Council for Development and Reconstruction (CDR), and other concerned public institutions.

Indeed, according to different municipal council members in the region, including Khaled El Wolley and Jamil Jeblawi of Tripoli municipality, there is an urgent need for local government to mesh efforts with other local and regional actors as a way forward.

6.3 RECOMMENDATIONS

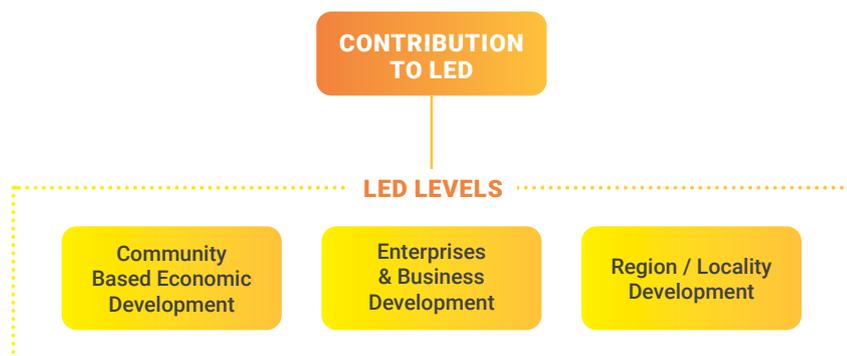
Given the current quasi-absence of LED policymaking, practices and/or initiatives withing the governance structures of the Union, this section will introduce conceptually and practically what an active LED role would entail for UoM Al Fayhaa.

This section will introduce the three (3) levels of LED as defined by the economic development literature and propose under each one a set of coherent, complementary, and purposeful actions for the Union to consider as part of any future efforts to integrate local economic development systematically into its mission and associated functions.

It will conclude with a series of policy and reform recommendations necessary to stimulate a local economic development friendly environment in Lebanon. For the Ministry of Interior and Municipalities, these issues are particularly relevant due to its administrative oversight and control over local authorities, as well as its role in supporting the development of a legal framework that facilitates sustainable local development.

The Union has an important role to play to create place prosperity in terms of actions aiming to enhance: 1- community assets, 2- business environment, and 3- human assets. However, it must realize that it is not alone in the driving seat. Much depends on local producers and their associations, community-based organizations (CBOs), and support agencies (incl. NGOs). Lastly, local economic development is about new roles for the public sector. This applies not only to central government but also to local authorities. Local authorities are, first, to provide the right mix of local public goods and second to facilitate or enable communities, enterprises, workers, and NGOs, to make their most productive contribution.

FIGURE 45 LED Levels



According to Helmsing,¹⁸² the following are the three (3) interconnected levels of local economic development initiatives (see figure 45).

1. The first level refers to actions that may be broadly described as community economic development. Community economic development may be applied to both rural and urban settings, though several characteristics would necessarily be different. The essence is to facilitate household diversification of economic activity as the principal way to improve livelihood and reduce poverty and vulnerability. Survival based micro enterprise activity also falls under the community economic development.
2. The second set refers to entrepreneurship and enterprise development. This broad category consists of initiatives that directly target and involve (cluster(s) of) enterprises in particular product specific settings (chains). The destination of these products is for all practical purposes anywhere, in other parts of the same country or abroad.
3. The third level refers to locality development, which relates to overall planning and management of economic and physical development management of an area.

6.3.1 Community Economic Development

Community economic development has a number of broad aims: i) to stimulate a sense of community; ii) to promote self-help and empowerment; iii) to contribute to the generation of (self-) employment; iv) to improve living and working conditions in settlements; and v) to create public and community services.

What follows is not more than a general repertoire of practices and experiences that have demonstrated relevance in terms of community economic development according to interviews and literature.

- **Strengthening the local development unit.** This unit would serve as a territorial observatory collecting data and compiling territorial, social and economic indicators and propose plans to help the Union make best informed decisions regarding its policies and actions. The Union already has the necessary tools in the form of the Section for the Observatory of Environment and Local Development (formerly known as TEDO) and the RTO. However, they need to be empowered in terms of skilled staff, techniques, and resources, and most of all the participation and partnerships of local research and data centers.
- **Creating local safety nets.** One of the key features of poverty is the inability to withstand economic shocks of any kind. Creating local safety nets and reducing insecurity is fundamental for creating better conditions for local economic development. A participatory needs assessment at the Union scale is necessary at this stage to update existing data¹⁸³ and suggest actions in this regard.
- **Decentralizing basic service delivery.** A pragmatic approach would be needed in the restructuring or decentralization of basic services delivery, like encouraging unions and municipalities to enter renewable energy production and distribution or the Solid Waste Management (SWM) to fill the gaps of the formal (and collapsing) system, which (either commercially or on a non-profit basis) can be brought into the realm of community enterprise. Increasingly, informal practices are being observed, namely in the solid waste sector, where scavengers are active in the recycling business.
- **Rethinking and using the options offered by the municipal code.** Municipalities can use some “twists” when it comes to the municipal law, as it is flexible to raise revenues and ensure sustainability.¹⁸⁴ The solutions depend on the will of the mayor. Municipalities must think out of the box; political and private interest are the hurdles, not the law. Moreover, the law allows local authorities to pay more than 10 percent for the union to implement a project they will benefit from (article 133).¹⁸⁵ However, contributions in terms of share, need to be approved by the Minister of Interior and Municipalities. Moreover, the municipal law

¹⁸² Helmsing, A.H.J. (2003) ‘Local economic development. New generations of actors, policies, and instruments’ in: *Public Administration and Development*, 23, 1, 1-16.

¹⁸³ The existing data lacks social and economic indicators or figures.

¹⁸⁴ For example, in the North, a municipality collects valet parking fees instead of entrance fees for access to a natural reserve.

¹⁸⁵ Faten Abou Hassan, Director General at MoIM, December 1st, 2021.

could well serve as a springboard for municipalities to be part of private-public partnership (PPP) deals. For example, Articles 49 and 50 of the municipal code allow municipalities to establish a market or “souk” and use the revenues for other development projects. They can even use common “Mushaa” lands for public projects. In addition, Article 51 allows municipalities to manage projects by themselves, like festivals for example.¹⁸⁶

- **Stimulating community economy.** Households act in the local economy in three (3) ways: as consumers, as micro-entrepreneurs, and as workers. Micro-enterprise programs would constitute the core of community economic development. Such programs could consist of three (3) or more components, credit provision, training, and technical assistance and marketing. The Union could advocate for such programs by partnering with local NGOs for training and technical assistance and with microcredit associations identifying and assisting the most fragile and vulnerable populations.

6.3.2 Entrepreneurship and Enterprise Development Initiatives and Programs

The core of a local economic development program would be the expansion, re-structuring, or creation of the economic base of the area. The three (3) types could co-exist in varying degrees within the Union. The initiatives to be developed by local producers could develop in the creation of an enterprise incubation program; Incubators play an important role in enterprise development, as they provide strategic services that assist startups to cope with the complexities of current and new markets. The Special Economic Zone in Tripoli could well lend itself for such training facilities with the collaboration of the Union and the different producers’ communities of key activities in the Union, such as software development entrepreneurs, cabinetmakers and wood industry or young mechanics and small auto industry or waste recycling and reuse workers and exporters.

Another type of program could focus on group learning to acquire new competencies. The most advanced form of such program seeks to generate collective learning which is based on the interaction between enterprises, research and training institutes, other business development services organizations and local authorities. One such learning space could be the Chamber of Commerce, Industry and Agriculture in Tripoli (CCIAT) or the BIAT.¹⁸⁷ However, more advanced research is needed to identify and develop tailored special programs at the Union’s scale.

6.3.3 Locality Development

Locality development corresponds to the management of the entire local territory. In other words, managing and intervening on the built-up physical infrastructure and economic and social overhead capital of the locality in such a manner that it generates the balanced development of all land uses, resolving land use conflicts, minimizing negative (congestion, pollution) and maximizing positive externalities (agglomeration economies). The Union could undertake partnerships with the local stakeholders to better manage their territories and contribute to enhance the local ‘quality of life’ and the competitiveness of local economic activities.

The ‘management of the territory’ would involve several components:

- **Physical planning and development controls.** Urban land market is rife with all sorts of distortions as well as different property types and rights both public and private. This requires government regulation and interventions. Zoning and other land and building regulations can be an important tool if it is carried out with flexibility and with a developmental attitude. Regulations should be simplified, understood, and agreed on by all parties. Subsequently the Union and local member authorities should make these regulations stick. The lack of transparency often makes this a lucrative area for rent seeking and corruption.

¹⁸⁶ Sami Minkara, former President of City University Tripoli, November 19th, 2021.

¹⁸⁷ Fawaz Hamidi, President of BIAT, December 14th, 2021.

- **Urban planning and design.** Economic performance can be improved if commercial centers and souks are upgraded through improvement of commercial streets and premises. 'Urban renewals' includes actions geared towards the improvement of the town or city central areas and make them more attractive and safer for local communities and prospective investors. The coastal towns of the Union are greatly involved in this type of action with the help of international organizations, such as the CHUD.
- **Infrastructure and basic services.** The basic services to be provided are water and sewer, electricity and street lighting, access roads and sidewalks. Other key areas are roads, irrigation, and drainage. Local needs vary considerably by region and, therefore, a stronger role of local government in its planning is critical to better respond to local needs. Last but not least, the Union can participate in a range of institutional modalities to deliver infrastructure and basic services, ranging from pure public and purely private to public – private partnerships, community-based enterprises, and all kinds of hybrid forms thus increasing the capacity of local governments to provide infrastructure. Such new modalities and partnerships are starting to being implemented in the Northern District, namely with international organizations that are paving the way for new practices for the common good of the community.¹⁸⁸
- **Socio-economic capital.** One of the important challenges of locality development is the creation and expansion of economic and social overhead capital. This refers to public, non-profit, and private institutions in the areas of education and training, research and technology, information and communication and social capital serving the locality holistically as well as institutions dedicated to its local businesses, enterprises, or industries. The Union is well endowed with such capital that could be put to contribution if properly engaged. Figure 46 is a mapping of the main stakeholders according to desk reviews and secondary sources. Most are within the Union's territory, albeit serving larger areas for some. Most are within the Union's territory, albeit serving larger areas for some.

¹⁸⁸ IRC, for instance, is involved in a municipal police training program in Tripoli related to child protection (according to Sarah Sannouh, Regional Partnership Advisor at IRC, November 10th, 2021).

FIGURE 46 Urban Community of Al-Fayhaa Main Stakeholders Map

Governance	Labor	Finance	CSO	Education
<ul style="list-style-type: none"> • UoM of Al Fayhaa • Al Fayhaa Municipalities • CDR • DGA • SDCs • Department of Cooperation in North Lebanon • MoET offices • MoL offices • Mol offices • MoSA offices • NLWE • NFSS • IDAL • Beddawi Petroleum Refinery • Electricité du Liban (Tripoli Office) • Tripoli Port Authority 	<ul style="list-style-type: none"> • A cooperative association for fishermen in Qalamoun • The Cooperative Society for the Development of Women's Capacity in Malloula / Tripoli • The Syndicate of Owners of Mills in Tripoli and the North • Doctors Syndicate in the North • Bar Association of the North • Syndicate of Engineers in the North • North Dental Association • Construction Workers Syndicate in Tripoli and the North • Workers and Union Workers, Sunday market in Tripoli 	<ul style="list-style-type: none"> • Lebanese Development Cooperative • VITAS • EMKAN • Association d'entraide professionnelle • Al Majmoua 	<ul style="list-style-type: none"> • Rachid Karameh International Fair • Tripoli Special Economic Zone • Representatives of Construction and Real-Estate Firms • Representatives of Hotel, Resorts and Restaurants industry • Representatives of the transportation sector • Representatives of the Hospital and health sector • Makassed • Mada • Rene Mouawad Foundation • Safadi Foundation • Akkarouna • LebRelief • LEDA • BIAT 	<ul style="list-style-type: none"> • Lebanese University Tripoli Campus • USJ Tripoli Campus • BAU • BALAMAND University • MANAR University • JINAN University • TRIPOLI University • AZM University • LIU • American University of Technology • Université Libano-Française • American University of Lebanon • Public Schools • Private Schools
		<p>Industry & Trade</p> <ul style="list-style-type: none"> • Jabal Mohsen Traders and Industrialists Association • Association of Traders of Tripoli • Greater Tripoli Trade Union Confederation • Tripoli port workers union • Chamber of Commerce • Lavajet 		

However, according to the survey on businesses regarding their relationships with the Union, it has been shown that some perceptions need to be addressed:

- Businesses believe that LED is mainly based on the improvement of road infrastructure (majority, 75 percent), electricity, health support, and WWT.
- Many businesses believe that the Union can play a major role in providing electricity and effective SWM, while 50 percent believe that UoM can provide better road infrastructure.
- They also believe that the Union and municipalities have, generally, a moderate capacity to deal with LED.
- The impact of businesses is limited as more than 50 percent are not willing to pay taxes for LED, and they are rarely invited to discuss LED projects.

6.3.4 Policy Recommendations for a LED Friendly Environment

It is important to stress here that LED does not only refer to local institutions but also to decentralized sectors, national agencies and institutions. The participation of key stakeholders may generate new forms of multi-level local economic governance. Donor and international agencies can also play a facilitating but rarely decisive role. However, the most pressing challenge at this moment is the rebuilding of state institutions from the grass roots up. For the country to become a pluralist democratic state with a vibrant market economy, it needs to re-build local institutions of governance. Decentralization and local authorities' reforms are key challenges in this context.

Accordingly, and in addition to the Urban Community of Al-Fayhaa local governance analysis and recommendations at each level of LED (Entrepreneurship and enterprise development, Community economic development, and Locality development), what follows are main policy implications to be also considered:

- The existing administrative-territorial setup and functions that derive from the related legislation in Lebanon do not comply with the needs of economic growth and development on the local level.
- Due to the missing institutional links (formal and informal), political instability and low level of collaboration, all the negative development effects recognized in theory like the backwash effects,¹⁸⁹ drain of skilled labor or the time lag in trickling-down are visible throughout Lebanon.
- Municipalities and unions of municipalities have been a space where local notables are active. The latter have their political legitimacy built on strong relations with local family clans, businesses, etc. They have an ambiguous relationship with large communitarian parties: they defend their autonomy while trying to build a working relationship with these parties. But it must be noted that in the last decade, large communitarian parties have become more interested in controlling local authorities. In fact, local authorities with their growing services and resources are becoming more present in the daily life of citizens. Moreover, they represent opportunities for employment as well as public works and procurement contracts. Most importantly, their prerogatives allow them to have close control on their territories (refer to 6.1.1.b).
- Finally, they are economic networks. Indeed, as trust plays a central role in the development of economic relations, endogenous social interactions tend to favor the development of economic partnership, complementarity, and favorable treatment between people from the same community. This is accentuated when people from different communities are competing to control the same markets.

¹⁸⁹ Myrdal (1957) called the movement of wealth from poorer regions to the central rich region the backwash effect. It takes place because of better facilities and opportunities offered by the growing region.

There is clearly a need to rethink and rework the local authorities' laws in Lebanon in terms of LED.¹⁹⁰ This has brought the interest of many Chamber representatives that proposed bills for “enlarged decentralization”. In fact, developing decentralization is a goal identified in the Constitution of Lebanon since the 1989 amendments. The most influential of these bills (the 2014 Decentralization Draft Law) focuses on the creation of a new layer of decentralized authority directly elected by the registered population (with a small proportion given to non-registered Lebanese citizens) for representatives in a new Council at the level of the district. This bill eliminates unions of municipalities. It gives the Council important prerogatives and resources to be able to organize large administrations influence development. It revises many of the issues criticized in the present Municipal Act especially regarding cumbersome ex-ante administrative controls and lack of resources. However, one could criticize this proposed law at three (3) levels at least:

- First, the district is rarely a development unit. Many districts (like most those of Mount-Lebanon) find themselves cut between two (2) realities: an urban dynamic at the coast and lower hills and a rural situation in the higher mountains. Cities on the coast like Antelias, Ghobeiri, Khaldeh and Jounieh have more in common than they do with mountain villages in Keserwan, Matn, Baabda, and Aley. On the other hand, agglomerations like that of Tripoli might find itself cut in more than one (1) district.
- Second, many district borders are rivers, it results in a situation in which rivers and watersheds, which normally form basic environmental units, are divided up between different authorities who will treat them as their periphery, unable to provide proper attention, protection and development, with grave environmental consequences. Third, it is very likely that the District Council would be politically dominated by large communitarian parties, sidelining local notables that have been in the last two (2) decades at the heart of municipal life. It is at the level of districts that communitarian parties are most influential. Decentralization is clearly something Lebanon should engage in more steadily, however, there is still much effort to be done to clarify the way forward.

¹⁹⁰ Iman El Rafei, Qaemaqam of Zgharta District, December 14th, 2021.

07

CONCLUDING REMARKS AND POLICY RECOMMENDATIONS

In light of our LED assessment, this final chapter presents the report's main findings and key policy recommendations.

I. MAIN FINDINGS

Our analysis reveals a somber LED reality as we found major constraining elements in each of the four (4) components. The diagnosis of weak LED in Al-Fayhaa confirms very low social returns due to a broken territorial planning process as well as poor and worsening human capital exacerbated by the major exogenous shocks at the national level. Moreover, it reveals low appropriability since governance systems seem to suffer from weak capacity and fragmentation, while market constraints, which have substantially increased due to the national economic shocks, are tearing apart the local private sector.

More specifically we identify the following constraints for each of the four (4) analyzed components:

Territorial Planning Constraints

1. Poor territorial planning, stemming from institutional fragmentation at the national level, outdated urban and territorial planning framework (or lack of), and economic and political aspects of land use regulations that serve private interests rather than the public good.
2. There is an acute absence of comprehensive land use planning at the national, sub-national, and local scales to guide development projects, protect significant natural sites, and deal with pollution, particularly marine pollution.
3. Lack of unified territorial development plans at the sub-national and local levels is leading to landscape fragmentation and dramatic land cover/land use changes.
4. Rapid and unguided urban expansion in the last two (2) decades has led to a significant reduction in the agriculture and natural areas of Al-Fayhaa Union.
5. The area's public and communal lands and productive, cultural, and natural landscapes which constitute a main pillar of the local economy—including sites recognized by the NPMPLT as significant natural sites of national importance (e.g., Al-Fayhaa main agricultural area and waterfront)—are threatened by encroaching urbanization, speculative development, and illegal transgressions.
6. The UoM and municipalities of the area are challenged to leverage state and municipal owned lands for vital local development projects (e.g., infrastructure and public services, affordable housing, open markets, municipal gardens) that can potentially enhance the livability of urban and rural areas and stimulate private sector economic activities.

7. There are certainly many untapped opportunities that could potentially stimulate the local economy in Al-Fayhaa (i.e., the Rashid Karami International Fair “Maarad”, the port, traditional light industries and other cultural and natural assets outlined in the NPMPLT, the AFSDS and most of the key projects and studies mentioned above).

Human Capital Constraints

The findings below are mostly based on a human capital survey conducted with six hundred nine (609) households in the region.

1. Worsening human capital due to poor national-level management of the healthcare and education sector and the absence of robust social protection systems to address the explosion in vulnerabilities.
2. The unemployment rate increased from 11 percent in 2019 to 14 percent in 2021. Barely any who were employed in 2019 have lost their job since (3 percent).
3. Those who are unemployed attribute this mostly to the lack of available jobs (73 percent of them).
4. The few women heads of households have significantly lower labor force participation and higher unemployment rates: While the unemployment rate among all adults is 22 percent, it equals 53 percent among women and only 15 percent among men. Furthermore, nearly all men are part of the labor force (92 percent), while a very low share of women is (18 percent).
5. Al-Fayhaa’s population has become increasingly vulnerable in light of the country’s multiple crises. Incomes have sharply decreased, become highly volatile, and are barely covering expenses.
6. The access to and quality of healthcare households receive has decreased since 2019, and this can be mainly attributed to financial difficulties, which are preventing individuals from seeking and receiving proper care.
7. The health of Al-Fayhaa’s population in the long-term is also at risk due to the rise of malnutrition and food-insecurity, as nearly all households have been compromising their nutritional needs as a coping strategy to deal with the crisis.
8. Al-Fayhaa’s residents consider public service provision as poor, if provided at all. Electricity and water provision rank particularly bad among the population.
9. There is a lack of affordable housing and tenants are struggling to pay their rent, leading to housing-insecurity
10. Al-Fayhaa is witnessing a significant trend of emigration especially among youth. More so, the intentions to emigrate are significantly higher among men heads of households (56 percent) than among women heads of households (39 percent).

Market Constraints

The findings below are mostly based on a firm-level survey conducted with one hundred twenty-six (126) firms in the region.

1. Sporadic and severely inadequate macroeconomic response to the financial crisis is inhibiting credit and dramatically decreasing aggregate production and demand.
2. In the absence of local financial aid programs or banking credit, firms continue to be optimistic about their long run growth (next three (3) years) prospects while perceiving their ability to survive in the near-term (next six (6) months) as being relatively high. This indicates that most firms perceive they have sufficient cash and accumulated savings to survive until recovery occurs in the longer term.

3. Women business owners are also severely affected by the crisis. One woman we spoke with had to lay off six (6) workers by end of 2021. As a result, she had to reduce production and supply local alternative goods that are in higher demand. In light of soaring input prices and currency depreciation, she tried to raise salaries, but that did not suffice.
4. Across sampled firms, the share of female employment in Al-Fayhaa is lowest compared to data from Matn and Tyre Unions' areas. It stood at 6 percent throughout the crisis period.
5. Firms in Al-Fayhaa UoM region had to significantly shrink their workforce to contain their losses, faced with weak sales turnover and high costs.
6. Al-Fayhaa UoM region's firms in the manufacturing, real estate, and wholesale/trade sectors are most constrained by limited access to subsidized raw material, high costs, and weak sales.
7. Loss in jobs witnessed in Al-Fayhaa UoM area substantially restricted local income and economic activity during the past three (3) years.
8. Firms in Al-Fayhaa are highly constrained by weak local infrastructure such as roads, electricity, and wastewater networks.
9. There is a strong risk of a jobless recovery because firms in Al-Fayhaa are operating significantly below full capacity and therefore can expand output without increasing labor. Even in a hypothetical scenario where firms were given a substantial grant and decided on how best to use it, less than 15 percent of firms chose to hire more workers despite most choosing to stay in business and either expand (55 percent) or diversify (36 percent).
10. New business creation has been especially weak in Al-Fayhaa UoM region, compared to Matn and Tyre Unions' areas. The youngest firms in Al-Fayhaa entered the market in 2018.
11. The UoM and municipalities of the area are unable to use owned lands for vital local development projects including open markets that can potentially stimulate private sector economic activities.

Governance Constraints

1. Weak performance of local authorities due to sporadic, unpredictable, and unequal distribution of the Independent Municipal Fund (IMF).
2. The high exposure of the UoM processes (such as employment) to national and regional level bureaucracy hurts its independence and planning ability.
3. The UoM suffers from weak administrative and financial capacity hampering the optimal use of existing resources or the acquisition of new ones.
4. Poor collection effort amongst member municipalities, and the unpredictability of the IMF instalments, are taking a toll on the UoM's balance sheet.
5. Weak capital expenditure contrasted with a high operational expenditure is nullifying the positive effects of local public expenditure on the local economy.
6. The UoM is not able to optimize the use of the resources provided by the Section for the Observatory of Environment and Local Development¹⁹¹ (under which TEDO would be placed).
7. LED should be viewed as a process in which partnerships between local governments, community and civic groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined area by using the potentials of human, institutional, and physical and area natural resources.

¹⁹¹ Formerly recognized as 'TEDO'. Across the report, we will be using the term TEDO as the unit is more commonly recognized as such.

Looking deeper into the constraints we can identify the binding ones, which we define as constraints that are affecting two (2) or more of the four (4) components highlighted in the framework. We highlight these binding constraints below:

- 1.** Governance is seen as the area's most binding constraint, thus negatively affecting LED at large. Understanding of the LED concept in UCF is limited leading to planning failures and weak implementation of existing strategic plans:
 - LED understanding is constrained to minor infrastructure and facilities development and lacks an integrated and comprehensive approach that brings together the territorial, economic, and social aspects.
 - This understanding is further weakened by friction between member municipalities that is centered around broader political issues and not lack of agreement over the development agenda.

- 2.** Low interaction and partnership between UoM and local stakeholders:
 - Private sector and local community report low to no interaction with the UoM, hurting the ability of the latter to produce relevant solutions to the emerging economic and social priorities.

- 3.** Al-Fayhaa's governance system fails to properly integrate the local private sector in its overall development vision due to:
 - Non-existent collaboration with firms (of all sizes and industries) on development or infrastructure projects.
 - Businesses seek support from municipalities to promote their products/services as well as to expand their consumer base. Often, municipalities find themselves not capable of playing a "market-specific" role (like organizing open public markets to stimulate private investment) as also reiterated by local officials in the area.

- 4.** Absence of comprehensive planning and lack of clarity over the area's future economic identity in view of growing crises and shifting priorities:
 - In Al-Fayhaa, compared to the national level, there is no lack of territorial planning studies, guiding visions, and development proposals.
 - Politics, territorial governance, security, and growing social tension have been barriers to effective economic development.
 - Lebanon's worsening economic situation and lack of investments in infrastructure and public services are leading to the widespread deterioration of the built environment and the growth of poverty, inequalities, and informality.

- 5.** Frail human capital accumulation in the face of market shocks, seen through loss in income, unemployment, skill atrophy, and poor health:
 - Substantive job destruction mostly concentrated in real estate, followed by services and wholesale/trade.
 - There is a high demand for better health services amongst surveyed firms in the area. This is especially true for those working in the real estate sector.
 - Lack of interest in workers' educational skills implies higher likelihood of skills atrophy following crisis.

6. The current market shock that hit Al-Fayhaa UoM region has led to property abandonment, side-lining agriculture, and privatization:
 - Possible privatization of land to compensate for state financial losses considering market shock threatens economic activity and area demographic.
 - Amid domestic currency (Lira) volatility and soaring input prices, growing risk of property abandonment and increased rent gap.
 - Loss in agricultural workers and agricultural investment in crisis, though increased interest in the sector does exist in some areas. For example, El-Beddawi municipality has taken a first step in this regard (the urban agriculture project it implemented with “Seeds in a Box” organization) The first phase of the project was applied on a relatively small public land owned by the municipality (an area of 1,000m²). Its successful completion encouraged several private agricultural landowners who are facing difficulties maintaining their land to give it to the municipality to plant it.

7. The future of the workforce in Al-Fayhaa union area is threatened due to decreasing access and quality of healthcare and food insecurity:
 - Poorly managed, and limited capacity and lack of equipment in public hospitals, forcing residents—those who can afford it—to seek treatment in private facilities. In 2019, 45 percent of households considered their quality of healthcare to be poor or very poor, while today this share has jumped to 67 percent.
 - Food insecurity and malnutrition on the rise, as residents are compromising their nutritional needs as a coping strategy to deal with the crisis. Overall, in Al-Fayhaa, most households consider their food consumption as being less than adequate, and this share is higher among lower-income households (62 percent) than middle or higher-income ones.

8. Decreasing pool of workers as the youth plan to emigrate to find job opportunities abroad:
 - Al-Fayhaa is suffering from a brain drain, particularly among youth. The main reason behind intentions to emigrate is finding job opportunities, and while unemployed individuals are more likely to have plans to emigrate, the trend exists among all members of the labor force.

9. Poor quality of education, and negative perceived returns to education, leading to low human capital accumulation:
 - Teacher absenteeism, strikes, poor quality of teaching, and lack of enough teachers are common concerns among households.
 - Lack of information on which skills are in demand in the market, leading to a mismatch between demanded and supplied skills.

10. Housing insecurity on the rise, leading to increased vulnerabilities:
 - Poor housing quality, lack of affordable housing, and tenants (including commercial ones) struggle to pay their rent.

11. Union unable to provide public services, leading to deprivation:
 - Electricity, water provision, and road maintenance are particularly poor.

II. BROAD LEVEL POLICY RECOMMENDATIONS

The assessment reveals clearly that the national level endowments, particularly the major governance failures and the severe economic shock, have played a primary role in decreasing the development potential and capacity of Lebanon's territories. However, the report also indicates that the margin of improvement that can be spearheaded by UCF is wide and should be properly exploited through a local LED effort geared towards achieving better outcomes for the resident society and market. In what follows, we outline key guiding broad level policy recommendations below that can inform local level interventions in the short term. We do not categorize these by theme as broad-based policy recommendations are meant to reveal a clear nexus between the different sub-themes, namely territorial planning, human capital, market conditions, and governance. A total of seven (7) policy measures are proposed next:

- Considering governance as the area's main binding constraint, the concept of LED should thus be expanded within the UCF governance apparatus with the interaction between markets, society, governance, and the territory well established and understood. The salience of LED interventions should gain salience on the agenda of the local authority, with proper allocation of resources towards a dedicated unit that can inform these interventions. The presence of the Section for the Observatory of Environment and Local Development (under which the Tripoli Environment and Development Observatory (TEDO) and Regional Technical Office (RTO) will be integrated) is a major asset and can significantly bolster the development capacity of UCF when complemented by a dedicated development unit.
- The UoM should play an active "entrepreneurial" role in securing better public services at the local level. A mission-oriented approach that brings together public and private stakeholders can achieve better outcomes through a sustainable business model for electricity, water, and transportation issues. Novel and creative ideas, using renewable and sustainable primary products, some examples of which are already implemented at the local level in Lebanon, can go a long way in preserving the local economy and human capital.
- For the first time in years, social services, in particular health and education, appear to be declining in UCF. Officials should, therefore, develop collaborations with local civil society and international organizations to increase public health and education funding and staff capacity. This requires an urgent intervention that can avert a social calamity in the short and long term. By supporting health and education facilities, businesses and market actors will also enjoy a higher level of productivity.
- The dangerous trend of compromising nutritional needs to cope with the destruction of income found in most families in the region requires an immediate intervention by UCF. The Union should work towards providing food aid directly or in collaboration with local charity organizations to ensure the nutritional needs of the struggling population.
- The UoM should prioritize investments in agricultural reclamation and the support of small farmers. Land abandonment is a main factor behind land degradation and loss of health and productivity. Particularly in the context of Lebanon's looming food crisis this kind of investment becomes even more crucial.
- The UoM, in collaboration with international donors and agencies, should ease the transition of the private sector out of the crisis. To do so, the UoM can play an indirect role by acting as a platform that connects private sector actors with a class of investors and international organizations. This would increase firms' production capacity, hiring margin, and access to local and foreign markets. This is the primary way through which the UoM can help generate fresh income streams in the area as well as re-establish local economic cycles that are essential for proper local economic development in a post-crisis environment.

Furthermore, the UoM should conduct regular needs assessments of local firms' and communities' infrastructural needs in order to inform more adequate project planning that could have a direct positive effect in the area.

ANNEXES

ANNEX 1.1: DETAILED SURVEY THEMATICS

Below is a detailed depiction of the firm-level survey questionnaire.

ENTERPRISE CHARACTERISTICS

- a) Age.
- b) Sector.
- c) Location.
- d) Size (number of employees).
- e) Employee formality.
- f) Employee profile.
- g) Ownership status.
- h) Land-use classification.
- i) Type of business (export or local market).

THE IMPACT OF LEBANON'S MULTIPLE CRISES: THE PRIMARY EXOGENOUS SHOCK OF INTEREST

- 1. Labor-specific effects.
- 2. Trade-specific effects (local trade potential in the case of an exporting firm).
- 3. Changes in cost structure and variation in expenditure/budget lines.
- 4. Change in competition (e.g., with foreign labor, with local formal firms, with local informal firms).
- 5. Change in type of production.
- 6. Change in production volume.
- 7. Change in access to primary goods.

IDENTIFYING THE MAIN CONSTRAINTS

1. Access to finance (with a focus on microcredit or alternative credit channels).
2. Access to and cost of infrastructure (by sector).
3. Bureaucratic processes impeding business.
4. Human resources (existing human resources, vacancies, salaries/wages).

COPING MECHANISMS TO

1. Poor infrastructure.
2. Increased costs.
3. Diminished access to credit or possibility to access it.
4. Weakened sales.

MAIN PRIORITIES

1. Main priorities for increasing production.

COLLABORATIONS AND CONSULTATIONS

1. Extent of collaboration with public entities.

Below is a detailed description of the human capital survey questionnaire.

PROFILE

This section asks about the main characteristics of the household, such as:

- Household size, gender, and age of members.
- Health status of all members (any health conditions or disabilities, including mental health).
- Level of education of household members.
- Number of employed, unemployed, or inactive individuals in the household.
- Income and sources of income.

EMPLOYMENT

1. **Employment status and type of employment:**
 - a. Number of employed, unemployed, or inactive individuals in the household before and since the crisis.
 - b. Sector of employment (former if unemployed).
 - c. Position and type of contract (formal or informal).
 - d. Place of residence, distance from employment, and means of commuting before and since the crisis.
2. **Changes since the crisis:**
 - a. Changes in contract (salary, number of hours).
 - b. Increasing informal employment.
 - c. Rise in emigration.
3. **Labor demand:**
 - a. Perceived competition with other workers (including non-Lebanese populations or lower

skilled workers).

b. Perceptions on the (mis)match between available jobs and respondents' own qualifications and expectations (e.g., position, salary).

c. Prevalence of informal sector and illegal employment.

EDUCATION AND SKILLS

1. Type of education:

a. Level of education of household members (and of the head of household's parents).

b. Public/private education for all household members. If public, specify if there was a switch from private to public since the crisis.

2. Access to education:

a. Availability of schools, vocational training centers, and universities nearby.

b. Spending on education relative to total yearly expenditures before and after the crisis.

c. Main challenges in pursuing education since the crisis: Increase in tuition fees, textbooks, and material; school closures; unreliable (or unavailable) internet and electricity; no technological devices; or additional responsibilities for and required support from parents.

3. Perceived returns on education:

a. Perceived value of pursuing formal education vs. seeking employment.

b. Perceived (mis)match between completed education and labor demand: Are some skills available without the demand, or is there demand for certain skills but no supply?

HEALTH

1. Health status and access to healthcare:

a. Health status of all household members (health conditions or disabilities, including mental health).

b. Availability and type of health insurance, and care covered by the insurance (e.g., blood tests, consultations, medication, hospital stay, etc. If any changes since the crisis, specify).

c. Availability and access to healthcare facilities nearby (public and private).

2. Post-crisis:

a. Out of pocket expenditures on healthcare before and after the crisis.

b. Change in behavior since the crisis: Seeking care (or specialized care) less often; stopping medication (specify the type of medication and treatment).

c. Main healthcare provider before and after the crisis (private doctors, NGOs).

HOUSING AND LOCALITY

1. Housing characteristics:

a. Place of residence.

b. Housing condition.

c. Size (number of rooms).

d. Housing type (apartment, shared accommodation with other people, other. Specify).

e. Housing tenure (ownership, *waqf*, long term lease, short term lease, informal contract with owner, no contract).

f. Housing changes since the crisis. If yes, specify: Rental increase, eviction by landlord, closer to new job.

2. Access to infrastructure and public services:

a. Connectivity to infrastructure networks and public services (also specify if formal or informal).

b. Access to open space.

c. Public transportation in the neighborhood.

- d. Provider and daily supply of electricity before and since the crisis, and cost of electricity.
- e. Supply and quality of water before and since the crisis.
- f. Any home located businesses? If yes, specify.

INCOME, EXPENDITURES, AND SOCIO-ECONOMIC CONDITIONS

1. Income:

- a. Total monthly/yearly income.
- b. Sources of income (all sources), main source, and whether this changed since the crisis.
- c. Change in income since the crisis (e.g., lower wages/salary; less/more remittances; lower purchasing power due to limits on cash withdrawals).
- d. Whether the income covers expenses (to what extent).

2. Spending:

- a. Main expenses before and after the crisis.
- b. Ability to cover expenses before and after the crisis.
- c. Changes in spending composition since the crisis.
- d. Main reductions in spending since the crisis (food, housing, doctor consultation, school, unnecessary expenses such as clothing, etc.).
- e. Municipal taxes.

SOCIAL CAPITAL

1. Social networks:

- a. Reliance on direct or extended family (direct assistance or remittances).
- b. Reliance on local or international NGOs to cover basic needs (specify).
- c. Other networks (specify: Neighbors, friends, municipality, political actor, religious institutions, or other).

2. Coping mechanisms:

- a. Seeking medical care less often.
- b. Skipping meals.
- c. Dropping out of schools or shifting from private to public school.
- d. Lower electricity consumption.
- e. Other.

ROLE OF THE LOCAL GOVERNMENT

In this section, the respondents will be presented with what the local government is allowed to do by law and then asked about their needs and priorities on what the local government should do and prioritize.

1. Education:

- a. The perceived role of the local government in improving access to education: Building public schools, covering tuition fees, offering more trainings, or other.

2. Healthcare:

- a. Perceived role of UoM and municipalities in improving access to healthcare.
- b. Building healthcare facilities and hiring healthcare workers.
- c. Providing support for out-of-pocket expenditures.
- d. Securing medication.

3. Infrastructure and public service needs:

- a. Regulating generator subscription fees.
- b. Improving solid waste and wastewater management.
- c. Improving water quality and quantities (for drinking, irrigation, and industrial needs).
- d. Providing affordable housing, regulating rent prices, and protection from evictions.

- e. Public safety and risk management (security/police, night lighting, firefighting services, and flooding prevention).
- f. Provision of public and leisure spaces and public sports amenities (public squares, public gardens, public beaches, and sport fields).
- g. Provision of cultural amenities and activities (libraries, cultural centers, festivals, and commemorations).

PERCEPTIONS TOWARD THE UOM

1. **Urgent assistance and response to the crisis:**
 - a. Most urgent assistance needed from local government in addressing poverty and rising expenditures (cash assistance, food, medication, housing).
 - b. Overall assessment of the local government's response to the crisis.
2. **Trust in the UoM as an alternative to the central government:**
 - c. Trust in the central government's ability to respond to the crisis.
 - d. Support for decentralization to address local needs.

ANNEX 1.2:

KEY RESEARCH LIMITATIONS

(Firm-level and Human Capital Surveys)

A. THE FIRM-LEVEL SURVEY: A NOTE ON BINDING CONSTRAINT ANALYSIS AND SAMPLING ISSUES

1. One of the main aims of the survey is to conduct binding constraint analysis to identify the main business obstacles facing firms in the Urban Community of Al-Fayhaa area.

The survey questionnaire had two (2) questions on such constraints. The first one prodded the firms to rate different business obstacles from one "1" to four "4" (four "4" being a significant obstacle). The second question asked the firms to rank their top five (5) obstacles. To capture the latter, we constructed a variable called "top obstacle" which took the value of one "1" if a certain obstacle was ranked amongst these five (5).

However, upon closer look at the data underpinning each of these questions, we did not find any merit in conducting analysis using data obtained using the second question. Using this approach, we created a variable titled "major obstacle" which corresponded to firms that either rated three "3" or four "4" for each obstacle because it best captured the intensity of the constraint.

The main reason why we went for the first survey question when presenting our results is methodological. Since there is a long list of obstacles to go through, it might be difficult for respondents to recall each and every obstacle and then rank them accordingly. Consequently, such a strategy might bias down the true effect or intensity of effect. Therefore, we went with the data that guarantees that the true effect or its intensity are being well captured.

In any case, the results were mostly robust regardless of which variable was used.

2. As mentioned in Section 5 (Market Analysis), our sampling matches the joint CAS ILO LFHLCs figures. Sample size per region is sufficient but can be increased for more significant statistical results. Since we ran the analysis by region, this leaves a smaller space for variation. At times, this generated statistically insignificant results even if they are economically significant. When we ran a pooled regression including all three hundred seventy-nine (379) firms (covering all three (3) UoMs) – assuming that the economic significance of our explanatory variable does not vary much by region – most of the results turned significant. When examining the impact of the different business obstacles (i.e., ordered variable) on **employment growth** per region, there was barely any variation. For example, when almost all firms identify volatility in the Lebanese Lira as a top obstacle, then this rids the model of necessary variation to identify a causal effect. We, thus, relied on a more descriptive approach to conduct our binding constraint analysis as explained in this report.
3. Informal businesses were excluded from the sample, but their effect is captured using binding constraint analysis. Registered firms were asked to assess the extent of influence informality had on their business.
4. The size of firms targeted in the sample was more skewed towards small-sized businesses.
5. The survey did not ask about private sector debts or credit receipts. This was based on concerns over non-responses as advised by the hired statistical firm. To remedy this, we asked firms about their funding sources in times of crisis (excluding the banking sector) and their short-term business expectations (as proxy for liquidity shortages).
6. Corruption was defined in the survey as “irregular procurement processes”. However, there are still some concerns over how this was interpreted by firms. A question for future research: What are the specific channels through which Lebanese style corruption affects the private sector? How do they interpret these two (2) obstacles? Can they provide concrete examples?

B. THE HUMAN CAPITAL SURVEY: A NOTE ON SAMPLING AND OTHER LIMITATIONS

1. **Sample size** is sufficient but can be increased for better variation and coverage.
2. **Gender representation** is limited as most heads of households happen to be men in the chosen regions. This may be remedied by looking at the gender of other household members.
3. **Nationality representation** is lacking as most sampled households were Lebanese, which does not reflect the true population distribution in Urban Community of Al-Fayhaa, which hosts a large Syrian and Palestinian population.

ANNEX 1.3:

FINDINGS FROM MEETINGS WITH LOCAL ACTORS

- The cooperation between municipalities and the private sector is weak. However, this is driven by the economic conditions i.e., there is no space for collaboration. Both local leaders and business owners are trying to gather any available resources they can sustain themselves for as long as possible. This leaves little room for meaningful collaborations.
- In general, there is a lack of information or new data to assess the performance and needs of different local agents. The same story applies to firms across different economic sectors.
- There is a general sense of helplessness amongst residents and a clear loss of entrepreneurial spirit. There is barely any interest in creating businesses or associations anymore. However, this reluctance is also attributed to complex government regulations.
- Past assessments of local development were never properly implemented.
- All parcels of land around Tripoli could be used for urban plantation. Municipalities need to make use of such lands. The main issue, however, is that most plantation regions in the area are being exploited by investors and commercial businesses. Many are also owned by the government and are thus out of reach.
- The Tripoli port could be used but this has limitations. The region is controlled by the Ministry of Public Works and Transportation (MPWT).
- The seaside is a public space and can be invested by the municipality.
- The private sector helped the municipalities a lot in making progress during the crisis.
- A “new economy” was born after the crisis which should be given more attention, especially in terms of small-sized and local investments.
- Municipalities should be forced into meshing efforts with other local actors as a way forward.
- Culture should be given more attention in Lebanon as it can upscale the local economy.
- The lack of security and electricity is leading to early closure of businesses, which limits business profit margins and local economic activity.
- There are labor shortages at the UoM level. Only fifty-five (55) out of the five hundred (500) firefighter job vacancies are occupied.
- Decentralization could help municipalities grow and develop.
- A local development office should have been integrated long ago.

ANNEX 1.4: REVENUES AND EXPENDITURES ON SELECTED MUNICIPALITIES IN URBAN COMMUNITY OF AL-FAYHAA

Union of municipalities	Municipality	Year	Expected revenue	Actual revenue	Ratio	Direct fees				Indirect Fees		Other Revenues
						Total	Rental Fees	Sewage Treatment	Building/ Construction licensing	Excluding IMF	IMF	
Al-Fayhaa	El-Beddawi	2016		3.841		0.556	0.151	0.077	0.139	1.500	0.805	0.980
		2017	2.995	3.38	1.13	1.115	0.216	0.129	0.309	0.825	-	1.440
		2018	3.2	2.68	0.84	0.596	0.151	0.092	0.087	0.042	0.804	1.238
		2019	2.995	3.018	1.01	0.948	0.124	0.105	0.228	0.016	1.022	1.032
		2020	2.995	2.291	0.76	1.368	0.096	0.223	0.087	0.332	0.287	0.304
	Tripoli	2017		34.442		15.310	3.121	1.832	3.179	18.790	-	0.322
		2018	51.009	36.331	0.71	15.583	3.100	1.866	3.546	0.961	19.356	0.431
		2019	46.181	34.248	0.74	7.622	0.991	0.591	2.685	0.863	25.442	0.321
2020		54.65	26.952	0.49	12.276	3.370	1.945	1.014	7.606	6.729	0.341	

Union of municipalities	Municipality	Year	Municipal Expenditure	Recurrent Expenditure					Capital Expenditure
				Total	Administrative	Equipment, Maintenance and Public Cleaning	Services and Grants	Miscellaneous Expenditures	
Al-Fayhaa	El-Beddawi	2016	2.445	1.872	0.711	0.999	0.016	0.146	0.573
		2017	2.243	1.718	0.480	1.066	0.008	0.164	0.525
		2018	2.441	1.88	0.653	1.04	0.02	0.167	0.561
		2019	2.217	1.447	0.446	0.940	0.004	0.057	0.770
		2020	1.493	1.228	0.448	0.634	0.074	0.072	0.265
	Tripoli	2017	34.066	20.710	0.883	0.784	2.465	4.068	5.156
		2018	31.220	22.138	1.129	0.863	1.010	2.754	3.326
		2019	35.027	23.743	1.161	0.652	0.731	6.568	2.172
2020		16.343	2.391	0.892	0.364	0.833	7.698	4.165	

Source: Closing of Accounts (2016-2020)

ANNEX 1.5:

FGDs PROTOCOL

(Phase 1 and Phase 2)

Below is the protocol for FGDs conducted in Phase 1. Some questions will be common across different groups.

A. PROTOCOL FOR BUSINESSES STILL IN OPERATION

In this discussion, we aim to understand challenges and opportunities for local economic development in three (3) areas across Lebanon: Matn, Urban Community of Al-Fayhaa and Tyre. We will focus on three (3) thematic areas as follows: governance, market, and human and social capital.

INTRODUCTORY QUESTION

1. Almost two (2) years into the crisis, what can you tell me about the business climate in {area}?

GOVERNANCE

2. When thinking of your business and the legal / local environment, what are the major hindrances or obstacles you face? Probe if not mentioned:
 - a. Access to basic public services (electricity, transportation, water, pollution, and garbage collection, etc.).
 - b. Bureaucracy such as hurdles business owners may have faced to acquire business license and related papers.
 - c. Associated costs not directly related to production (government procedures – local or central - taxes, legal issues, fees, etc.) and other implicit / illegal costs that are burdening to businesses.
 - d. Security: at both national and local levels.
 - e. Mobility and channels of service / product delivery.
 - f. What are the coping mechanisms you have come up with in order to counter the various aspects of the crisis? Mainly:
 - i. Access to electricity.
 - ii. Access to fuel and transportation-related issues.
 - iii. Fluctuations of the exchange rate.
 - iv. Increase in rent fees (in case of rent).
 - v. Cost-cutting strategies (including labor protection and positive investment in human capital).
 - g. What coping plans or mechanisms have you put together with other businesses and /or trade unions? Why / why not?

MARKET

3. How did the current crisis impact your business in terms of supply, demand, consumption patterns, internal management structures, and access to expert labor? (Staffing, discarding or innovating departments or lines of work, new consumers versus old consumers).

4. Tell me more about the access to funding for your business: does your business rely on microcredit or alternative credit channels for survival and what can you tell me about the access to and the source of these schemes after the crisis?
5. What can you tell us about the fluctuations of your business trends in the last two (2) years, as a result of the crisis?
 - Trends of import/export as a result of the crisis.
 - Competition with other local formal and informal businesses.
 - Competition with exporting companies.
 - Increase of informal sector within same line work.
6. In the last two (2) years, did your business venture into new markets? How was this possible? What role did local or national authorities play in this?

HUMAN AND SOCIAL CAPITAL

7. Can you please give us a brief about your employees, in terms of size, profile, working hours, and salary scale?
8. How did this change in the period following the crisis? (Salary or working hours' revisions, number and profile of laid off employees, number and profile of employees who quit for emigration, etc.).
 - a. Did laid off employees engage in labor complaint procedures? Please tell us more about this.
 - b. To what extent would you be willing to engage in an employment recovery scheme following the crisis to target those who became unemployed or underemployed?
9. What measures were taken following the pandemic in terms of business survival and employees' health precautions?
10. What kind of social protection schemes did your business invest in? Why / why not?

WRAP UP QUESTIONS

11. What did the municipality and other local government structures do to mitigate the effect of the crisis on local businesses? What do you think of these measures?
 - a. If no measures were taken, why is that in your opinion?
 - b. What could have been done instead?
12. In brief, how did you manage to keep your business while many other businesses were forced to shut down? What are the three (3) elements for success? (Probe about government support, internal funds, network effects or trade operations).

B. INFORMAL BUSINESSES STILL IN OPERATION

INTRODUCTORY QUESTIONS

1. Almost two (2) years into the crisis, what can you tell me about the business climate in {area}?
2. Based on the current situation, was being an informal business an advantage or a disadvantage? Why? Please explain.

GOVERNANCE

3. When thinking of your business and the legal / local environment, what are the major hindrances or obstacles you face? Probe if not mentioned:
 - a. Access to basic public services (electricity, transportation, water, pollution, and garbage collection, etc.).
 - b. Security: at both national and local levels.
 - c. Mobility and channels of service / product delivery.
 - d. What are the coping mechanisms you have come up with to counter the various aspects of the crisis? Mainly:
 - i. Access to electricity.
 - ii. Access to fuel and transportation-related issues.
 - iii. Fluctuations of the exchange rate.
 - iv. Increase in rent fees (in case of rent).
 - v. Legality issues – eviction notices – including paying any sort of taxes (such as municipal fees).
 - vi. Cost-cutting strategies (including labor protection and positive investment in human capital).
 - e. What coping plans or mechanisms have you put together with other businesses (formal and/or informal and /or trade unions)? Why / why not?

MARKET

4. How did the current crisis impact your business in terms of supply, demand, consumption patterns, internal management structures, and access to expert labor? (Staffing, discarding or innovating departments or lines of work, new consumers versus old consumers).
5. Tell us more about the access to funding for your business: does your business rely on microcredit or alternative credit channels for survival and what can you tell me about the access to and the source of these schemes after the crisis?
6. What can you tell me about the fluctuations of your business trends in the last two (2) years, because of the crisis?
 - Competition with other local businesses, formal and informal.
 - Increase of informal sector within same line work.
7. In the last two (2) years, did your business venture into new markets? How was this possible? What role did local or national authorities play in this?

HUMAN AND SOCIAL CAPITAL

8. Can you please give us a brief about your employees, in terms of size, profile, working hours, and salary scale?
 - a. How did this change in the period following the crisis? (Salary or working hours' revisions, number and profile of laid off employees, number and profile of employees who quit for emigration, etc.).
 - b. Did laid off employees engaged in labor complaint procedures? Please tell us more about this.
 - c. To what extent would you be willing to engage in an employment recovery scheme following the crisis to target those who became unemployed or underemployed?
9. What measures were taken following the pandemic in terms of business survival and employees' health precautions?
10. What kind of social protection schemes did your business invest in? Why / why not?

WRAP UP QUESTIONS

11. What did the municipality and other local government structures do to mitigate the effect of the crisis on local businesses? What do you think of these measures?
 - a. If no measures were taken, why is that in your opinion?
 - b. What could have been done instead?
12. In brief, how did you manage to keep your business while many other businesses were forced to shut down? What are the three (3) elements for success? (Probe about government support, internal funds, network effects or trade operations).

C. NEW BUSINESSES

INTRODUCTORY QUESTIONS

1. As a business emerging in the middle of a crisis, what can you tell us about the business climate in general and how was your emergence possible?
2. What were you doing before November 2019? Would you say that the crisis created an opportunity for your business? Why? How?

GOVERNANCE

3. When thinking of your business and the legal / local environment, what are the major hindrances or obstacles you face? Probe if not mentioned:
 - a. Access to basic public services (electricity, transportation, water, pollution, and garbage collection, etc.).
 - b. Security: at both national and local levels.
 - c. Mobility and channels of service / product delivery.
 - d. Many things have changed since November 2019; what are the coping mechanisms you have come up with to counter the various aspects of the crisis? Mainly:
 - i. Access to electricity.
 - ii. Access to fuel and transportation-related issues.
 - iii. Fluctuations of the exchange rate.
 - iv. Increase in rent fees (in case of rent).
 - v. Legal issues including taxes (such as municipal fees).
 - vi. Cost-cutting strategies (including labor protection and positive investment in human capital).
 - e. What coping plans or mechanisms have you put together with other businesses (formal and/or informal) and /or trade unions? Why / why not?
4. What type of collaborations or networks is your business involved in? How is this supporting your business?

MARKET

5. How did the current crisis impact your business in terms of supply, demand, consumption patterns, internal management structures, and access to expert labor? (Staffing, discarding or innovating departments or lines of work, new consumers versus old consumers).
6. Tell me more about the access to funding for your business: does your business rely on microcredit or alternative credit channels for survival and what can you tell me about the access to and the source of these schemes after the crisis?
7. What can you tell me about the fluctuations of your business trends in the last two (2) years, as a result of the crisis?

- Competition with other local businesses, formal and informal.
 - Increase of informal sector within same line work.
8. Since its inception, did your business venture into new markets? How was this possible? What role did local or national authorities play in this?

HUMAN AND SOCIAL CAPITAL

9. Can you please give us a brief about your employees, in terms of size, profile, working hours, and salary scale?
- a. How did this change throughout the crisis? (Salary or working hours' revisions, number and profile of laid off employees, number and profile of employees who quit for emigration, etc.).
 - b. Did laid off employees engage in labor complaint procedures? Please tell us more about this.
 - c. To what extent would you be willing to engage in an employment recovery scheme following the crisis to target those who became unemployed or underemployed?
10. What measures were taken following the pandemic in terms of business survival and employees' health precautions?
11. What kind of social protection schemes did your business invest in? Why / why not?

WRAP UP QUESTIONS

12. What did the municipality and other local government structures do to mitigate the effect of the crisis on local businesses? What do you think of these measures?
- a. If no measures were taken, why is that in your opinion?
 - b. What could have been done instead?
13. In brief, how did you manage to open a new business in the midst of a severe and economic crisis, while many other businesses were forced to shut down? What are the three (3) elements for success? (Probe about government support, internal funds, network effects or trade operations).

D. CLOSED BUSINESSES

INTRODUCTORY QUESTIONS

1. Almost two (2) years into the crisis, what can you tell me about the business climate in {area}?
2. When did you take the decision to close your business and what were the main drives for this decision?

GOVERNANCE

3. When thinking of your business and the legal / local environment, what are the major hindrances or obstacles you faced? Probe if not mentioned:
 - a. Access to basic public services (electricity, transportation, water, pollution, and garbage collection, etc.).
 - b. Security: at both national and local levels.
 - c. Mobility and channels of service / product delivery.
4. What coping mechanisms did you try to come up with to counter the various aspects of the crisis? Mainly:

- i. Access to electricity.
 - ii. Access to fuel and transportation-related issues.
 - iii. Fluctuations of the exchange rate.
 - iv. Increase in rent fees (in case of rent) and availability of equipment.
 - v. Legality issues – eviction notices – including paying any sort of taxes (such as municipal fees).
 - vi. Cost-cutting strategies (including labor protection and positive investment in human capital).
- b. Did you try to improvise any coping plans or mechanisms with other businesses (formal and/or informal) and /or trade unions? Why / why not?

MARKET

5. Before the closure, how did the crisis impact your business in terms of supply, demand, consumption patterns, internal management structures, and access to expert labor? (Staffing, discarding or innovating departments or lines of work, new consumers versus old consumers).
6. Tell me more about the access to funding for your business: did your business rely on microcredit or alternative credit channels for survival and what can you tell me about the access to and the source of these schemes? How did this affect your business survival?
7. What can you tell me about the fluctuations of your business trends in the last two (2) years, before you decided to close your business? Probe:
 - Competition with other local businesses, formal and informal.
 - Increase of informal sector within same line work.
8. In the last two (2) years, did your business attempt to venture into new markets? What happened as a result of this? What role did local or national authorities play in this?

HUMAN AND SOCIAL CAPITAL

9. Can you please give us a brief about your employees, in terms of size, profile, working hours, and salary scale?
 - a. How did this change in the period following the crisis and preceding the closure? (Salary or working hours' revisions, number and profile of laid off employees, number and profile of employees who quit for emigration, etc.).
 - b. Did laid off employees engaged in labor complaint procedures? Please tell us more about this.
10. What measures were taken following the pandemic in terms of business survival and employees' health precautions?
11. What kind of social protection schemes did your business invest in before the closure? Why / why not?

WRAP UP QUESTIONS

12. What did the municipality and other local government structures do to mitigate the effect of the crisis on local businesses? What do you think of these measures?
 - a. If no measures were taken, why is that in your opinion?
 - b. What could have been done to avoid the closure of businesses such as yours?
13. In your opinion, how did other businesses manage to keep working while many other businesses, including yours, were forced to shut down?
14. What are the three (3) elements that could have changed the course of things? (Probe about government support, internal funds, network effects or trade operations).

E. UNEMPLOYED INDIVIDUALS

1. When were you employed for the last time? Why / how did you leave?
2. In case you were laid off, did you engage in official or unofficial labor complaints? Why / why not?
 - a. Did the municipality or local authority try to help you in any way since you became unemployed? How is that?
3. Thinking of your skills and overall working profile, what is, in your opinion, the main reason for you being unemployed? (Poor education, business closures, economic crisis, competition with migrant workers, etc.).
4. While on the job, did you feel at any point that there were some skills that you needed and that could have changed the path of things?
 - a. What were these skills?
 - b. Why in your opinion you did not have them?
 - c. How would you like to get additional skills and who can play this role?
5. Do you know of any initiatives aiming to connect jobseekers to appropriate businesses?
 - a. Have you tried to connect to an employer through those? What happened?
 - b. Usually, what are the mechanisms or networks that you use in order to find a job? How better can it get?
6. What is the role of local authorities in addressing unemployment?
 - a. What is the role of the municipalities in caring for vulnerable youth?
7. Are you currently engaged in any form of informal employment?
8. What campaigns or initiatives are local actors (municipalities, NGOs) currently engaged in specifically targeting youth and vulnerable youth?
9. Anything else you would like to share with us on these issues?

BELOW IS THE PROTOCOL FOR FGDS CONDUCTED IN PHASE 2.

Profile	Theme(s)
Vulnerable workers in Bab Al-Tabbaneh.	<ol style="list-style-type: none"> 1. Change in labor dynamics (type of engagement, full-time part time, formal informal). 2. Change in work conditions and in pay post crisis.
Transformative Manufacturing (Sina'a tahwiliyeh) sector.	<ol style="list-style-type: none"> 1. Growth of the sector post crisis. 2. How do they deal with the challenges and why do initiatives (regarding electricity for example) fail? 3. Informal networks that constrain the sector.
Tenants (commercial, industrial, and residential) / another FGD can be with the owners of these premises.	<ol style="list-style-type: none"> 1. We need to understand the level of tenure security that current tenants have. Did the landowner increase the rent, give them eviction notice, threaten them, stop providing them with certain services, etc.? 2. What are their coping strategies and future plans e.g., are they planning to leave to another area? Where? What are the challenges of moving to a new location? 3. How will this affect their businesses? What do they need to stay in the same location or a location close to their original place of work/ residence?

Profile	Theme(s)
<p>Cultural heritage and tourism sector</p> <p>Cultural heritage includes tangible culture (such as buildings, cities, monuments, culturally significant landscapes, books, works of art, and artifacts), intangible culture (such as folklore, traditions, languages, and knowledge), and natural heritage (including biodiversity, rural landscapes, coasts and shorelines, and agricultural heritage).</p>	<p>1. Importance of Planning and Community participation in the conservation and tourism development of heritage.</p> <p>Discussion points: How to initiate or support or implement processes involving and empowering local stakeholders - local authorities, residents, and private enterprises.</p> <p>Issues, potentialities, challenges, prerogatives and constraints of local authorities and networking.</p> <p>2. Heritage is not only a factor of economic development but also the driver of new local economy: creative and innovative industries that have important direct and indirect impacts in socio-economic development.</p> <p>Discussion points: Growth of the sector and the new local avenues or trends in post-crisis times (examples: recycling and reuse, restoration of heritage in the built environment, urban regeneration, promotion of small and medium-scale cultural enterprises, development of local resources (farming, food, artisanal, etc...)).</p> <p>Issues, potentialities, challenges, prerogatives and constraints of local authorities and networking.</p> <p>Role of local authorities.</p>
<p>Healthcare sector</p>	<p>1. Reported to be a challenge in the survey, why so?</p> <p>2. Issue with availability of personnel.</p> <p>3. Effect of the crisis on healthcare provision.</p> <p>4. Perceived change in demand for healthcare (could be a negative coping mechanism as families try to cut down their bills and sacrifice non-urgent visits).</p> <p>5. Role of local authorities.</p>

ANNEX 1.6:

NATIONAL GOVERNANCE LANDSCAPE

Lebanon is a constitutional parliamentary republic; with the Chamber of Deputies (the Parliament) as the representative of the people. The latter is seen, in the Constitution, as the source of authority and sovereignty and exercises these powers through the constitutional institutions: the legislative, the executive, and the judicial branches.

THE CHAMBER OF DEPUTIES

The legislative authority is in the hand of the Chamber of Deputies. As per Article 24 of the Constitution, Chamber seats are divided between members of different communities.

THE PRESIDENT OF THE REPUBLIC

The executive authority is entrusted to the Council of Ministers. Headed by a Prime Minister, the Council of Ministers includes the ministers in charge of the different ministries as well as other ministers of state who have been assigned special missions.

THE PRIME MINISTER

The Prime Minister, as head of the Council of Ministers, speaks in its name and represents it in front of the Chamber of Deputies and is responsible for the general policy of his/her Council of Ministers. For that, the Prime Minister has next to the Ministries, twenty-two (22) different administrations directly affiliated to his/her Office. These administrations include:

- Control administrations: The Court of Audit, the Central Inspection, the High Disciplinary Council, and the Civil Service Council.
- Muslim communities' religious higher councils and tribunals.¹⁹²
- A large variety of General Directorates, Councils, and Autonomous Institutions covering a wide variety of issues, from research, knowledge development and archiving (e.g. National Council for Scientific Research, Central Administration for Statistics, National Institute for Public Administration, National Archives, etc.), to strategic economic development (Investment Development Authority for Lebanon, Higher Council for Privatization and Partnership, Economic and Social Council, Consumer Markets Authority, etc.) to urban and territorial development (Council for Development and Reconstruction, ELYSSAR (tasked with the development of the Southern Suburbs of Beirut), Council of the South (tasked with the reconstruction and development of South Lebanon), Displaced Fund (mainly for compensation and return of displaced Lebanese in the civil war), etc.), to crisis response and State security (Higher Council of Defense, General Directorate for State Security, Higher Relief Authority), etc.

¹⁹² This is a reminiscence of the Ottoman Empire administration when Christian and Jewish communities had their own non-governmental community structures and tribunals while those of Muslims were integrated in the State system.

In addition to these administrations, the Office of the Prime Minister is directly in charge today of many strategic programs:

1. Programs related to safety and security: Council for Food Safety, Unit for Risk Reduction, Platform for Coordination of Relief and Reconstruction Efforts in Relation to Beirut Port Blast, Initiative for the Reduction of Risk of Biological, Chemical and Nuclear Materials.
2. Programs related to development: National Strategy for Sustainable Development Program, National Program for Poorest Households, National Information and Communication Technology Strategy Unit.
3. Program related to the coordination of European Union cooperation programs; and
4. Program related to Palestinian-Lebanese relations.

This large apparatus mobilizing hundreds of employees and considerable budgets gives the Prime Minister in Lebanon large space for maneuver and autonomy from the Council of Ministers - the authority vested with constitutional executive power in Lebanon.

THE MINISTRIES

Ministries, whose number fluctuates according to political contexts, cover the main sectorial areas of development and sovereignty assertion. They are all created through laws and their working mechanisms are established through decrees. Each has its own separate organization. Nevertheless, they all share similar structures:

1. The Minister is the head of the Ministry. He/she has authority over its staff. However, his/her position is temporary and is related to the lifespan of the government of which he/she is a member. His/her position is then mainly political.
2. The Office of the Minister assists the Minister administratively in his/her functions. Usually, ministers are also assisted by their own political advisers and technical consultants who are not Ministry employees but support the minister by following up on different projects, giving technical, political, or legal advice, or acting as unofficial liaison with other institutions and actors.
3. Affiliated institutions and Councils are usually autonomous institutions that are, however, put under the guardianship of the ministers concerned. These institutions develop their own autonomous administration, policies, and budgets and have their own mechanisms of decision-making defined in separate laws and decrees. Nevertheless, they fall under the minister's and the Council of Minister's control and need their approval for certain decisions, limiting their practical autonomy.
4. Under the Minister and reporting directly to him/her, one might find one or more specialized Directorate General. A Director General heads each of these directorates. He/she is appointed by the Council of Ministers and selected from the First Category civil servants state employees.¹⁹³ If there is more than one Directorate General in a Ministry, a Directorate for Joint Administration would be created and would report directly to the Minister. This Directorate takes in charge all human resources, procurement, accounting, and legal assistance issues related to the Ministry. If there is only one Directorate General, then these tasks are integrated in a department reporting to the Director General.
5. Under the Directorate General there are – in the descending hierarchy – directorates, departments, units, and sections. While Ministries are established by law, a Ministry's structure is set up by a specific Council of Ministers' decree aiming at organizing the Ministry, and additional decrees can be issued to allow for the creation of new components in the Ministry's original hierarchy.

¹⁹³ In the Lebanese State civil servants' system, there are five (5) main categories, the first being the one allowing access to highest ranking positions.

The direct follow up on the Ministry's management is the responsibility of the Directors General. While some ministers might be interested in following up on the management of their Ministries, they usually leave it to the Directors General and focus on policies, particular projects, and reforms they want to advance.

DECONCENTRATED STRUCTURES

Under this centralized institutional structure of the Lebanese State, mainly seated in the capital's agglomeration, there are affiliated deconcentrated institutions representing it at the local level. These deconcentrated institutions were created to allow closer and "softer" contact between the State center and the populations in the different territories of the country. Moreover, in the 1989 amendments, a preamble was introduced to the Constitution, in which article G states "*The even development among regions on the educational, social, and economic levels shall be a basic pillar of the unity of the state and the stability of the system*". Hence these deconcentrated institutions gained in importance as levers to reach this even development.

They are usually identified in two (2) categories: vertical and horizontal:

- Vertical affiliated deconcentrated institutions at the local level are responsible for applying Ministry policy and projects in the regions. These could be local branches of the Ministry like the Regional Educational Offices or local outlets providing specialized services like the Primary Health Care Centers or the Social Development Centers (SDCs). They all take orders from their respective Ministry and are supervised by it. One, however, must differentiate between these affiliated deconcentrated institutions and other local autonomous public institutions like the Regional Water Establishments. The latter might be regional but enjoy autonomy in terms of decision-making and budgets. They fall under the "guardianship" of the Minister and not the executive authority of the Ministry.
- Horizontal deconcentrated institutions. Next to the Ministry-affiliated deconcentration, the Lebanese State established a horizontal deconcentration by dividing the national territory in a number of Governorates, Districts, and Localities and setting special deconcentrated institutions to coordinate ministerial efforts at the territorial level and link central institutions with elected decentralized institutions.

The Lebanese Territory is divided in nine (9) Governorates (Muhafaza).¹⁹⁴ A Governor (Muhafiz) is put at the head of each Governorate with institutions and staff to assist him/her.

- The Governor is selected from the First Category civil servants. His/her rank puts him/her on top of all Ministry-affiliated staff in the Governorate. He/she oversees all departments and is administratively in charge of all ministerial staff in his/her territory. All communication between local ministerial institutions and central ones goes through his/her office.
- He/she is tasked to ensure the proper functioning of public institutions in his/her area, monitor the situation of his/her area on the political and economic level and keep central authorities informed, and more broadly he/she is in charge of keeping public peace and protecting individual liberties and private properties. He/she should deliver each three (3) months a report on the state of his/her area to the central public administrations.
- He/she is in charge of the Internal Security Forces, and he/she might use them to any task that falls under his/her mandate
- He/she must be consulted for the creation or termination of any public school. He/she also assists the Ministry of Education and Higher Education in finding needed building(s) and equipment(s) for teaching in his/her area.

¹⁹⁴ These are Beirut, North Lebanon, Mount-Lebanon, South Lebanon, Bekaa, Baalbek-Hermel, Nabatieh, Akkar, and Keserwan-Jbeil. The last four (4) were created in the last two (2) decades and their administration is less developed than the first five (5) that exist since the founding of Greater Lebanon in 1920.

- He/she can take all the steps needed so that public health requirements are respected. He/she also ensures that patients in need can get hospitalized in public hospitals. Alternatively, he/she can contract private hospitals for this goal.
- He/she gives permits for opening all category 1 and 2 commercial outlets.
- He/she discusses with the Governorate Council the projects proposed by the municipalities and unions of municipalities to be funded by the project-allocated part of the Independent Municipal Fund and recommends priorities to the Ministry of Interior and Municipalities.
- He/she has the right to discuss with the regional prosecutor all cases related to his/her governorate, especially those related to general security. He/she also must support the judicial system in his/her area within the limits of his/her competencies.
- He/she is also in charge of all issues that may emerge and to which there is no dedicated authorities in the Lebanese State. It is usually under this entry that governors get to be involved in response to crises.
- He/she heads the Governorate Council that includes also the Qaemaqams at the head of the districts, the head of the regional financial administration affiliated to the Ministry of Finance, and two (2) civil representatives for each district chosen by the Governor and nominated for four (4) years by the Council of Ministers. Representatives of the local ministerial administrations attend when their administrations are concerned in the discussions.¹⁹⁵
- The Governorate Council gives its opinions on the situation in the area, the evolution of the execution of projects and it also votes on the budgets for development projects in villages where there are no municipalities.
- The local ministerial units that report to the Governor are: the gendarmerie forces, the judicial police forces, the office of criminal records, the general security forces, the department of municipal technical assistance, the office of statistics and civil records, the department of finance, the cadaster, the survey office, the agricultural department, the veterinary department, the department of implementation of social programs, the department of implementation of health programs and public health control, the roads section, the buildings section, the water and electricity section, the vehicles section, and the department for control of private schools. The weights and measures section, the customer protection section, the control of goldsmiths' section, the tourism section, the telephone department and the post and telegraph department also report to the Governor. It is to be noted that those units may change by decrees.

At the district level, and under the control and supervision of the Governor, the Qaemaqam heads the deconcentrated administration.

- The Qaemaqam takes the responsibilities of municipal councils in the villages and towns where the municipal councils resign or are disbanded.
- The Qaemaqam has the authority to give construction permits in areas where there are no municipalities.
- With the district doctor of the Ministry of Public Health, he/she sets the monthly work plan regarding health issues in the district. He/she also ensures coordination between ministerial and municipal health services.
- His/her prerogatives used to extend to domains in relation to environmental issues like giving permits for quarries and the exploitation of forest areas as well as the nomination of forest guards. However, these prerogatives have been transferred by subsequent laws and decrees to central ministerial administrations such as the MoIM and the MoE.
- Regarding social affairs, Decree No 116/1959 gives the Qaemaqam the responsibility

¹⁹⁵ According to Mount Lebanon Governor, the Council convenes every three (3) months.

to sign work certificates and the responsibility to ensure shelter for orphans, old people, and beggars. However, it is not clear if the latter responsibility was transferred in later legislations to the Ministry of Social Affairs or if the Qaemaqam simply stopped engaging in it.

THE JUDICIAL SYSTEM

The judiciary in Lebanon is an authority whose independence is guaranteed by Article 20 of the Constitution of Lebanon. This system is based on a set of laws and courts.

1. Laws in Lebanon are voted in Chambers of Deputies, promulgated by the President of the Republic, and published in the Official Gazette. Historically, and under the Ottoman Empire, Islamic law as per the Hanafi school was the main source of law and legal procedures. During French and later independent Lebanon rule, the civil law system was adopted. Today, laws are inspired by civil law, Islamic law, and international declarations and conventions.
2. The laws that define the workings of common Lebanese courts are the Obligations and Contracts Law, the Code of Civil Procedures, the Code of Criminal Procedures, the Penal Code, and the Code of Commerce. However, other courts autonomous of the main judicial court system are charged of trying certain issues. This is the case for:
 - a. The religious courts, for the eighteen (18) different recognized religious communities, are charged of judging matters related to personal status and family law. Their laws and judgements are inspired by religious tradition and theology. Till now, there is no recognized civil marriage in Lebanon. People who marry in civil marriage abroad have their personal status and family issues judged by civil judges, on the basis of the laws of the country where they were married.
 - b. The military courts, where judges and prosecutors are military officers. These courts judge cases that involve military personnel, use of military arms and ammunitions, national security issues or that are perpetrated on a military facility. Special accreditations are requested for lawyers who want to stand before these courts.
 - c. The administrative courts that judge in matters related to misuse of public resources or issues where the direct actions of State institutions or their consequences are involved. The decisions of these courts may be appealed to the State Consultative Council. The latter institution may be called upon by State institutions when drafting decisions and decrees.
 - d. Other special courts also include the Supreme Judicial Council that has the responsibility of judging cases identified as of grave crimes by the Council of Ministers. The Constitutional Council judges of the constitutionality of laws and decrees promulgated by Lebanese State institutions. The Arbitral Labor Council deals with labor law disputes.
 - e. The Constitution of Lebanon (Article 80) speaks of a Higher Council for the Prosecution of Presidents and Ministers. However, this court was never officially formed.
 - f. Next to these courts, there are other spaces for arbitrating disputes as the ones provided for commercial contracts by the Bars associations.
3. However, most litigation goes through the main structure of the judicial system in Lebanon, made of the three-levels courts: the first instance, the appeal, and cassation courts. In the Lebanese judicial system there are no juries; judgements are given by judges. Each court has either one (1) judge – especially at the first instance level – or one (1) president and two (2) associate judges.

At the head of the main Lebanese judicial system is the Supreme Judicial Council. Other than judging cases of grave state crimes, this Council has the responsibility of appointments, transfers, and disciplinary issues. However, its decisions and appointments must be first agreed upon by the Minister of Justice prior to being issued in a Council of Ministers decree in order to be effective. This raises questions as to the independence of the judicial branch of government in the face of the executive one. As for judge recruitment, it goes through a specific channel: the Institute of Judiciary Studies. The Institute has its own administration which depends on the Supreme Judicial Council.

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