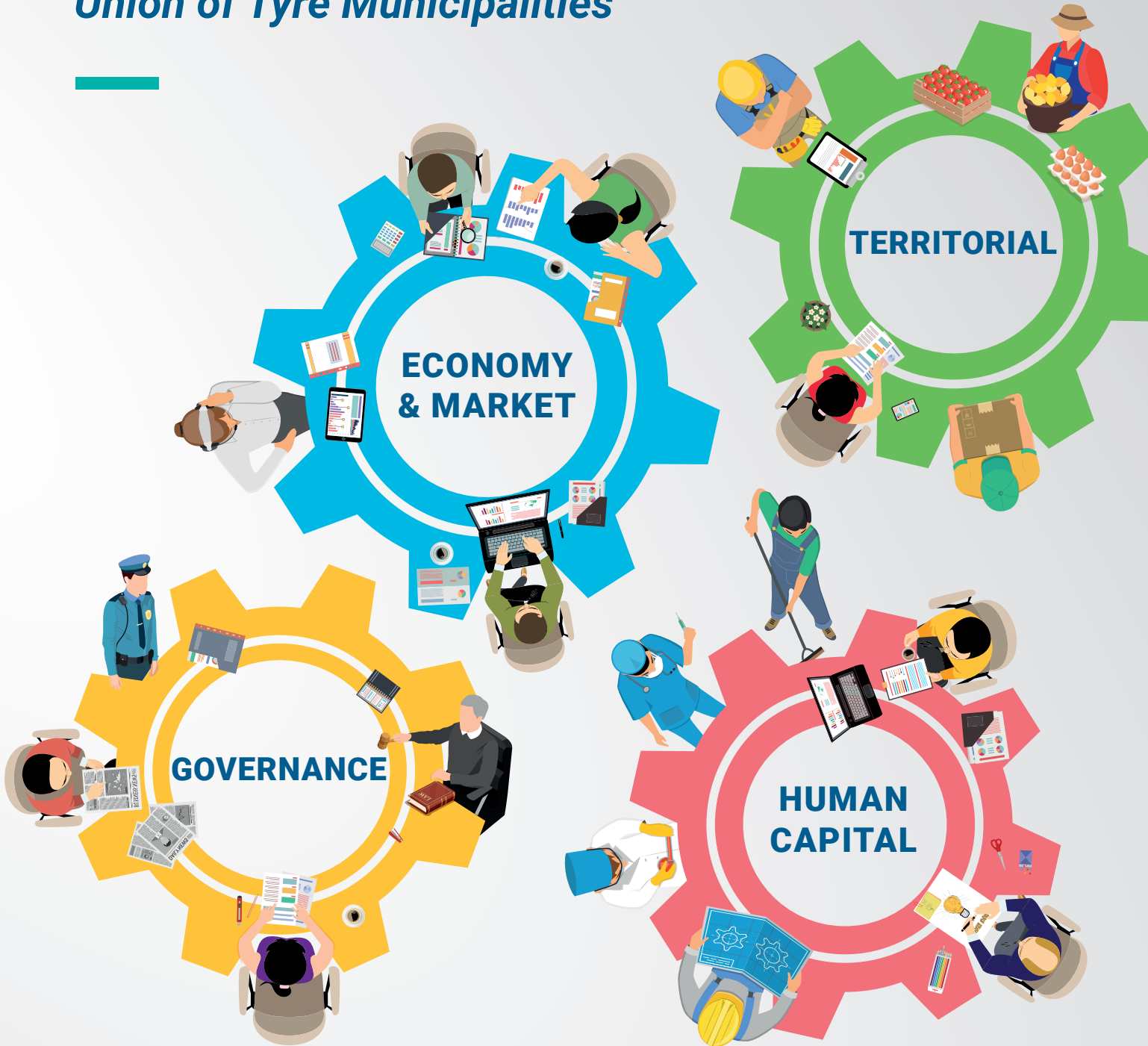
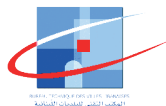


UNIONS OF MUNICIPALITIES AS ENABLERS OF LOCAL ECONOMIC DEVELOPMENT

Union of Tyre Municipalities



UN HABITAT
FOR A BETTER URBAN FUTURE



REPUBLIC OF LEBANON
MINISTRY OF
INTERIOR AND
MUNICIPALITIES



Funded by the European Union

This document was produced with the financial support of the European Union. The views expressed herein do not necessarily represent those of the European Union and the United Nations, including UNDP and UN-Habitat, or the UN Member States.

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This project is a component of the Municipal Empowerment and Resilience Project (MERP), a joint initiative of the United Nations Development Programme (UNDP) and the United Nations Human Settlements Programme (UN-Habitat) funded by the European Union through its regional trust fund mobilized in response to the Syrian crisis, the European Madad Fund. Implementing partner of this project is United Cities Lebanon.

Assessment Report

FIRST EDITION

October 31st, 2022



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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
MoPH	Ministry of Public Health
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
PRS	Palestinian Refugees from Syria
RTOs	Regional Technical Offices
SDCs	Social Development Centers
SDPs	Sustainable Development Plans
SLAT	Special LED assessment Taskforces
SLWE	Southern Lebanon Water Establishment
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
UNRWA	United Nations Relief and Works Agency
UoM	Union of Municipalities
UoTM	Union of Tyre Municipalities
US	United States
USJ	Université Saint Joseph
WB	World Bank
WHO	World Health Organization
WWT	Wastewater Treatment



TEAM

TEAM MEMBERS

(Alphabetical Order)

POSITION

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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% 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 Urban Community Al Fayhaa, 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	4
Matn ⁸	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) UoMs 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 national and local governance systems, urban and territorial constraints and potential, existing economic and market structures, and available human and social capital.

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

⁸ For simplicity, we refer to the Federation of Municipalities of the Northern Coastal and Central Matn as “Matn UoM”. The district is also referred to as “Matn”.

The acquisition of such comprehensive LED knowledge through the implementation of union specific LED assessment was deemed an essential pre-requisite to support 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 UoMs 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 and direct or indirect management of markets, buildings for commercial purposes and public transportation and for municipalities to engage in social development by setting up schools. 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, the law 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-shrined.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 LED 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 of 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 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 the Tyre UoM under the 'Municipal Empowerment and Resilience Project' (MERP). What follows is a summary of the assessment's main objective, report's 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 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,¹⁶ and Tyre.

The overall goal of the LED assessments 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 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.

¹⁶ For simplicity, we will be referring the Federation of Municipalities of the Northern, Coastal, and Central Metn as "Metn UoM" throughout the report. The district will also be referred to as "Matn".

On the other hand, low appropriability is the result of two (2) main constraints. First, inadequate governance, caused by weaknesses in the capacity of 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>	<p>Human capital survey (six hundred (600) households).</p> <p>Firm-level survey (One hundred twenty-seven (127) 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 (three (3) were strictly held at the level of the Tyre UoM).</p>	<p>Five (5) focus group discussions.</p> <p>The final assessment report.</p> <p>The policy paper.</p> <p>Three (3) KIIs on land assessment (Three (3) mayors of municipalities in the Tyre UoM).</p> <p>A land assessment questionnaire to a sample of member municipalities (Six (6) respondents).</p>

IV. MAIN FINDINGS

Our analysis reveals a sombre LED reality as we have found major constraining elements in each of the four (4) components. The diagnosis of weak LED in the Tyre UoM 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 significantly increased due to the national economic shocks, are weakening 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 the last two (2) decades has led to a significant reduction in the agriculture and natural areas of Tyre Union and District more generally.
5. Encroaching urbanization, speculative development and illegal transgressions constituting a threat to the area's public and communal lands and productive, cultural, and natural landscapes which are a main pillar of the local economy—including sites recognized by the National Physical Master Plan of Lebanese Territory (NPMPLT) as significant natural sites of national importance (e.g., the Sour's agricultural plain and waterfront).
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.

Human Capital Constraints

The findings below are mostly based on a human capital survey conducted with six hundred (600) 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 8 percent in 2019 to 12 percent today, and overall, 6 percent of those who were employed in 2019 have lost their job.
3. Those who have been unemployed since 2019 attribute this to the unavailability of jobs which indicates weak job creation locally.
4. The few women heads of households have significantly lower labor force participation and higher unemployment rates: 51 percent of women heads of households are part of the labor force (compared to 93 percent of male heads of households), and the unemployment rate among them stands at 23 percent (compared to 11 percent among men heads of households).

5. Incomes have sharply decreased and are increasingly volatile, which may hinder future investments in education and healthcare. However, the figures are less devastating than what has been noted in Urban Community of Al-Fayhaa (UCF) and Matn UoM.
6. The quality of and access to healthcare households receive has decreased since 2019 this can be partially attributed to shortages in medication and financial difficulties faced by households.
7. There is a significant rise in malnutrition, as the majority of households have had to compromise their nutritional needs in order to cope with the deteriorating financial situation, and lower-income households have changed their nutrition habits at significantly higher rates.
8. Brain drain is quite evident in Tyre UoM region, especially among youth. More so, figures/rates appear to be equal across genders.
9. Those who rent their house are at increased risk of insecurity and worsening housing conditions. Lower-income households have comparatively worse housing conditions, compared to higher-income households.
10. Infrastructure quality and public services are assessed as mostly moderate, if not poor, for the majority of households in Tyre Union. The service that ranks the most poorly is electricity provision. Other services that rank low are the quality of hospitals and healthcare centers, public transport regulations, road maintenance, and street lighting.

Market Constraints

The findings below are mostly based on a firm-level survey conducted with one hundred twenty-seven (127) companies in the region.

1. Sporadic and severely inadequate macroeconomic response to the financial crisis is inhibiting credit and dramatically decreasing aggregate production, while increasing business costs.
2. Business creation in the Tyre UoM is rather anaemic. The youngest firms were established two (2) years ago in 2019 (i.e., prior to the crisis).
3. Across sampled firms, the share of female employment in the Tyre UoM sample increased since 2019, unlike what was noted in the Matn UoM and UCF regions. It rose from approximately 15 percent in 2019 to 18 percent in 2021. This increase was in the agriculture and wholesale/trade sectors.
4. Firms in Tyre UoM region have been severely constrained by all our chosen market constraints. The binding business obstacles include high domestic currency (Lira) volatility, high input prices, high rent and technology costs, limited access to local and foreign markets, restricted access to credit/microcredit and the scarcity of subsidized raw material. 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 affordable input goods.
5. Specifically, tobacco farmers in Tyre find that the high labor costs and dollarized input goods (especially pesticides and fertilizers) have been indeed constraining to their business activity. Many have decided to venture into less costly and in-demand production such as wheat and barley (rain-fed agriculture).
6. Our analysis of balance sheets reveals how several firms had to lay off workers to put a brake on their losses amid high costs and moderately weak sales. This was especially the case for manufacturing and real estate companies. Layoff decisions were largely driven by cost increases, less so by drop in sales.
7. Interestingly, revenues from sales appear to have only moderately dropped during the crisis period, which we predict is symptomatic of strong local demand. These effects were most pronounced in the wholesale/trade, real estate, and manufacturing industries. Based on a

discussion with municipality mayors from the region, remittances from South American diaspora members have partly shielded consumers and producers from the heavy effect of the crisis.

8. Firms appear to be highly constrained by weak local infrastructure such as electricity and roads. Many have also been constrained by unreliable traffic regulation and poor health services in the area. These findings are also mirrored in our human capital/household survey.
9. In the absence of local/municipal financial aid programs or banking credit, firms continue to be optimistic about their long run growth (next three years). However, it's important to note that a good number of businesses (44 percent of all firms) perceive their likelihood of closure over the next six (6) months as being low, which indicates that they have limited savings or retained earnings.
10. There is a strong risk of a jobless recovery because firms in Tyre UoM 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, a minority chose to hire more workers (5.5 percent), a figure that is much smaller than in Matn UoM and UCF.
11. The private sector in the Tyre UoM region can be divided into two groups: those engaged and overall satisfied with local government and those not engaged altogether.
12. The “unifying struggle” for agricultural and touristic enterprises, for example, appears to be poor collaboration with municipalities. The general perception is that municipalities are incapacitated to support businesses in the area. Some also believe that municipalities do not advertise local production or economic activity sufficiently.
13. There is significant tax avoidance (9 percent of firms paid no taxes recently).
14. Nonetheless, a clear majority of firms (80 percent) would be willing to pay higher local taxes in return for better local services.
15. When asked to assess public service provision in the area, firms rated almost all public services as “poor”.

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. The poor collection effort of membership fees amongst member municipalities, and the unpredictability of the IMF instalments and municipality membership fees, are taking a toll on the UoM's balance sheet.
5. Weak capital expenditure contrasted with a high operational and maintenance expenditure is nullifying the positive effects of local public expenditure on the local economy.
6. The Union has at its disposal tools to address LED (such as the technical office and the RTO). However, such tools need to be empowered by technical expertise (hiring workers with varying specializations and skillsets including data literacy).
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. That said, understanding of the LED concept in Tyre UoM 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/business, and social aspects.
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. Tyre UoM'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.
 - While different municipalities have successfully contributed to local markets (Hisbeh for example in Tyre) in practice, local authorities seem rather hesitant, if not unsure, about their actual role and capacity when it comes to spurring business. Local private actors in Tyre UoM region perceive a concrete role for municipalities as market agents.
 - Municipalities and municipal unions have struggled to implement proper infrastructure projects that could ease business in the area.
4. Though there is some absence of comprehensive planning and lack of clarity over the area's future economic identity, some projects with good potential have been proposed to uplift the area:
 - SSRDP, for example, proposes several priority small projects in the agriculture, manufacturing, and trade sectors, which can be realistically implemented in the short-to-medium terms.
5. 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.
6. 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 manufacturing, followed by wholesale/trade, bearing in mind that the margin for layoffs is minimal in the area due to small firm sizes.
 - Remarkable demand for better health services in the area amongst sampled firms. This is especially true for firms working in agriculture and wholesale/trade sectors.
 - Lack of interest in workers' educational skills implies higher likelihood of skills atrophy following the crisis.

7. The current market shock 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 demographics.
- Amid domestic currency (Lira) volatility and soaring input prices, growing risk of property abandonment and increased rent gap.
- According to several key informants, wealthy expats and/or those who have some liquidity and do not want to keep it in local banks, are buying land cheaply in South Lebanon from those in bad need for cash.
- Decline of farmers' income and spread of crop diseases leading to land abandonment.
- Lack of agriculture extension and no accessible supportive facilities.
- Loss in agricultural workers and agricultural investment in crisis, though there is increased interest in developing the sector and protecting it from spontaneous urbanization. There are no detailed studies and plans to guide the location of agricultural investments.

8. The future of the workforce 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.
- Tyre's residents' quality of healthcare was mostly moderate or good before the crisis, however, today, the majority assess it as poor or very poor.
- Health outcomes are dictated by income in Tyre. 52 percent of the lowest-income households (less than LBP 1,200,000 per month) reported that their children's medical visits were insufficient, compared to only 21 percent of the highest-income households.
- Food insecurity and malnutrition on the rise, as residents are compromising their nutritional needs as a coping strategy to deal with the crisis. Since the onset of the crisis, over the majority of households (58 percent) have had to adopt some negative coping strategies related to nutrition. A high share is now reducing portion size or skipping meals, leading to malnutrition.

9. Decreasing pool of workers as youth plan to emigrate to find job opportunities abroad:

- Tyre UoM region is suffering from a serious 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 labour force.
- Having a social network is also a driver of emigration.

10. Poor quality of education, and negative perceived returns to education, leading to low human capital accumulation:

- The most common challenge faced related to education seems to be the high tuition fees (reported by 52 percent of households). This was followed by teacher absenteeism or frequent strikes (26 percent) and a poor quality of teaching (20 percent). Overall, 51 percent of households reported challenges related to teaching (absenteeism, poor quality of teaching, and lack of enough teachers).
- Lack of information on which skills are in demand in the market, leading to a mismatch between demanded and supplied skills.

11. 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.

12. Union unable to provide public services, leading to deprivation:

- Electricity, health, water provision, road maintenance, and street lighting 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 Tyre UoM 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 nine (9) policy measures are proposed next:

- Considering governance as the area's main binding constraint, the concept of LED should thus be expanded within the UoM governance apparatus with the a well-established and understood 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. Furthermore, the UoM should follow a clear audit of its finances (revenues and expenditures) as it can enhance predictions which would directly support development efforts. Lastly, technical offices and the RTO at the level of the UoM can bolster the development capacity of the UoM, if complemented with the necessary expertise (technological literacy, database management, etc.). This way, the office can support with dissemination of data on resident and private sector needs, which includes the implementation of infrastructural projects or other public services (such as waste management).
- 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 the electricity, water, road 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 the Tyre UoM, officials 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 is 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 an 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 the Tyre UoM. The Union, in cooperation with member municipalities, should work towards providing food aid directly or in collaboration with local charity organizations to ensure that the nutritional needs of the struggling population are met.

- 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. However, the UoM should lead on the design of detailed studies and plans that could better guide the location of agricultural investments. This is especially important seeing that farmers (or agricultural enterprise owners) are already bearing the brunt of the crisis.
- The UoM should also oversee farming activity and provide information to all farmers and agricultural workers involved in this market. By doing so, farmers are aware of what is in demand and could tailor their business models accordingly.
- The UoM, in collaboration with international donors and agencies, should ease the transition of the private sector out of the crisis. While sales turnover has been quite encouraging in the region, many firms appear to be experiencing liquidity shortages today. In order to preserve business and maintain a satisfactory level of production, urgent intervention is needed. 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 their 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.
- Local authorities should better regulate road traffic, by working closely with the central government (MoPWT) and the municipal police. This would ease business, especially for wholesale, real estate, and service firms. Similar efforts should be taken up when it comes to electricity generation, health support, and establishing better wastewater networks establishment.
- Furthermore, the UoM should conduct regular needs assessments of local firms' and communities' infrastructural needs 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 Syrians—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 Tyre Union of Municipalities 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 local 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 Tyre 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>.

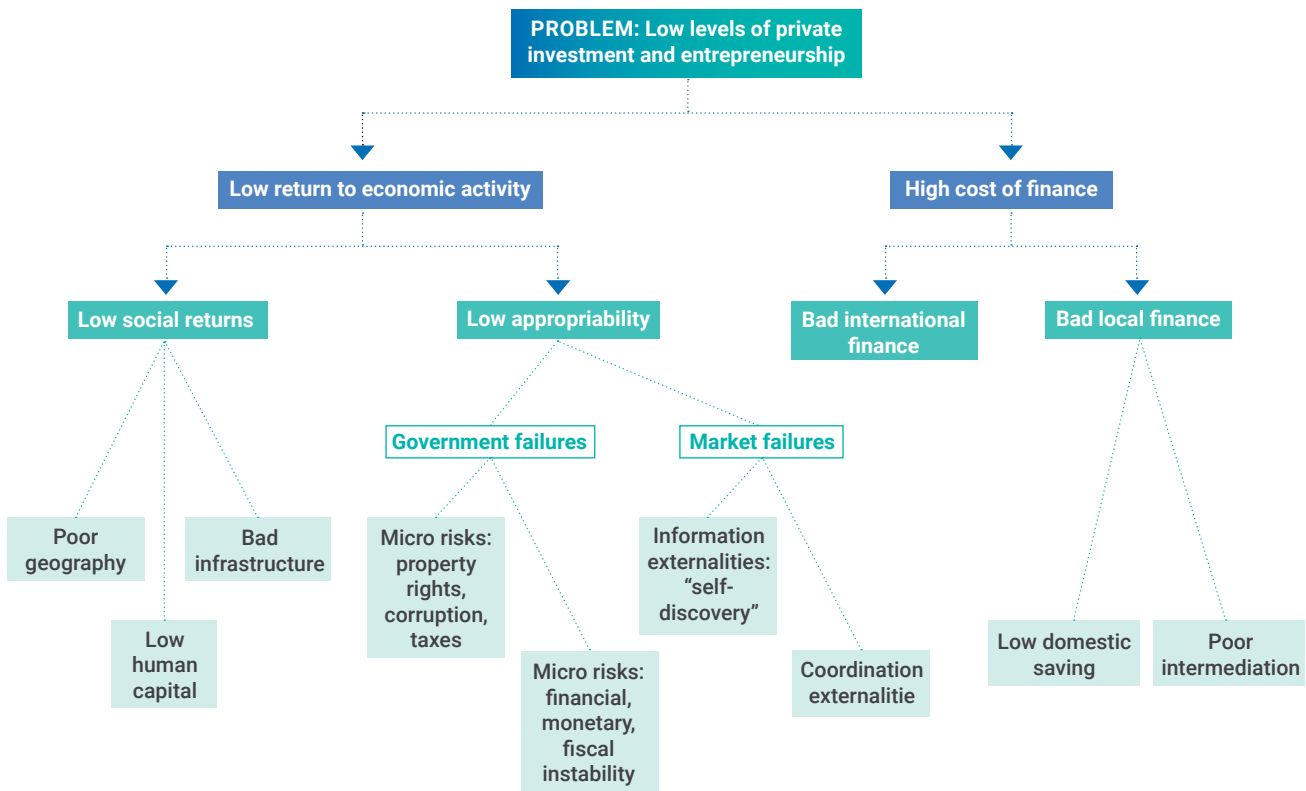
01

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



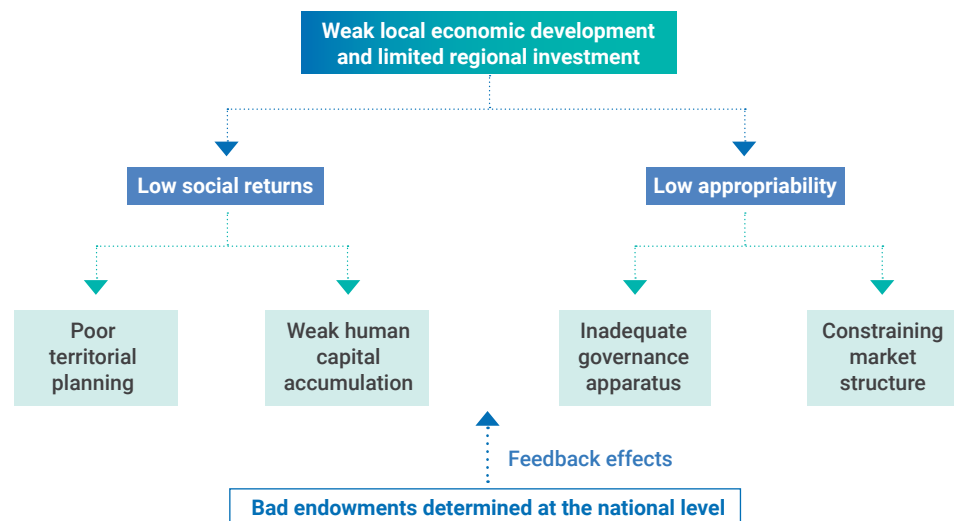
The tree diagram is employed following a bottom-up approach. For example, the private sector's inability to appropriate any available aggregate social returns (in other words, to absorb society-wide surplus) could possibly be explained by the state of investment in inputs such as human capital and infrastructure. Alternatively, low appropriation could perhaps be triggered by lower-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 hindering 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 that allows the constraints to 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 (2) major constraints, i.e. (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 of 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 the 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 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 UoM of Tyre. 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. 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 (600) households).</p> <p>Firm-level survey (One hundred twenty-seven (127) 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 (three (3) were strictly held at the level of the Tyre UoM).</p>	<p>Five (5) focus group discussions.</p> <p>The final assessment report.</p> <p>The policy paper.</p> <p>Three (3) KILs on land assessment (Three (3) mayors of municipalities in the Tyre UoM).</p> <p>Land assessment questionnaire to a sample of member municipalities (Six (6) respondents).</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), The National Physical Master Plan of the Lebanese Territory (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 28, 2021. Its main objective is to formally engage local officials in the LED process, present to them the preliminary findings, and identify any gaps. Beside the UN team and the experts who led the discussion, the meeting was attended by thirteen (13) local officials (mayors or vice mayors) and other actors (municipal staff such as engineers and administrative workers).

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 13, 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 nine (9) participants: six (6) members representing the private sector, educational/social sector, professional association, and NGOs as well as two (2) elected local officials, one (1) municipal staff member.

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 on the challenges and obstacles facing the region. To this end, the team conducted five (5) key informant interviews with experts and municipal staff on issues related to strategic planning, socio-economic conditions, and municipal governance. The KIIs, which were held in July and September 2021, were conducted with the following informants:

- Ali Dbouk (President of the cooperation of citrus, banana, and tropical fruits in South Lebanon).
- Ali Ezzedine (Mayor of Abbassieh Municipality and CEO of Association for the Development of Rural Capacities (ADR)).
- Hassan Dbouk (Head of Tyre UoM and Mayor of Tyre municipality).

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.

- Hassan Hammoud (Deputy Head of Tyre UoM and Mayor of Bourj Rahhal Municipality).
- Mortada Mohanna (Head of the Administrative Sector at Tyre UoM).

In addition, the team conducted five (5) focus groups discussions in September 2021 to validate the findings and identify the gaps with other actors. The aim of the FGD is to understand challenges and opportunities for local economic development in the Tyre 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 (two (2) participants were men, two (2) were women, none were non-Lebanese).
- Informal businesses still in operation (two (2) participants were men, four (4) were women, one (1) was Palestinian and none were Syrian).
- New business entrepreneurs (three (3) participants were men and five (5) were women, non were non-Lebanese).
- Closed businesses (one (1) participant was a man, four (4) were women, none were Palestinian and two (2) were Syrian).
- Unemployed youth (one (1) participant was man, five (5) were women, none were Palestinian, and one (1) was Syrian).

The FGDs had twenty-nine (29) participants, twenty (20) of whom were women and nine (9) were men.

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.

The **firm-level survey** was administered to one hundred twenty-seven (127) 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

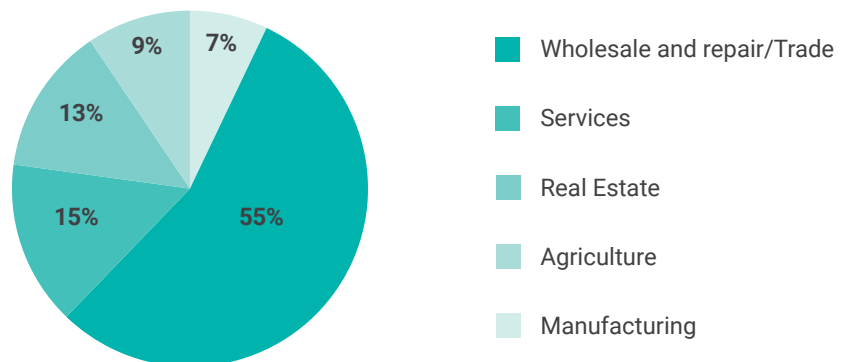
APPROACH	PURPOSE	LITERARY EVIDENCE
<p>Binding constraint analysis</p>	<ul style="list-style-type: none"> • We asked firms to rate the extent to which a certain business obstacle constrained their ability to conduct work from 1 to 4 (4 indicating “significant constraint”). • This approach accurately captures 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 (2007). (2) <i>Bolivian case</i> by Calvo (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 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> <ul style="list-style-type: none"> 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. That said, 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 (55 percent) belonged to the trade sector (wholesale & retail). Another 15 percent belonged to services, 13 percent to real estate, 9 percent to agriculture, and 7 percent to manufacturing (Figure 3).

FIGURE 3 Sectoral composition of firms in the Tyre UoM region



More than 82 percent of the firms in UoM Tyre region employed five (5) or fewer workers (full-time). The average firm employed four (4) workers and the median firm size was only one (1) worker. Only 35 percent of the sampled firms had been in business for fifteen (15) years or more, a figure much lower than that in Matn Union or Al-Fayhaa Union.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 (600) 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. Socio-economic situation and income.
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 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 (600) households were surveyed across twenty-six (26) cadasters. This includes a total of one thousand nine hundred fifty-three (1,953) individuals: five hundred ninety-seven (597) households are Lebanese, and the rest are Palestinian and Syrian. Of the sampled households, 87 percent are male-headed households and 13 percent are female-headed. 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.²⁸ This stratification was used in order to ensure that information is collected for deprived and non-deprived areas in a representative manner. Furthermore, such as 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 municipality was selected based on the distribution of the population in the Tyre UoM. Municipalities with a larger/smaller population were represented in higher/lower proportion in the sample. Table 4 shows the number of surveyed households by municipality in the UoM.

TABLE 4 Number of surveyed households by municipality in the Tyre UoM

AREA	VULNERABLE	NOT VULNERABLE
Abbasieh	40	
Ain Baal	20	
Alma El Chaab		10
Aytit		10
Barich		10
Batouliyah		10
Bazourieh		20
Borj El Chamali	81	
Chaaitiyeh		10
Deir Qanoun En Nahr		32
Jannata		10
Jouaiyya		31
Kniseh		10
Maarakeh		17
Maaroub		10
Mahrouna		10

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

AREA	VULNERABLE	NOT VULNERABLE
Qana		20
Qlaileh		20
Saddiqine		10
Selaa		10
Shhour		10
Srifa		10
Tayr Filsay		10
Tayr Harfa		10
Tyre	159	
Yarine		10
Total	300	300

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 one thousand nine-hundred fifty-three (1,953) individuals, almost equally divided between women and men. The average household size was 3.3 individuals.

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

		MEN	WOMEN
Heads of households	Number	523	77
	Percentage	87%	13%
Other adults in the household	Number	39	500
	Percentage	7%	93%
Children	Number	425	389
	Percentage	52%	48%
Total	Number	987	966
	Percentage	51%	49%

The survey questionnaire 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. Socio-economic situation and income.
7. Shocks and coping strategies.
8. Public and social services quality and provision.

The expert team then complemented survey analysis with thirty-four (34) key informant interviews (KIIs) 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. Particularly, three (3) KIIs were implemented in Tyre UoM region. These interviews were also useful to assess governance structure nationally, sub-nationally, and locally. To this end, the KIIs 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 Tyre UoM 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 the District of Tyre District.**
33. **Hassan Hamzeh, Manager of the Tyre Archaeological Site.**
34. **Abbas Khalil Awada, Mayor of Naqoura in the District of Tyre District.**

Out of the thirty-four (34) KII implemented, 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 (three (3) KIIs were specifically implemented at the level of the Tyre UoM).

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 forty (40) participants, thirteen (13) were women, three (3) were displaced Syrians, and seven (7) were Palestinian refugees. Annex 1.5 provides the protocol of the FGD.

TABLE 6 FGDs in Tyre UoM region

Event	Date	Profile	Number of attendees	Number of men	Number of women	Number of Syrians displaced	Number of Palestinian refugees
1	11 February 2022	Women and men in tobacco sector.	9	8	1	1	0
2	3 February 2022	Holders of formal and customary land rights in areas classified as natural reserves (can be residents, farmers, herders).	11	9	2	1	3
3	11 February 2022	Tenants (commercial, industrial, and residential) / another FGD can be with the owners of these premises.	7	5	2	1	2
4	11 February 2022	Cultural heritage and tourism sector.	5	2	3	0	0
5	3 February 2022	Healthcare sector.	8	3	5	0	2
	Total		40	27	13	3	7

The second track aimed to present the findings to both the MSPG and SLAT working group. On February 17, 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-three (23) participants.

Following the MSPG workshop, the team presented the findings to local officials in the SLAT workshop. The meeting, which was held on February 23, 2022, was attended by forty (40) 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 both 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 (SLAT) municipalities (six (6) municipalities in Tyre UoM responded) to gain a wider understanding of territorial planning in the area and its key constraints. Three (3) additional KIIs were held in March 2022 with three (3) mayors at the level 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 the tree diagram earlier (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 the Caza of Tyre in view of rapid urban growth, high number of Palestinian refugees and displaced Syrians (and Palestinians from Syria), insufficient infrastructure and public services, infringements on public and communal lands, and encroachments on the region's relatively preserved agricultural plain and natural sites.

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 Tyre UoM and the area's territorial planning challenges that hamper 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 (Urban Community of Al-Fayhaa, Tyre, and Northern, Coastal, and Central Matn).

3.1.1 Key Responsible National Institutions

²⁹ 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).

³⁰ UN-Habitat. 2018. “National Urban Policies Programme in Lebanon: Diagnosis Report.”

³¹ According to Article 2 of the urban planning code (Decree-Law 69 of September 22nd, 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.

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

³³ UN-Habitat. 2013. “Reforming Urban Planning System in Lebanon: Findings of the Research/ Assessment.”

³⁴ UN-Habitat. 2013. “Reforming Urban Planning System in Lebanon: Findings of the Research/ Assessment.”

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

³⁶ According to a KII conducted on November 1, 2021, with Ninette Fadel (Head of Unit at the Directorate General for Urban Planning (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.²⁹ 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 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 and units is limited to reviewing construction permits and documents before these are formally approved by the concerned local municipalities.³⁰ Instead, the Higher Council for Urban Planning (HCUP), headed by DGUP’s director,³¹ “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.”³²

3.1.2 Regulatory Instruments

Legislations related to urban and territorial planning also exhibit ambiguities and lack of clarity over institutional responsibilities.³³ 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.³⁴ 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.³⁵ This explains why DGUP has been inconsistent in implementing it—given the fact 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.³⁶

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, the function of a master plan 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.³⁷ 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.

Prior to 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 NPMPPLT classifications and specified the maximum allowable built-up ratios and building height for each one of them. 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.³⁸ 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.³⁹ 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.⁴⁰ 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.⁴¹

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.⁴² 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

³⁷ 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.

³⁸ MoE, UNHCR, UNICEF & UNDP. 2020. SOER Report. Lebanon State of the Environment and Future Outlook: Turning the Crises into Opportunities. Chapter 7 (Haphazard Urbanization).

³⁹ KII with Ninette Fadel, Head of Unit at the Directorate General for Urban Planning (DGUP), November 1, 2021.

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 For more information and examples, refer to the article of Nermine Sibai (October 7, 2014), the Legal Agenda:

نرمين سباعي، قانون حماية البيئة في لبنان: تشريع رمزي يتخبط بين المصالح السياسية وضعف الإدارة.

⁴² 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.⁴³ 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.⁴⁴ 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.⁴⁵

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.

⁴³ These neighbourhood profiles are accessible on this link: <https://lebanonportal.unhabitat.org>.

⁴⁴ Based on discussions with several urban planning practitioners.

⁴⁵ 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 NPMPPLT 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.

⁴⁶ Article 4 of Lebanon's urban planning code (Decree-Law 69 of September 22nd, 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 NPMPPLT final report (2005) mentions that the recommendations of the NPMPPLT, "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.

⁴⁷ UN-Habitat. 2018. "National Urban Policies Programme in Lebanon: Diagnosis Report."

⁴⁸ The preamble of May 23'd, 1926 Constitution and amendments states that "the economic system is free and ensures private initiative and the right of private property".

⁴⁹ See for example, The Political Economy of Lebanon 1948-2002, the Limits of Laissez-faire by Toufic K. Gaspard, Brill, 2003.

⁵⁰ 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 NPMPPLT definition it refers to the geographic area between Dbayeh and Khaldeh, below 400 meters of altitude.

⁵¹ This is indeed confirmed by the joint CAS and ILO 2019 survey.

⁵² 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.

⁵³ 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 NPMPPLT 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.⁴⁶ 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.⁴⁷

Local physical master plans that do not comply with the NPMPPLT 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",⁴⁸ but which has been criticized as a *laissez-faire economy*,⁴⁹ 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 NPMPPLT 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 region⁵⁰ and other coastal urban agglomerations, such as Tripoli, Jbeil, Saida, and Tyre,⁵¹ 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.⁵²

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.⁵³ 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 the existing challenges, exerted additional pressures on an already crumbling infrastructure and public service system, and exposed the deficit in decent

and affordable housing.⁵⁴ 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.

There is **dearth of strategic territorial development plans** that seek to reconcile economic, social, and environmental objectives. The few 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.⁵⁵

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 contributes 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 privilege the interests of more affluent groups and that usually lead to gentrification and social exclusion.

⁵⁴ 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/Housing_LandandPropertyIssues_inLebanonFINAL.pdf.

⁵⁵ 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:⁵⁶

- 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.⁵⁷ 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.⁵⁸ It is believed to be 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.

⁵⁶ 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).

⁵⁷ World Bank. 2018. "Lebanon Municipal Investment Program." Project Information Document/Integrated Safeguards Data Sheet."

⁵⁸ Based on the findings of the FGDs, the firm level and the human capital surveys.

⁵⁹ 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 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.⁵⁹
- **Technical requirements** regarding land size and lease period can lead to project delays and stoppages if available lands 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** play 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.⁶⁰

3.2 TERRITORIAL PLANNING AND DEVELOPMENT IN TYRE UoM

This sub-section examines the specific territorial planning and development challenges in Tyre 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 challenges based on Key Informants Interviews (KIIs), the SLAT and MSPG workshops in Tyre UoM, Geographic Information System (GIS) land use/cover comparatives maps,⁶¹ 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.⁶²

3.2.1 Existing Territorial Planning Frameworks and Other Key Studies

A. THE NPMPPLT

As for other areas in Lebanon, the NPMPPLT has put forth a set of directives to guide the development of the city of Tyre and its hinterlands. It presented Tyre as one of Lebanon’s two (2) major historical cities and identifies the tourism and agriculture sectors as key drivers of economic development in the region.

In support of tourism development, the plan advocated the protection of the cultural heritage and archaeological relics of Tyre’s urban area and its natural landscapes and attractive beaches—including the old city of Tyre and its fishing port, as well as the entire coastline of Tyre district. In addition, it proposed the establishment of a natural park south of the city with a “green and blue network” stretching from the Ras El-Ain Springs to the white cliffs of El-Bayada and the heights of Naqoura.

Simultaneously, the NPMPPLT acknowledged the importance of Tyre’s agriculture sector as the main economic asset of south Lebanon that benefits Lebanon at large. Besides reinforcing the agriculture sector, the plan recommended the diversification of Tyre’s economic base by reinforcing all existing productive economic activities in the city and its hinterland.

B. THE STRATEGIC SUSTAINABLE REGIONAL DEVELOPMENT PLAN (SSRDP)

A strategic plan that provides a more specific future direction for the sustainable territorial and socio-economic development of the Caza of Tyre at large was launched in 2014 and completed 2015. This plan—The Strategic Sustainable Regional Development Plan (SSRDP)—conforms with the principles of the NPMPPLT. It underlines the principles of balanced development between

⁶⁰ Based on the SLAT discussions and interviews with key informants in the three UoMs covered by the LED assessment.

⁶¹ 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.

⁶² The questionnaire was issued to all municipalities who participated in the SLAT workshops. Only six (6) municipalities responded.

different sectors of the economy, environmental protection, and rationalized land use and urban expansion.⁶³ Like the NPMPLT, it focuses on the significant role of Tyre's natural and cultural assets and proposes several thematic and sectoral interventions that would help stimulate the local economy, improve social cohesion, and enhance the life quality of the district's residents.

The SSRDP's overarching economic objective is to "revitalize the economy of the Qada' [of Sour] by creating a cluster of multi-sector establishments which work together toward a common economic vision, creating value added and job opportunities."⁶⁴ To meet this objective, it proposes a number of priority small projects in the agriculture, manufacturing, and trade sectors that can be realistically implemented in the short-to-medium terms. These include agriculture extension to farmers and establishing storage, refrigeration, and packaging facilities for banana and citrus; a pilot fish farm; a pilot dairy and cattle flesh farm; a modern olive press, bottling, and labeling facility; and a facility for the packaging, labeling, and distribution of honey. These interventions tried to address the needs of the whole union and remain relevant today, but new priorities have also emerged to which effect the UoM is currently in the process of updating this plan.⁶⁵

C. OTHER KEY PROJECTS AND STUDIES

The most significant project implemented in Tyre in recent years is the Cultural Heritage and Urban Development (CHUD) project. Major on-going project-based studies that support local economic development in Tyre district include:

- The South of Litani strategic plan funded by the Agence Française de Développement (AFD), which aims to identify the main challenges that affect the wellbeing of the south of the Litani area (economic, environmental, social, political, and institutional), and accordingly develop an immediate response plan and a comprehensive short-to-medium development strategy for the area.
- The Local Development Programme along the Litani River Basin, a territorial development project funded by the Economic and Social Fund for Development (ESFD) with the aim reducing the degradation of natural resources and improving of living conditions and resilience of the local population along the Litani river basin.
- The Economic and Urban Resilience in Lebanon program (PEURL), a joint program of AFD and the European Investment Bank, which focuses on developing Tyre's public transportation.⁶⁶

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

A. UNBALANCED GROWTH AND A BLURRED VISION OF THE FUTURE IDENTITY OF THE REGION AND HOW TO DEVELOP ITS MAIN ECONOMIC PILLARS

The development of Caza of Tyre has been highly uneven in view of its sensitive border location. The majority of the Caza population and most economic activities and services are concentrated in the coastal zone. The towns and villages of the hinterland—mainly those along the border—are generally marginalized and neglected, albeit characterized by a relatively well-preserved pristine landscape and productive agricultural lands. Despite the relatively better situation of the coastal corridor, its development has also been lopsided. Host to three (3) large Palestinian camps (El-Bass, Jal el-Bahr, el-Rashidieh) and informal out-of-camp Palestinian concentrations (Bourj el-Shemali, Al-Maachouk, and Chabriha), the city of Tyre and surrounding urban area (Ain Baal, Al-Abbassieh, and Bourj El-Shemali) have long been confronted with critical socio-economic challenges. The influx of displaced Syrians and Palestinians from Syria into the area after 2011 has exacerbated these challenges and exerted addition pressure on its already overloaded infrastructure and public services.⁶⁷ Lebanon's

⁶³ The SSRDP's guiding vision for the Tyre district states that: "In 2035, the Qada' of Tyre is Lebanon's seashore and its orchard. It enjoys a balanced development that increases economic efficiency and raises productivity. This development relies on the sustainable use of natural resources (land, water, and agricultural soil) and on the valorization of cultural and historical heritage. This kind of successful and balanced development is made possible by rationalized land use and urban expansion and economic activities that abide by environmental guidelines. The cities and towns of the Qada' are lively and serviced by appropriate infrastructure networks and public spaces. The Qada' has become a cultural and touristic pole that holds a unique place in Lebanon and the region as well as an agricultural and nutritional reservoir."

⁶⁴ CRI, ECODIT, IAURIF, and H. Debs. "Elaboration of a Strategic Sustainable Regional Development Plan (SSRDP) for the Caza of Tyre."

⁶⁵ Tyre SLAT workshop on February 23rd, 2022.

⁶⁶ Tyre is one of PEURL's nine (9) urban areas of it works on in Lebanon.

⁶⁷ UN-Habitat. Tyre City Profile. Published in 2017.

deepening crunch is further intensifying the problem in both the urban and rural areas of the caza and is increasingly challenging local authorities to respond to urgent local needs.

Although municipalities' attention is focused today on emergency responses, there is a general awareness at the UoM level of an equally urgent need for developing medium-to-long term territorial planning strategies to guide the future growth and development of the area in a sustainable way.⁶⁸ The prime concern of municipal authorities in this regard is to ensure a balanced geographic distribution of development projects between the coastal towns and the inner (mostly rural parts) of the union. There is also a consensus among local actors that agriculture/ horticulture and tourism are the two (2) main sectors of local economic development. It seems, however, that there is no agreement yet on what type of tourism is to be prioritized and on why and how to protect the agriculture sector from spontaneous urbanization.

There are no detailed studies and plans to guide the location of investments. The NPMPPT only provided some directives but the fact that it marked Tyre's coastal plain as a main agricultural area has led some local authorities to think that it aimed to restrict prospects for coastal tourism in the area. For similar reasons, the master plan issued by HCUP on 26/3/2003 for the southern coastal region (extending from Ras al-Ain to Naqoura) was resisted by local authorities and landlords and, hence, discarded—noting that this plan classified the southern coastal plain as an agricultural zone (which restricts allowable construction). A new master plan that strikes “a balance between construction and nature” is currently under preparation. It aims to incentivize private investments, mainly in beach tourism and eco-tourism as well as in the agriculture and fishing sectors.⁶⁹

Notwithstanding the different points of view regarding the co-presence of agriculture and tourism in the area, it is obvious that the economic potential of both sectors remains untapped. The SSRDP proposed development projects that boost both sectors but were not implemented due to Lebanon's emerging circumstances and/or lack of funding.⁷⁰ Conversely, the availability of funding has sometimes resulted in the implementation of projects that have no clear purpose. This is the case of the cultural center in Chamaa which was constructed without a feasibility study. The center was not able to attract people in view of its location. The most suitable future function for it remains unclear until the moment.⁷¹

B. UNREGULATED URBAN GROWTH LEADING TO LAND COVER LOSS AND INADEQUATE LAND USE TRANSFORMATIONS, WITH MAJOR THREATS TO AGRICULTURE

Despite being an intrinsic part of its identity, Tyre's agricultural plains and natural landscape are threatened by unregulated expansion. The chaotic urban growth of Tyre urban area in the last two (2) decades, coupled with poor land management, has been at the expense of its agricultural plain which creates a “natural green belt” around it, and which is a main source of income for thousands of families.⁷² Particularly the north-eastern part of the district expanded rapidly and chaotically during the Lebanese civil war and after the liberation of South Lebanon from Israeli occupation in 2000. It has today the highest density of towns and villages. Conversely, the district's southern part has not been subject to the same demographic and economic growth pressures as other parts, and, hence, has more well-preserved agricultural lands and natural spaces.

Increasingly, however, many large agricultural lands close to the city of Tyre are being subdivided by their owners into smaller parcels and turned into attractive residential and commercial areas.⁷³ This would dramatically affect the future of the Tyre agricultural plain. Urbanization in the district is taking a radial form whereby many villages and towns are growing along main roads, or “urban corridors.” According to the SSRDP report (2015), such patterns of urban growth are posing a challenge to: 1) protecting agricultural land, 2) improving the urbanization process; and 3) developing the existing natural and cultural heritage's potential in sustainable ways.

⁶⁸ Tyre SLAT workshop on February 23rd, 2022.

⁶⁹ KII with Abbas Awada (Naqoura municipality mayor) on December 3rd, 2021. The plan is under discussion at a municipal level and not available yet.

⁷⁰ One of these projects, ‘Dar Sour’— aims to provide a permanent exhibition and marketing venue of the products of the area—is the project prioritized by the UoM for implementation (possibly with support through the MERP Project).

⁷¹ KII with Hassan Hammoud (Borj Rahhal municipality mayor and Tyre UoM vice president) on September 14th, 2021.

⁷² CRI, ECODIT, IAURIF, and H. Debs. 2015. “Elaboration of a Strategic Sustainable Regional Development Plan (SSRDP) for the Caza of Tyre.”

⁷³ Large-land holdings in the coastal plain of Tyre Caza are described by some residents as remnants of the feudal system of land governance, whereby few families own most of the lands. For example, the Osseiran family owns 90 percent of Borj Rahhal lands (Borj Rahhal mayor and Tyre UoM vice president Hassan Hammoud, March 2nd, 2022).

Indeed, land use/land cover comparative maps for 2003 and 2017 show a significant decrease in grass land and a reduction in agricultural areas (around Litani river, Maaroub and surroundings). On the contrary, there has been substantial increase in built up areas in the same period. Municipalities whose agricultural land was cut down by more than 15 percent between 2003 and 2017 are Arzoun (36 percent), Srifa (28 percent), Maarakeh (23 percent), Al-Majadel (23 percent), Deir Qanoun En Nahr (22 percent), Derdghaiya (18 percent), Al Bayyad Tyre (18%), Tayr Falsay (18%), Halloussiyeh (16 percent), and Qana (15 percent). With the exception of Qana, all are located to the northeast of the city of Tyre. Significantly the introduction of new roads that connect rural areas with the city of Tyre has fragmented the landscape and instigated changes in land use along the main arteries. Further investigations show that the introduction of agricultural roads has also triggered land use changes from agricultural to residential and/or commercial uses whereby three (3) of the above-mentioned towns, the closest to Litani river, got legal approvals for planning agricultural roads through their territory, i.e., Deir Qanoun En Nahr in 2000, Halloussiyeh in 2012, and Tayr Filsay in 2013.⁷⁴

⁷⁴ Based on Matn SLAT workshops on July 23, 2021, and February 21, 2022.

TABLE 7 Land use/ cover surface areas and percentages in Tyre UoM in 2003 and 2017

Land use/cover	2003		2017	
	m ²	Percentage	m ²	Percentage
Agriculture	170,356,712	51.2	158,528,899	47.7
Wooded lands	95,856,565	28.8	86,041,316	25.9
Grass lands	43,008,358	12.9	11,861,369	3.6
Artificial areas	21,139,185	6.4	49,824,768	15.0
Other	2,066,571	0.6	26,171,040	7.9
Total area	332,427,392	100	332,427,392	100

FIGURE 4 Municipalities in Tyre UoM whose agricultural land was cut down by more than 15 percent between 2003 and 2017

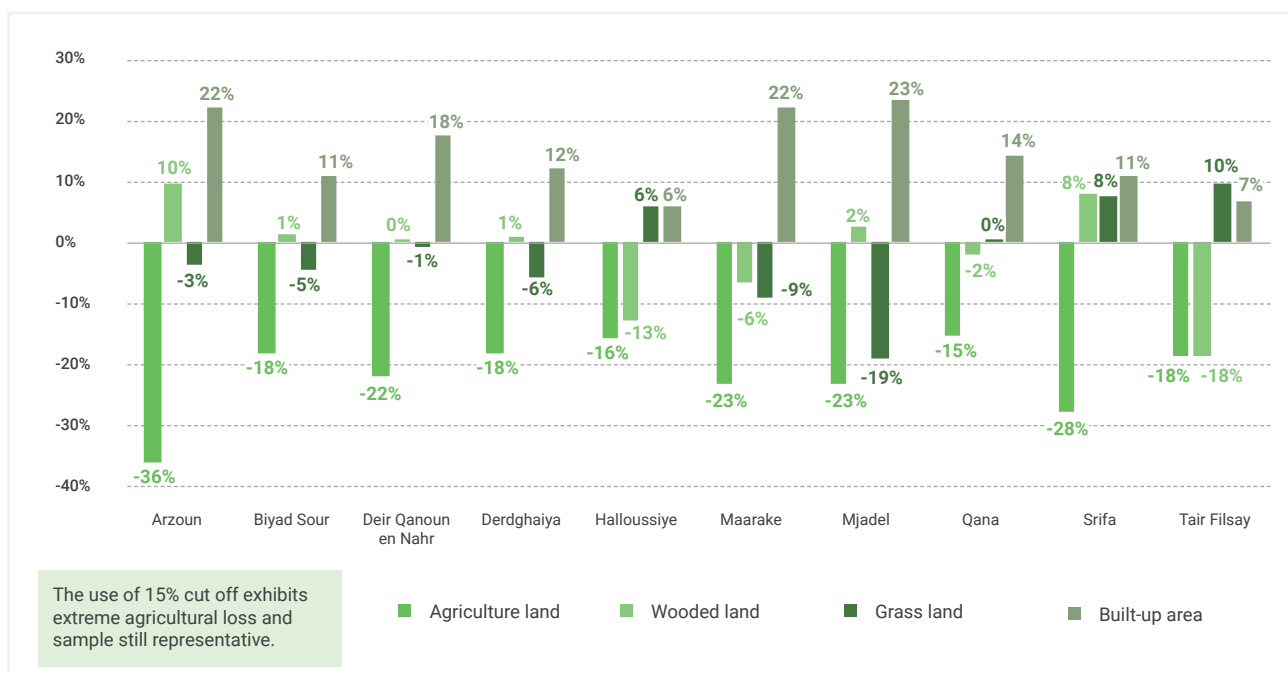


FIGURE 5 Land use/ cover in Tyre UoM in 2003

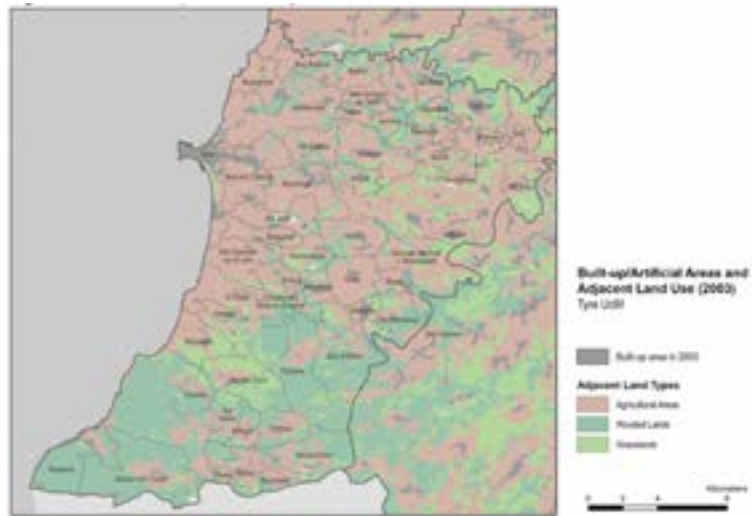


FIGURE 6 Land use/ cover in Tyre UoM in 2017

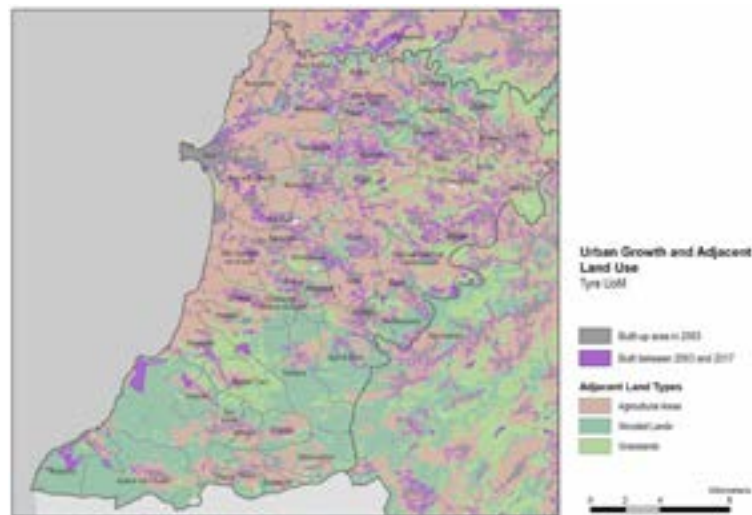


FIGURE 7 Agricultural and natural area in Tyre UoM in 2003

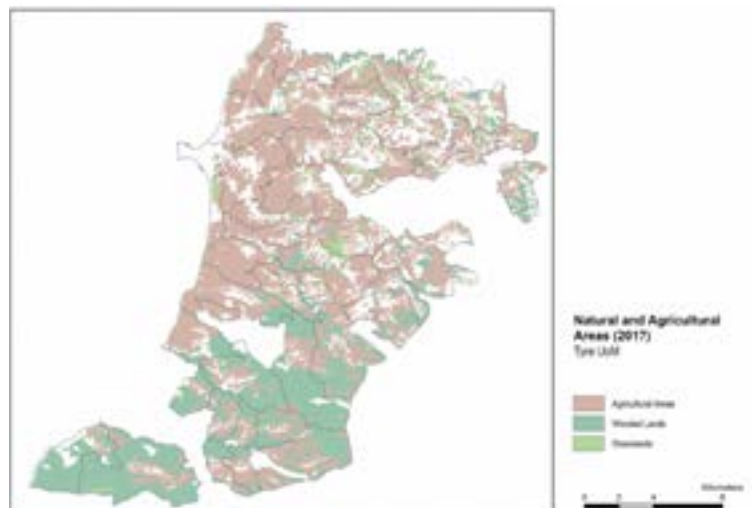
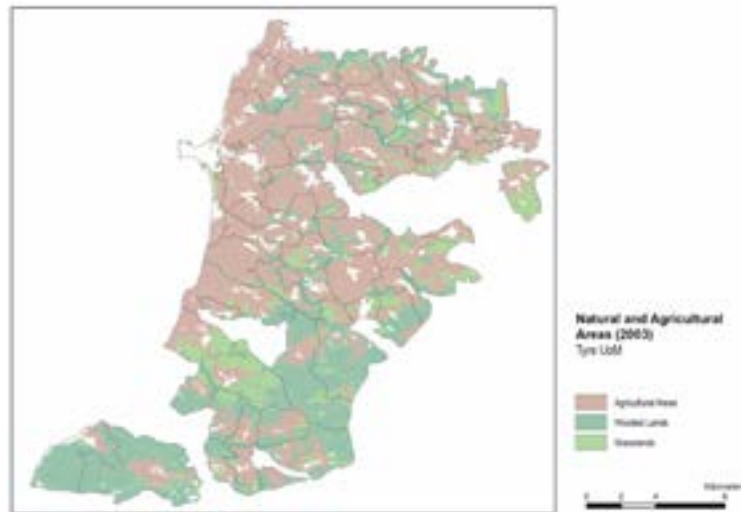


FIGURE 8 Agricultural and natural area in Tyre UoM in 2017



There are no recent readily available land use/cover maps to allow a comparative analysis of today's situation with that of 2017 but there are indicators that it is getting worse. Crucially, illegal dumping is increasing the probability of wildfires with significant adverse effects on the landscape. For example, the wildfires of summer 2021 severely affected Wadi Zebqeen—a natural site of high ecological importance that MoE has been considering declaring as a natural reserve. Chaotic legal decisions that “legalize” illegal construction and/or allow higher built-up in unplanned areas and some planned areas, without going through the regular permitting process and without paying the construction permit fees, can lead to more dramatic impacts on the landscape and productive lands—even if such decisions are seen by some mayors as a good mechanism to stimulate the economic cycle in their towns.⁷⁵

Lebanon's financial and economic crisis has hard hit the agricultural sector, which is described by many local people to be in a “tragic state”. Without adequate government guidance or support, and unable to sell their produce, small landholders have long experienced economic losses. This pushed many of them and/or their children to leave their land. In 2018, the TA'CIR project, which was implemented in ten (10) towns, identified the key challenges of the rural towns of south Lebanon to include:⁷⁶

- Decline of farmers' income and spread of crop diseases leading to land abandonment.
- Seepage of the sewage into the soil and contamination of agricultural produce, which causes the spread of human diseases.
- Lack of agriculture extension and no accessible supportive facilities (e.g., olive presses).

Farmers' situation, particularly those who rely on rainfed crops, is more critical today. It is becoming very expensive for them to buy fertilizers and seeds and to grow plants. Irrigation water management is also becoming very difficult in view of the fuel problem and lack of electricity.⁷⁷ These challenges are leading some people to abandon their land, or parts of. Those who rent land, particularly tobacco farmers, are in a very disadvantaged position as rental prices and labor costs have also escalated. To cope with the situation, some are shifting from tobacco plantation to other crops (mainly beans, wheat, and barley), but again without any support or guidance.⁷⁸

Irrigation water availability and water security are major concerns to the farmers of Tyre District, especially that the Litani River Canal (Conveyor 800) that feeds the area has not been implemented yet. Small farmers are the ones suffering most. In Yanouh, for instance, those with more money and connections are managing to get licenses to dig artesian wells in their lands even though

⁷⁵ Based on a discussion in a SLAT workshop on February 23rd, 2022.

⁷⁶ The TA'CIR project was implemented by the Agency for Technical Cooperation and Development (ACTED) in 2018 in partnership with Shield, Akkarouna, and Lebanon Support in the towns of Deir Qanoun En-Nahr, Qlaileh, Maarakeh, Maaroub, Saddiqine, Srifa, Taysr Debba, Zebdine, Al-Abbassieh, and Borj Rahhal.

⁷⁷ FGD with eleven (11) participants working in the agriculture sector in Tyre UoM (nine (9) men and two (2) women) conducted on February 3rd, 2022.

⁷⁸ FGD with nine (9) tobacco farmers in Tyre UoM (eight (8) men and one (1) woman) conducted on February 11th, 2022.

wells are prohibited by law in the area (being within a radius of 1,000m from an existing water station).⁷⁹ These wells are arguably needed in the absence of alternative irrigation solutions and lack of electricity to operate the water station pumps. However, they are likely to have long-lasting negative impacts on agriculture as they are being executed without plans for groundwater replenishment.

Crucially, Lebanon's financial and economic crisis is also contributing to the dispossession of small farmers and disturbing existing land use patterns. According to several key informants, wealthy expats and/or those who have some liquidity and do not want to keep it in local banks, are buying land cheaply in South Lebanon from those in dire need of cash. In the town of Yanouh, to take it again as an example, agricultural land became a speculative investment after the completion (in 2018) of a wide road that connects it with surrounding towns. Lebanon's crisis accelerated land sale. More than 10 percent of the town's agricultural lands were sold in 2021 to people from outside Yanouh. According to Yanouh's mayor, the new landowners are investing in the land in a "savage way" and most of them have no real interest in agricultural reclamation. Some claim that they want to plant olives but end up constructing on the land after excavating it and removing its fertile soil.⁸⁰

According to another key informant, "the Lebanese emigrants are no different from the feudal landlords". They have long been interested in buying land, mainly for construction purposes, which led to an artificial increase in property prices. This explains why large-land holdings along the coast (owned by a few families) are increasingly getting subdivided by their owners. This does not mean that well intentions do not exist. In some areas, investment in agricultural land has increased and there are many agricultural lands awaiting reclamation.⁸¹

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

There are major transgressions in the Caza of Tyre on land that falls under the private domain of the state (mainly on communal lands referred to as *al-masha't al-jamhuria*) as well as on the public domain land of the state (including the maritime and riverine public domains and the railway domain). The problem exists in most towns, where both the rich and the poor benefited from Lebanon's weak land administration and infringed on these lands. Delays in land surveys and delineation encouraged transgressions. Corruption and legal decisions that allowed the settling of building violations have also contributed to the loss of communal lands in many towns and villages.⁸²

This reality makes it difficult for local authorities to leverage state lands for projects serving the public good. Both urban encroachments and the expansion of the agricultural frontier onto these lands by owners of adjacent plots are exacerbating the challenge. Reclaiming communal lands from violators is not easy. It is hard to demolish illegal construction when the occupiers are well-off and politically backed. It is also considered unfeasible, and socially-unjust, to remove vulnerable groups without providing them with alternative housing solutions—knowing that some poor violators have been living for decades in miserable conditions in rocky areas that do not have a developmental potential.⁸³

The entanglement of property rights and unclarity of land boundaries can aggravate the problem in cases of arbitration. For example, Borj Rahhal municipality filed a lawsuit against the violator of its *mushaa* land, but the real estate judge could not decide on the case and did not rule in favor of the municipality.⁸⁴ Amicable settlement of land disputes might sometimes lead to more favorable results. This happened in Al-Abbassieh, where the municipality was able to reclaim five (5) *dunums*⁸⁵ of its *mushaa* land from the owner of an adjacent agriculture land (*bustan*) and to

⁷⁹ Whatsapp call with Ali Jaber (Yanouh municipality mayor) on March 1st, 2022.

⁸⁰ Whatsapp call with Ali Jaber (Yanouh municipality mayor) on March 1st, 2022.

⁸¹ Based on a KII with Hassan Hammoud (Borj Rahhal Mayor/ Tyre UoM vice president) on September 14th, 2021.

⁸² Based on discussions with several key informants.

⁸³ Based on discussions with several key informants.

⁸⁴ Based on an interview with Hassan Hammoud (Borj Rahhal Mayor/ Tyre UoM vice president) on March 2nd, 2022.

⁸⁵ A donum is equivalent to one thousand (1,000) square meters.

turn them into a public garden planted with olive trees. The settlement process was relatively easy as the violator only planted on the *mushaa* land and did not build on it. To resolve the issue, the mayor gave the violator water to irrigate his *bustan* and took the *mushaa* land back from him. Following a similar approach, the municipality managed later to reclaim twenty (20) *dunums* and installed on it ten (10) greenhouses with the support of UNDP.⁸⁶ Al-Abbassieh also planted carob on the roadsides and rented them for local farmers. Although these are small initiatives, local people seem to appreciate them. According to participants in focus discussions, the municipality has revenue now and farmers can work and have economic opportunities.⁸⁷

⁸⁶ Based on an interview with Ali Ezzeddine (AL-Abbassieh municipality mayor) on November 23rd, 2021.

⁸⁷ Based on a FGD with eleven (11) participants working in the agriculture sector in Tyre UoM (nine (9) men and two (2) women) conducted on February 3rd, 2022.

⁸⁸ Responses to the questionnaire.

⁸⁹ Based on an interview with Mortada Mhanna (Head of Administrative sector at Tyre UoM) on September 16th, 2021 (also confirmed by some of the mayors who responded to the questionnaire).

⁹⁰ Translation in English of the Arabic expression “عموم أهالي البلدة”. Based on an interview with Hassan Hammoud (Borj Rahhal Mayor/ Tyre UoM vice president) on March 2nd, 2022.

⁹¹ WhatsApp call with Kassem Haidar (Tayr Harfa municipality mayor) on March 4th, 2022.

⁹² If the land of “*matruka murfaqa*” type is already private ownership of municipality it just needs clearance from MoLM to make sure that “*Huquq el ghayr*” attached to the land (given that it is communal) have not been affected.

⁹³ Based on a WhatsApp call with Mortada Mhanna (Head of the administrative sector in Tyre UoM) on March 8th, 2022.

⁹⁴ Hassan Dbouk (President of Tyre UoM) during the Tyre SLAT on February 23rd, 2022.

⁹⁵ Based on an interview with Hassan Hammoud (Borj Rahhal Mayor/ Tyre UoM vice president) on March 2nd, 2022.

⁹⁶ Based on an interview with Hassan Hammoud (Borj Rahhal Mayor/ Tyre UoM vice president) on March 2nd, 2022.

⁹⁷ Based on an interview with Ali Ezzeddine (AL-Abbassieh municipality mayor) on November 23rd, 2021.

Lebanon’s descent into crisis leads many municipalities to consider leveraging private domain state land—when these lands are available—for much needed local development projects. There are, however, a host of barriers (legal, administrative, and financial) that prevent them from putting these lands into productive use, including lands of the “*matruka murfaqa*” legal type.⁸⁸ Article 7 of Lebanon’s property law (Decision no. 3339 of 12/11/1930) stipulates that land of the “*matruka murfaqa*” type is considered the private property of municipalities when it falls within their administrative boundaries. In practice, this is not happening as the transfer of land from the state (Ministry of Finance) to municipalities is administratively and politically complex.⁸⁹

It can even be more complex for municipalities to benefit from communal lands of the *matruka murfaqa* type that fall within their administrative boundaries when these lands are registered in the name of “all the town’s people”.⁹⁰ Based on Lebanon’s property law, this kind of designation is only applicable in what was historically known as “Mount Lebanon Mutasarrifate”. If such designations are found today in South Lebanon, it is because they were recorded as such during the land surveying and delineation process that took place after the liberation of South Lebanon. This is, for example, the case of Teir Harfa, where the municipality intends to plant pine and carob trees on a *mushaa* land of the *matruka murfaqa* legal type. According to Tayr Harfa mayor, it is unlikely that any person in the town would object.⁹¹

The only way municipalities can benefit today from private domain state lands (including lands of the “*matruka murfaqa*” type) which is still formally registered in the name of the Lebanese Republic is through an allocation process (*Takhsiss*) to be approved by CoM on the proposal of MoF.⁹² The allocation is in principle easy, but it is influenced by politics. Municipalities requesting land allocations often face administrative hurdles, and it takes them a lot of time to get the required approvals, and sometimes their requests remain unanswered. Moreover, once municipalities are allocated the land, they need to implement their proposed project within a specified period (typically seven (7) years) and for the same purpose they were allocated the land for. If they fail to do so, then MoF/the concerned ministry can take the land back from them.⁹³ This period is considered relatively short as securing all necessary approvals takes time. For example, it took Tyre UoM six (6) years of discussions before they got all required approvals to proceed with implementing a proposed sanitary landfill project in Nafakhieh.⁹⁴ Tyre UoM has a plan to construct other small solid waste facilities on *Mashaa’ Jamhuri* and it is unknown how long the process of getting the approval of concerned ministries would take. One of the proposed facilities will be implemented in Al-Abbassieh on municipal owned property. While this is an easier case, the EIA process required by the MoE might, can cause project delays.⁹⁵

The fact that Al-Abbassieh has private municipal lands, and a large expatriate population, is certainly an advantage. According to some key informants, solar power permitting process usually takes a long time due to administrative bureaucracies. It was, however, quick in Al-Abbassieh as the system was installed on municipal owned land and the funding was provided by a private donor (an expatriate). In twenty (20) days the first solar power station was operational (one hundred twenty (120) horses), and a second station was completed shortly after.⁹⁶ The municipality has also allocated land for establishing a center for medical waste treatment, which is fully operational, and working at full capacity.⁹⁷

Al-Abbassieh is also case in point when it comes to protecting significant natural sites from transgressions and urban encroachments, but not the only one. Thanks to civil society efforts and proactive mayors and council members, the MoE declared two (2) coastal sites in Caza Tyre as natural reserves: Tyre Coast Nature Reserve (TCNR), which is a natural reserve and a Ramsar site (established by Law no. 708 of 1998); and al-Baqbouq in Al-Abbassieh (which was established by Law no. 170 of 2020). There are also two (2) coastal *hima* sites: Hima Qoleileh (declared by The Society for the Protection of Nature in Lebanon [SPNL] and the concerned municipality in 2006), and Hima Mansouri (declared by SPNL and the concerned municipality in 2008).⁹⁸ Efforts are also on-going to declare Wadi Zebqeen as a natural reserve. In addition, the NPMLT has identified the coastal area—exact boundaries have yet to be defined—extending from Ras El-Ain Springs (south of the city of Sour) to the white cliffs of Bayada and Naqoura as one (1) of seven (7) potential future regional parks to be implemented across the Lebanese territory.

Besides having an ecological importance and a tourism potential, all the above-mentioned sites, present valuable livelihood opportunities to fishers and divers. Hence, preserving and protecting them from pollution, misuse, and transgression; ensuring their sustainable management is of utmost importance for present and future generations. To be more specific, the success of the Baqbouq natural reserve is contingent on the success of adjacent wastewater treatment project, which is still not operational due to electricity issue and overflow (given that wastewater and rainwater are mixed). The success of Tyre natural reserve is also linked to the success of wastewater discharges to the sea, which would require integrating Rashidieh camp—which cuts the reserve into two (2) segments— in the reserve’s beach management plan.⁹⁹

Lebanon’s crisis is forcing municipalities to think today of productive projects that can improve their revenues without waiting for their dues from the Independent Municipal Fund. Although most municipalities do not have comprehensive socio-economic studies, and sometimes clear cartographic maps, they do have some **ideas and suggestions on how to put state lands into effective use**. Proposals include using them for affordable housing, afforestation, greenhouses, public gardens, water ponds and fish farming.¹⁰⁰ Particularly small projects in the agriculture sector seem to be well-received by municipalities, such as greenhouses and beekeeping projects.¹⁰¹

Qana municipality for example is now in the process of building a farmers’ market (with funding provided by MERP) on its *miri mushaa* and intends to develop sports projects and reclaim part of the land for agriculture. The municipality of Qana has also recently established a reforestation project for a significant part of approximately one hundred twenty (120) dunums and planted it with forest trees (pine, carob, and timber) in cooperation with the Shield Foundation and the Reforestation Association in Lebanon.¹⁰²

Some municipalities have waqf land in their towns and count on Awqaf to invest in projects that support town development and serve the public good (mosques, affordable housing, planting with olives and carob, sports fields, halls for communal use and religious occasions (known as Husayniyat).

3.3 CONCLUSIONS AND POLICY RECOMMENDATIONS

This section of the report addressed the role of territorial planning in local economic development in Tyre UoM. It underlined the presence of important cultural and natural assets in the union (e.g., agricultural lands, natural reserves, beaches, archeological ruins etc.) 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

⁹⁸ As described by Society for the Protection of Nature in Lebanon (SPNL), “Hima means protected area in Arabic; it is a community-based approach used for the conservation of sites, species, habitats, and people in order to achieve the sustainable use of natural resources”. <https://www.spnl.org/hima/>.

⁹⁹ Based on an interview with Hassan Hamzeh (Manager of Tyre Archaeological Site, affiliated with Tyre UoM) on November 23rd, 2021.

¹⁰⁰ Based on the responses of six (6) municipalities to our land questionnaire.

¹⁰¹ Mercy Corps supported such projects in the area with the aims at improving the income of individuals (according to Tyre UoM vice president Hassan Hammoud, in a KII, on September 14th, 2021).

¹⁰² Qana municipality’s response to the issued land questionnaire.

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.”¹⁰³ 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”.¹⁰⁴

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’”.¹⁰⁵ 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).
- **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.¹⁰⁶ 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*,¹⁰⁷ the role of agricultural cooperatives, and land trusts), and strengthening multi-level collaborations.

¹⁰³ Definition advanced in 1987 by the United Nations Brundtland Commission.

¹⁰⁴ UNDP. What Does it Mean to Leave No One Behind? A UNDP Discussion Paper and Framework for Implementation. Published in 2018.

¹⁰⁵ United Nations Convention to Combat Desertification (UNCCD). 2017. Contributions to the 2030 Agenda for Sustainable Development Submission from the UNCCD, 28 February. <https://sustainabledevelopment.un.org/content/documents/13708UNCCD.pdf>

¹⁰⁶ As mentioned earlier in this around 85 percent of the Lebanese territory is unplanned, i.e., does not have land use classifications.

¹⁰⁷ 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 since the onset of the crisis using newly collected survey data.

Human capital is a main contributor to economic development, as its accumulation increases the available pool of workers in the country. In the context of a deteriorating economic situation in Lebanon, analyzing the determinants of human capital, such as education and health, is a necessity. Indeed, poor health standards and nutrition pose an immediate threat to individuals' ability to work and combined with changes in access to education and socio-economic conditions, create constraints to local economic development in the long term.

The section relies on data collected through a representative household survey with six hundred (600) households in the Tyre UoM. The sample was stratified by municipality with the main characteristic being the vulnerability of the area. Half of the households were selected in non-vulnerable municipalities, while the other half were selected in vulnerable municipalities.

The section is divided as follows: First, we present the socio-economic characteristics of the union of municipalities of Tyre and the changes since the onset of the crisis. Second, we analyze the main determinants of human capital, which are healthcare and education. We then look at labor dynamics such as employment outcomes. Fourth, we look at the access to public services, and their quality, in the area. Finally, we look at emigration trends.

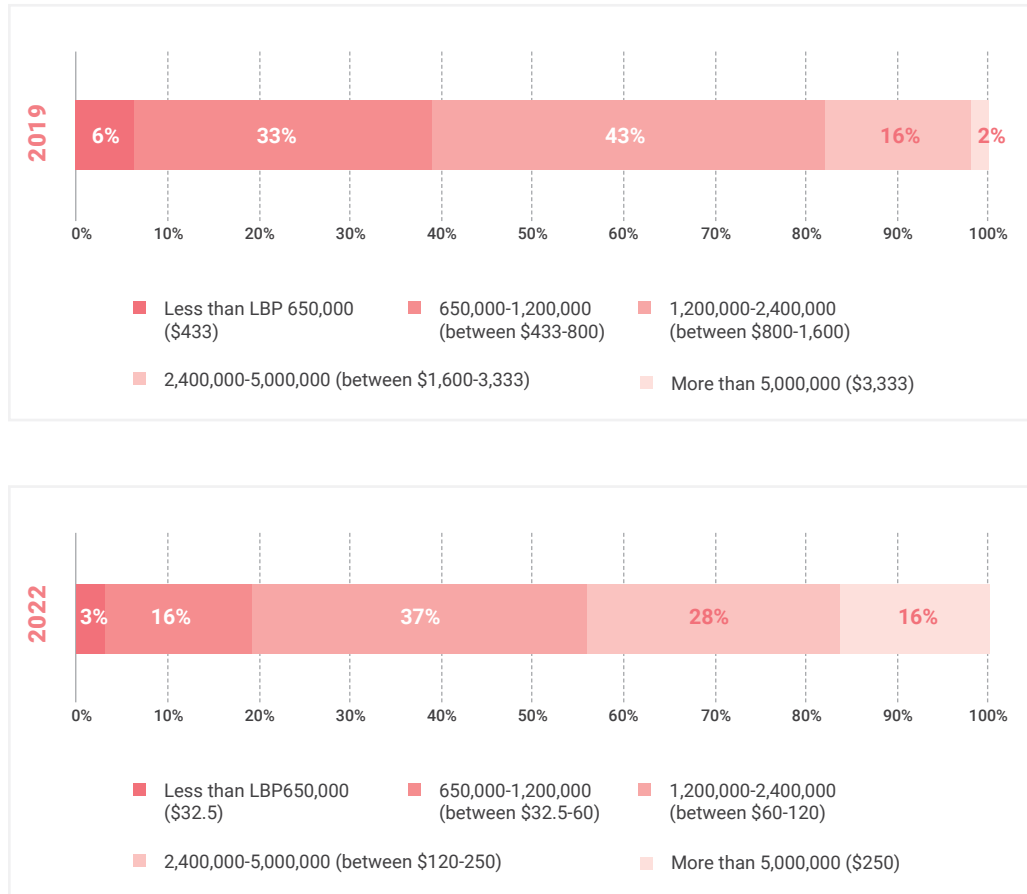
4.1 SOCIO-ECONOMIC CHARACTERISTICS

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 Tyre UoM since the start of the crisis. The results shed light on a deteriorating situation and increasing vulnerabilities.

The survey results show that most households (91 percent) earn in Lebanese pounds and therefore have not been able to maintain the same standards of living since the start of the 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, nearly all households earned above the minimum wage (total household income as reported by respondents), and around 60 percent of households earned over USD 800, equivalent to 1,200,000 Lebanese pounds per month at the official exchange rate of LBP 1,500 to the dollar. Today, only 16 percent of households earn over USD 250 per month, or LBP5,000,000 per month using the average LBP-USD exchange rate

of 20,000 on the parallel market. The majority of households earn below USD 120 per month (or less than LBP2,400,000), considering the exchange rate of 20,000 to the dollar on the parallel market.¹⁰⁸

FIGURE 9 Household income in the Tyre UoM in 2019 and 2021 in USD, considering the official exchange rate in 2019 (LBP 1,500) and the average exchange rate on the parallel market in 2021 (LBP 20,000)

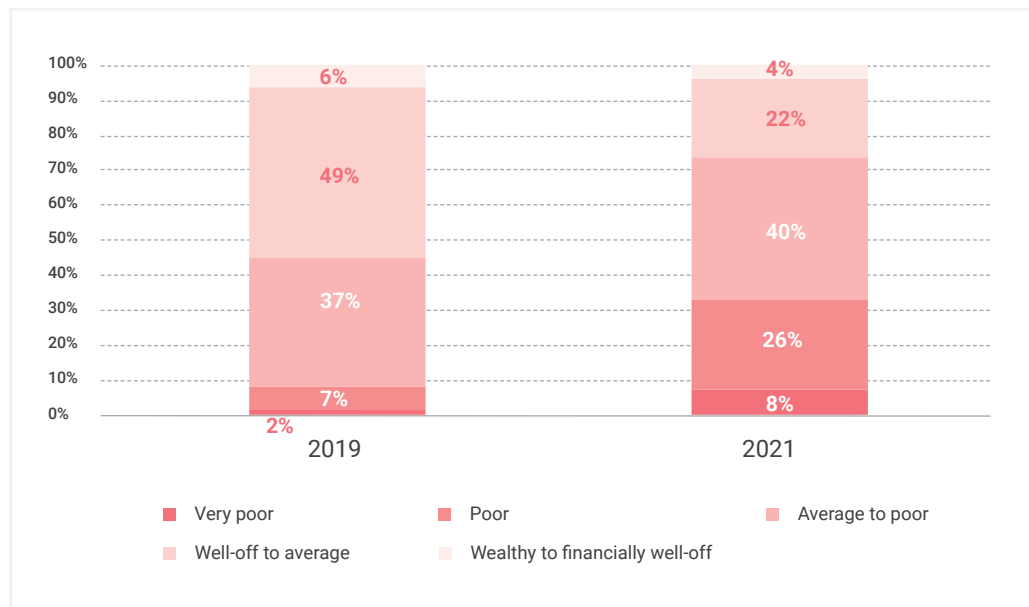


Note: In order to make the comparison possible, we convert the 2019 income to USD using the exchange rate of USD 1 for LBP 1,500 and we convert the 2021 income to USD using the exchange rate of USD 1 for LBP 20,000

¹⁰⁸ Assuming an exchange rate of LBP 1,500 to USD 1 in 2019 and LBP 20,000 to USD 1 in 2021. Here we report the income of households who reported their income in Lebanese pounds. Forty-five (45) households reported their income in USD: 33 percent earn less than USD 433, 40 percent earn between USD 433-800, 11 percent earn between \$800-1,600, 9 percent earn between USD 1,600-3,333, and 7 percent earn over USD 3,333. Nine households reported their income in dollar: 22 percent earn less than USD 433, 33 percent earn between USD 433-800, 22 percent earn between USD 1,600-3,333, and 22 percent earn more than USD 3,333 per month.

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. The survey shows that barely any respondents in Tyre considered their household to be poor or very poor in 2019 (8 percent), however, today, a third of them do (34 percent). On the other hand, while the majority considered their household to be well-off to average in 2019, only a quarter of them do now.

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

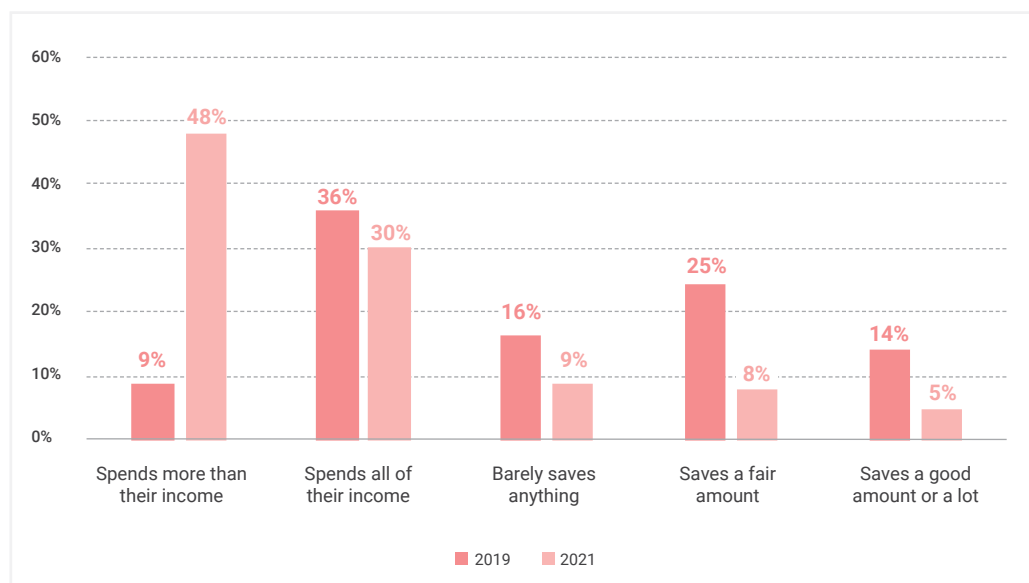


Additional indicators of socio-economic situation highlight income insecurity, as income is becoming increasingly hard to predict—52 percent of heads of households consider their total household income to be extremely volatile, compared to only 16 percent who did in 2019.

Accordingly, households are able to save much less than they used to: Nearly all households are spending more than (48 percent, compared to 9 percent in 2019) or all of their income (30 percent, compared to 36 percent in 2019), while about 20 percent are able to save a certain amount (down from 55 percent in 2019).

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 both the short and long-term.

FIGURE 11 Households’ ability to save some income in 2019 and 2021



Most heads of household who are employed (full or part-time), excluding those who are self-employed, receive their full salaries in Lebanese pounds¹⁰⁹ (87 percent of employees). Slightly less than the majority have experienced a decrease in the real value of their salary due to the devaluation of the local currency (46 percent). However, those who have had a salary increase consider their purchasing power to be approximately the same if not higher.

FIGURE 12 Purchasing power in relation to salary change



4.2 ACCESS TO AND QUALITY OF HEALTHCARE

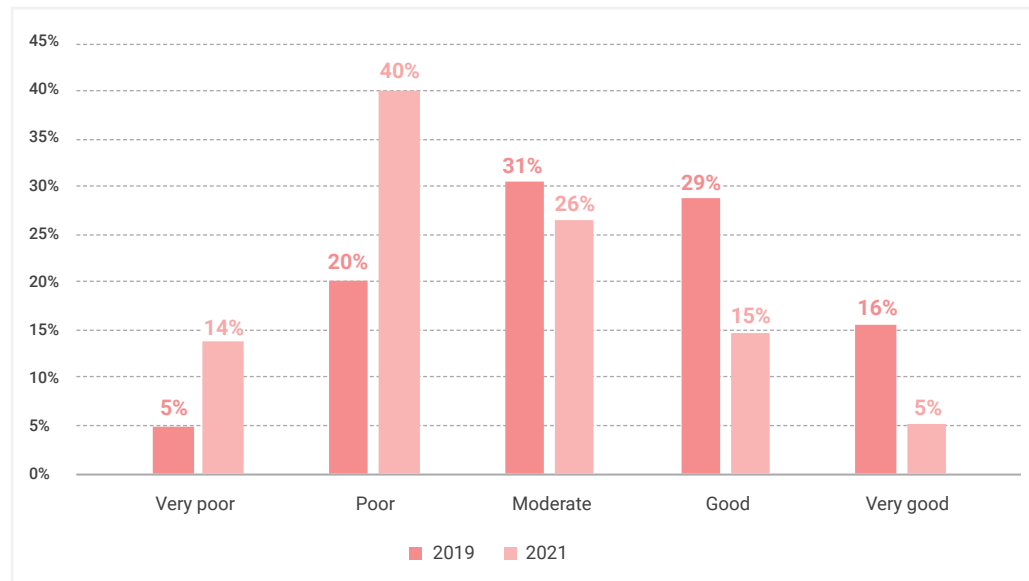
Tyre is characterized by poor healthcare coverage and quality. Only 30 percent of surveyed heads of households have health insurance. Coverage is by far more common among retired individuals (44 percent), nearly all of whom have state-funded coverage. They are followed by employed respondents (36 percent), the majority of which have private insurance covered by their employer (49 percent), followed by state-funded coverage (34 percent) and self-funded private insurance (17 percent). Health insurance is significantly lower among the unemployed (7 percent).

Compared to heads of households, insurance coverage is lower among other adults in the households (22 percent), and children (24 percent).

The access to and quality of healthcare households now receive has severely dropped since the crisis, and the main reasons are shortages in medication and financial difficulties faced by the households. Tyre's residents' access to healthcare was mostly moderate or good before the crisis, however, today, the majority assess it as poor or very poor. Households whose access to medical care has decreased attribute this mainly to shortages in medication—which is a national-level problem—followed by financial difficulties.

¹⁰⁹ Employees (full and part-time) represent 47 percent of employed heads of households in the survey.

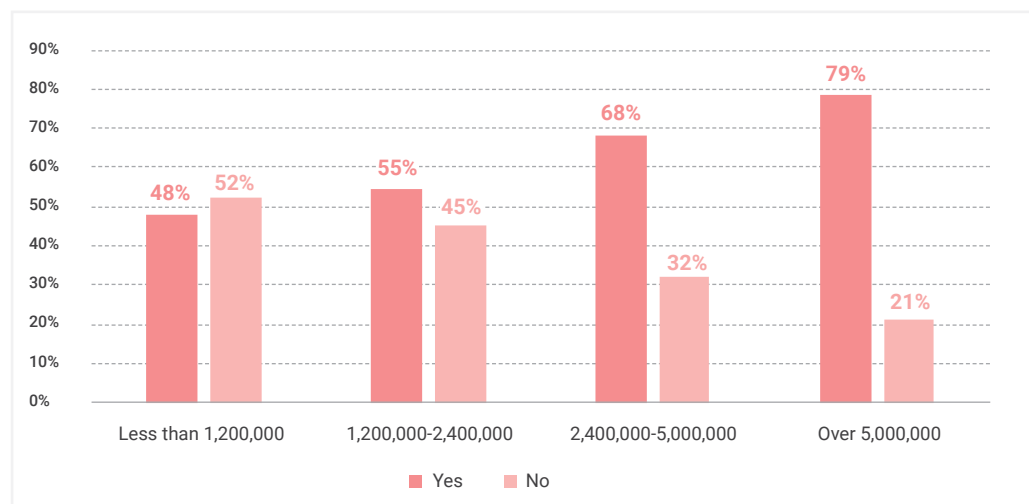
FIGURE 13 Access to healthcare received by households in 2019 and 2021



A high share of heads of households suffers from a disability or illness (21 percent of heads of households). A little less than half of this group reports a need for treatment (42 percent of those who have a disability or illness), however, only half of this group receives treatment (53 percent). The main reason behind the lack of treatment is the inability to afford it (for 67 percent of respondents). These survey findings were confirmed through focus group discussions the team held with members of the healthcare sector, in February 2022. The participants observed the rise of a black market for medication, with prices becoming unaffordable. Although some dispensaries are providing medication for a lower price, they have also been suffering from shortages.

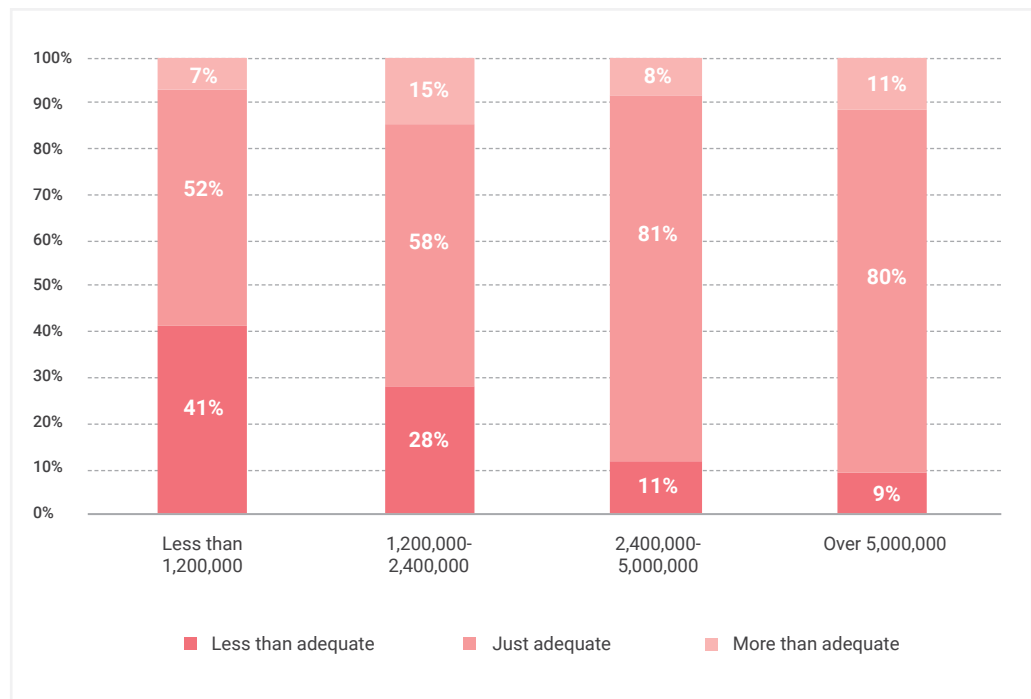
Access to healthcare for children is also dropping, and there is a relationship between household income and children's ability to consult healthcare professionals. In the past year, 38 percent of households' heads report that the number of times their children visited a healthcare professional (including doctor or nurse) was insufficient, given the child's healthcare needs. The rate is much higher among lower-income households: 52 percent of the lowest-income households (less than LBP 1,200,000 per month) reported that their children's medical visits were insufficient, compared to only 21 percent of the highest-income households.

FIGURE 14 Share of heads of households who consider that their children received sufficient medical attention given their healthcare needs in 2019 and 2021



Overall, although the access to healthcare households receive has decreased, the majority of households consider the quality of healthcare they receive as being just adequate. However, people with higher income assess the quality of healthcare they receive as being better compared to those with lower income. Indeed, 41 percent of the lowest-income households see their quality of healthcare as being less than adequate, while that share is only 9 percent among the highest-income households.

FIGURE 15 Quality of healthcare households are receiving by income



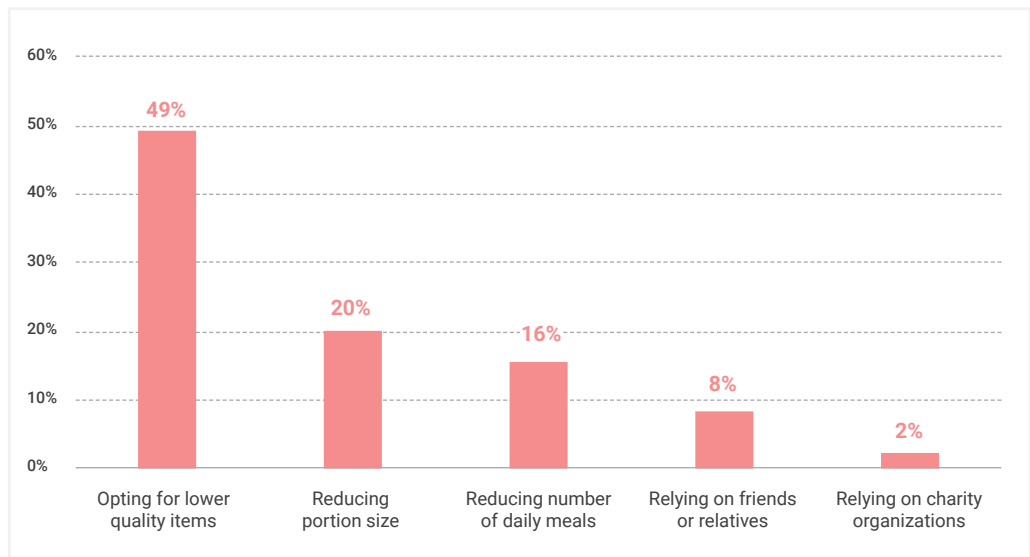
Income is a statistically significant factor when controlling for other factors, as those with lower income are indeed significantly less likely to perceive the quality of healthcare they receive as being adequate. Those who have an illness or disability, and do not have health insurance, are also more likely to have inadequate healthcare quality. Other significant factors are medical expenditures and nutritional habits: Those who have increased their medical expenditures and changed their nutrition habits since the start of the crisis are more likely to be receiving less than adequate healthcare.

The team held focus group discussions in February 2022 with members of the healthcare sector. The participants highlighted that the lack of a healthcare insurance, combined with the financial crisis and rising costs of treatment, are leading to people delaying their treatments. Those with chronic illnesses, who should be receiving regular care, are no longer able to do so. Another issue that was raised is the decreasing pool of healthcare workers. Some doctors and nurses are emigrating, are seeking jobs that pay in dollars, or are limiting their number of workdays due to the fuel crisis and rising cost of transportation.

4.3 NUTRITION

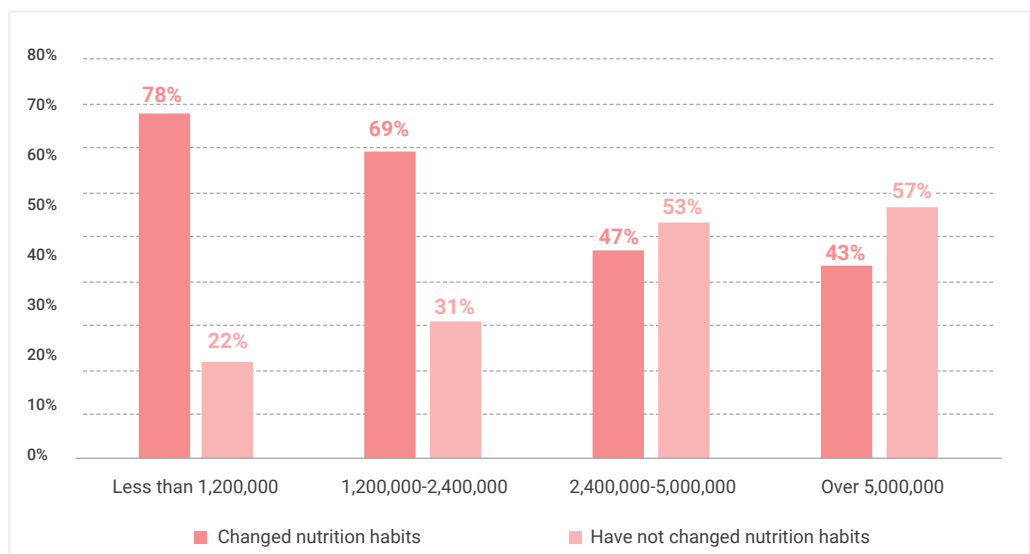
Proper nutrition is a prerequisite for good health. Since the onset of the crisis, the majority of households (58 percent) have adopted negative coping strategies related to nutrition. While the most common change in behavior is opting for lower quality food items, a high share of respondents also reported to reduce portion size or skip meals. This finding was confirmed in the focus group discussions the team conducted in February 2022, in which participants highlighted their inability to meet their nutritional needs due to the impact of the economic crisis.

FIGURE 16 Changes in nutritional habits since the start of the crisis in the Tyre UoM region



There are clear income variations: Lower-income households have adopted such negative coping strategies at much higher levels (78 percent), while the majority of households in the highest-income group (57 percent) have not had to change their eating habits. This relationship is highly statistically significant. Households who have experienced a drop in their assessed financial situation are significantly more likely to have adopted negative coping strategies related to nutrition (see figure 17).

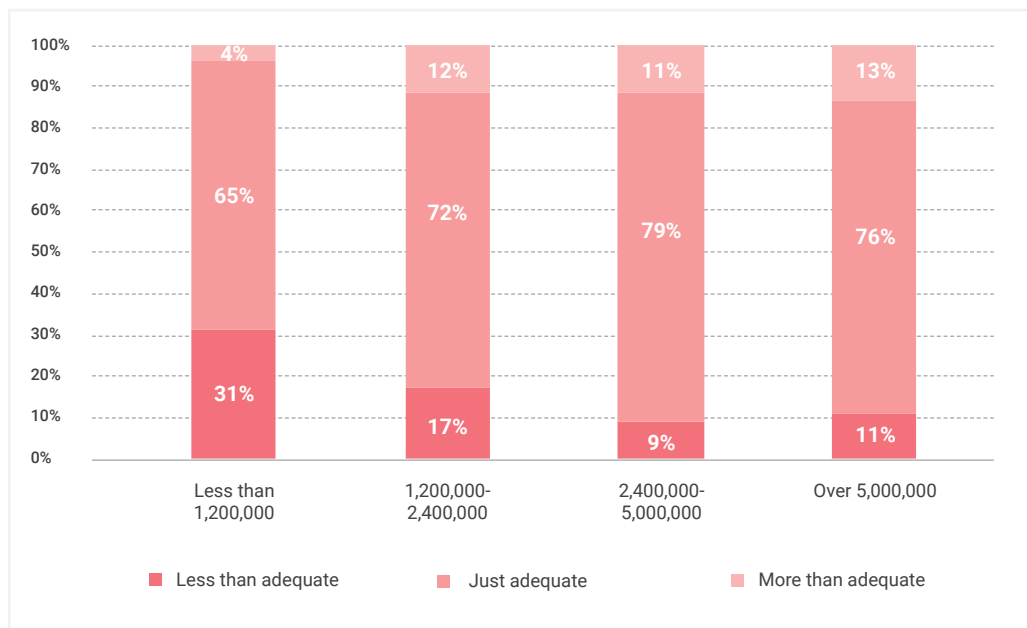
FIGURE 17 Changes in nutritional habits across income groups



While the majority of households assess their food consumption as adequate, one-third of the lowest-income households and 11 percent of the highest-income households consider their standards of food consumption as less than adequate (see figure 18).

The relationship between income and considering the food consumption as less than adequate is again highly significant. In addition, those whose financial situation worsened since 2019 are more likely to consider their food consumption to be less than adequate. Having an illness is also positively correlated with considering food consumption as less than adequate, which could be potentially due to having to spend more on healthcare.

FIGURE 18 Standards of food consumption households are receiving by income category

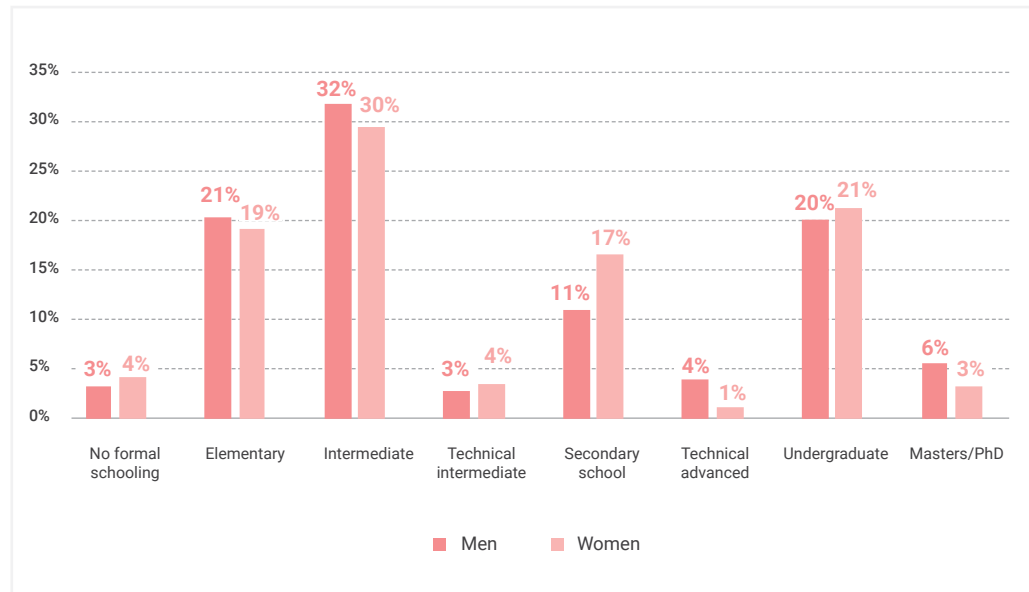


4.4 EDUCATION

Education is an important determinant of human capital, as it contributes to building the workforce. The survey results show that levels of education in Tyre Union are low compared to Matn UoM region for example, but higher than in Al-Fayhaa. In fact, the majority of heads of households have achieved intermediate education at best (53 percent).

There are little gender variations. Counting all adults in the households, 56 percent of men have achieved intermediate education at best, compared to 54 percent of women. The share of men who have achieved tertiary education is slightly higher (30 percent) than the share of women (26 percent). Around 20 percent report elementary levels of education only, and three percent have received no formal education (see figure 19).

FIGURE 19 Levels of education of adults in Tyre UoM



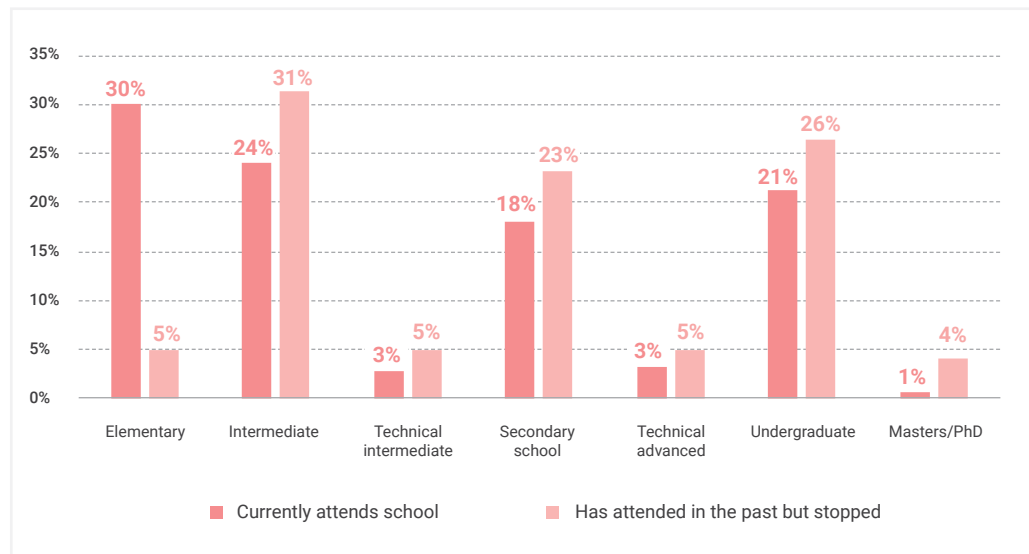
Language skills are relatively high, the majority of respondents speak at least one (1) language in addition to Arabic (51 percent). Computer skills are less common, with only 34 percent being able to use common computer software. 39 percent report having at least one manual skill, with the most common one being fishing, as reported by 18 percent of heads of households.

Among children, enrolment rates in Tyre Union are high, as nearly all children and youth of schooling age (5-18) are currently attending school (94 percent). However, a high share of those aged below 29 has stopped their education at the secondary level (64 percent) rather than pursuing vocational training or tertiary education (see figure 20).

There are some gender variations, with women having higher levels of education. In total, 44 percent of girls and young women hold an advanced degree (vocational training or tertiary education), compared to 32 percent of men children.

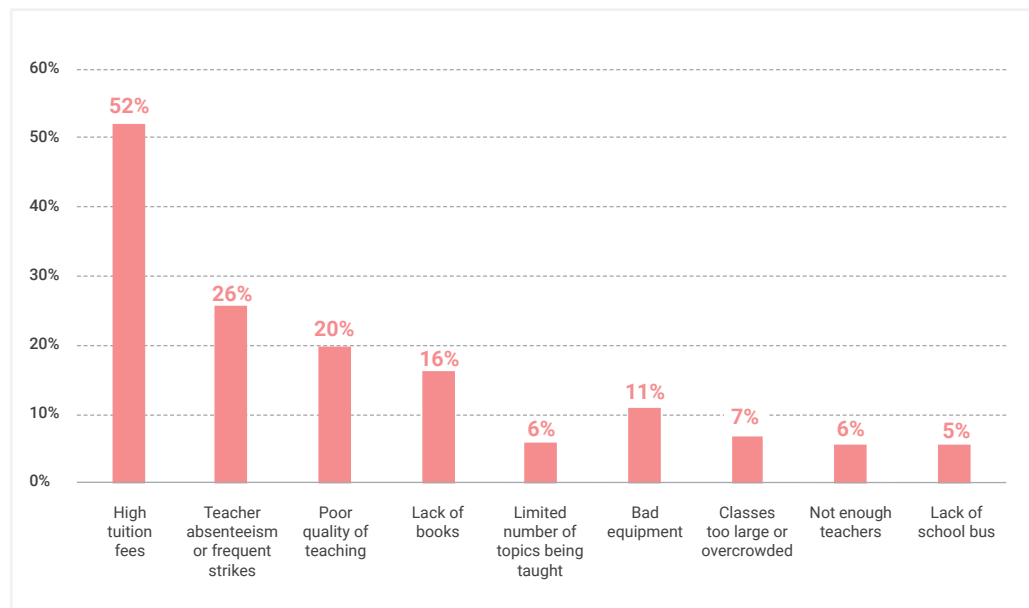
The main reason cited by respondents for not continuing their education is having acquired all wanted education (38 percent of those aged between 5 and 29 who are not currently attending school)—which is much more common among those who have completed secondary school or above, suggesting little financial constraints. This is followed by a lack of interest and having found work (20 percent and 17 percent, respectively). Only 12 percent of respondents cited financial constraints as being the reason for not pursuing their education. There are no gender variations, with the reasons being similar among both genders.

FIGURE 20 Current and previous enrolment in education among those aged 5-29



Although financial constraints are not a main reason for deciding not to pursue education, the most common challenge faced related to education, among both children who have ended their education and those still in school, seems to be the high tuition fees (reported by 52 percent of households). This was followed by teacher absenteeism or frequent strikes (26 percent) and a poor quality of teaching (20 percent). Overall, 51 percent of households reported challenges related to teaching (absenteeism, poor quality of teaching, and lack of enough teachers) (see figure 21). This suggests that we should improve the quality of education: there is a need to hire qualified teachers and provide more training to those already teaching.

FIGURE 21 Main challenges faced related to education



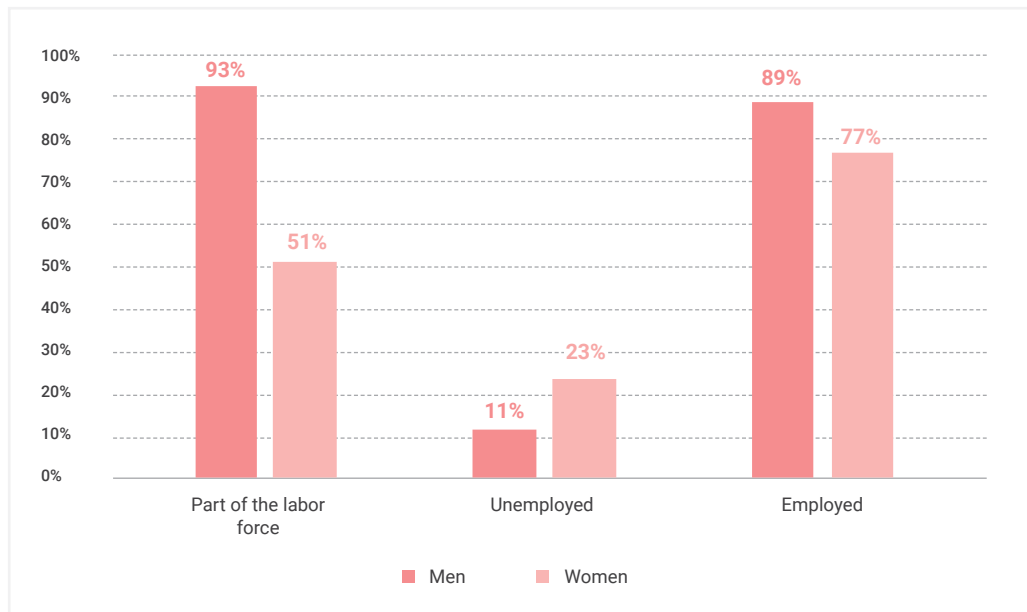
4.5 LABOR DYNAMICS

Labor force participation among the surveyed heads of households is high (87 percent) and has not changed since 2019. The unemployment rate increased from 8 percent in 2019 to 12 percent today, and overall, 6 percent of those who were employed in 2019 have lost their job. Those who have been unemployed since 2019 attribute this mostly to the lack of available jobs (72 percent).

The few women heads of households have significantly lower labor force participation and higher unemployment rates: 51 percent of women heads of households are part of the labor force (compared to 93 percent of male heads of households), and the unemployment rate among them stands at 23 percent (compared to 11 percent among households headed by men) (see figure 22).

Heads of households among both genders have lower unemployment rates compared to the other adults in their households, suggesting that the number of income earners in families tends to be low. Indeed, 58 percent of surveyed households have only member in the family who is employed.

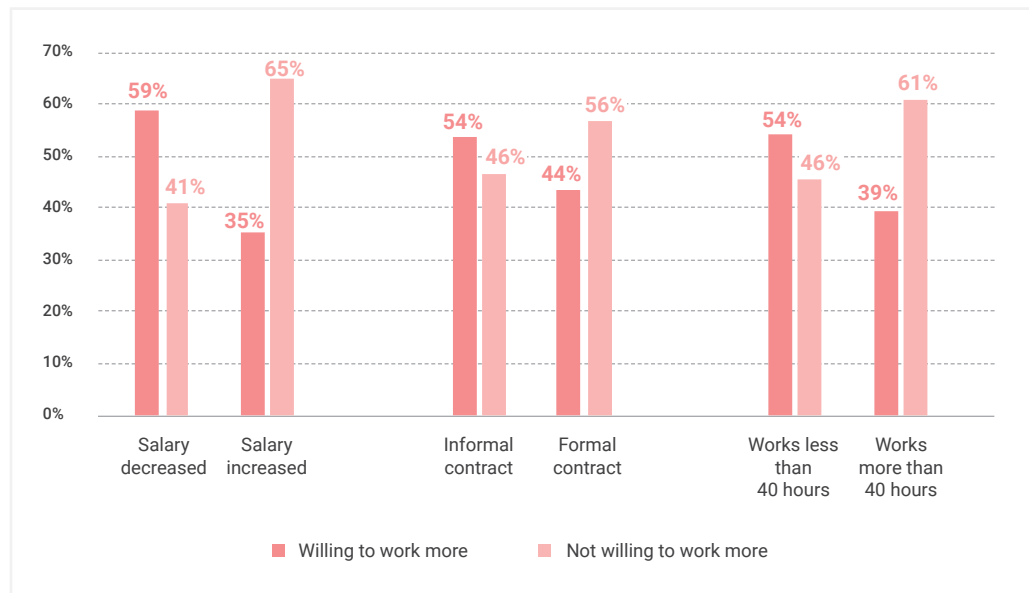
FIGURE 22 Economic activity by gender among surveyed heads of households



Most of those who are currently working are employees (47 percent), suggesting employment stability, followed by self-employed (37 percent), with a few being freelance (13 percent) and barely any being seasonal workers (3 percent). Employment is highly formalized, as most employees (full and part-time) have a formal contract (69 percent, compared to 31 percent who have an informal contract). In addition, there is no difference between salary change and type of contract (54 percent of employees have had a salary increase and 46 percent have had a salary decrease, and these numbers are similar for those on a formal or informal contract).

However, nearly half of those who are employed would be willing to work more hours (47 percent), pointing at high underemployment. This trend is more common among those who have had a salary decrease (59 percent, compared to 35 percent among those whose salaries have increased since 2019), those on an informal contract (54 percent, compared to 44 percent among those on a formal contract), and those who work less than 40 hours per week (54 percent, compared to 39 percent among those who work more than 40 hours) (see figure 23).

FIGURE 23 Willingness to work more across several characteristics



4.6 ACCESS TO INFRASTRUCTURE

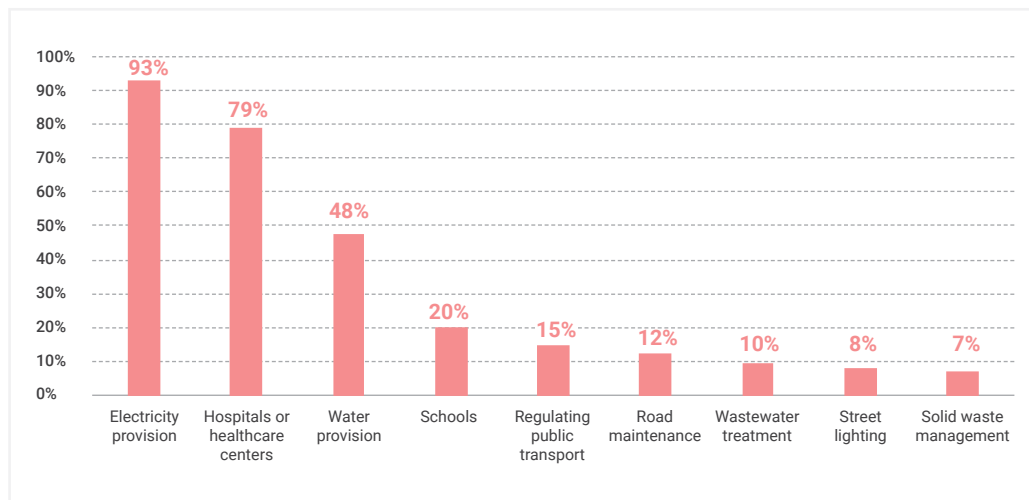
The following section presents respondents' priorities in public service deliveries.

In Tyre Union, infrastructure quality and public services are assessed as mostly moderate, if not poor, by the majority of households. The service that ranks the poorest is electricity provision, with 75 percent considering it as poor or not provided at all—which is a national level problem. Other services that rank low are the quality of hospitals and healthcare centers, 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 (93 percent of households). This was followed by improving hospitals and healthcare centers (79 percent), and water provision (48 percent) (see figure 24).

Some priorities vary across genders. While electricity provision is the highest priority among both women and men-headed households, improving schools and hospitals and healthcare centers is relatively more important for men heads of households, while road maintenance, water provision, and improving street lighting is relatively more important for women heads of households. Most priorities do not vary across income groups, although both water provision and road maintenance are much more important for lower income households.

FIGURE 24 Services that should be improved most urgently



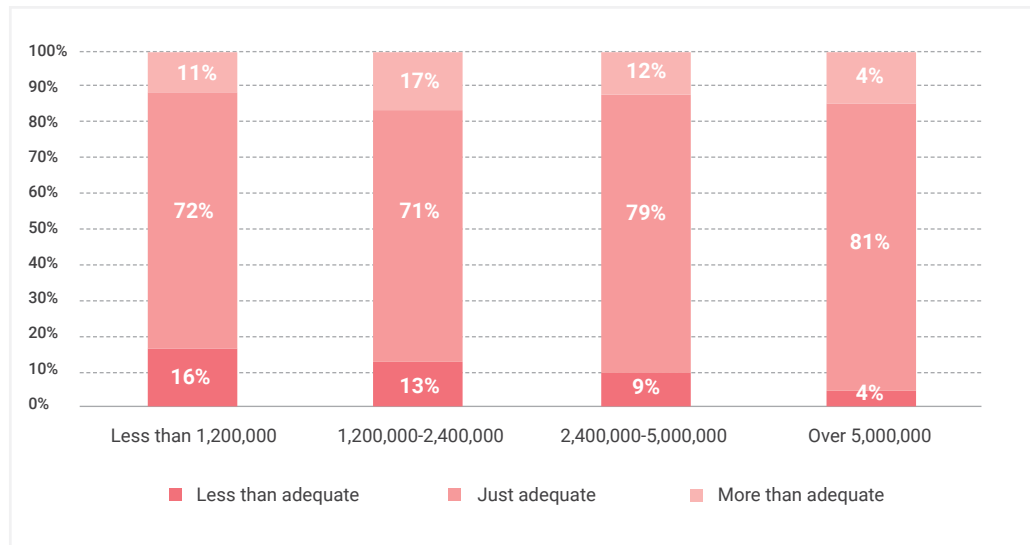
4.7 HOUSING

Although the development of housing policies and provision of housing-related financial schemes are the remit of the central government through the Public Housing Cooperation in coordination with the BdL, adequate housing is an essential need and local authorities should seek to strengthen housing conditions.

In Tyre Union, house ownership is by far the most prevalent form of housing situation (80 percent of households own their house), followed by renting (16 percent), suggesting housing security for most. However, those who rent their house are at increased risk of insecurity and worsening housing conditions: The majority have had a rent increase (62 percent) and are struggling to pay rent or can no longer afford it. In addition, while standards of housing are considered as adequate for the vast majority of households (74 percent), they are comparably worse for tenants (16 percent of those who rent their house consider their housing as less than adequate, compared to 9 percent of those who own their house).

There are also income variations. Lower-income households have comparatively worse housing conditions, compared to higher-income households (as 16 percent of the lowest-income households consider their housing as less than adequate, compared to 4 percent of the highest-income households) (see figure 25).

FIGURE 25 Standards of housing by income



Housing insecurity was highlighted in focus group discussions the team held with tenants in February 2022. The participants noted that rents are constantly increasing, and that most landlords are delaying or refusing to sign any contract in order not to lose due to the volatility of the Lebanese pound.

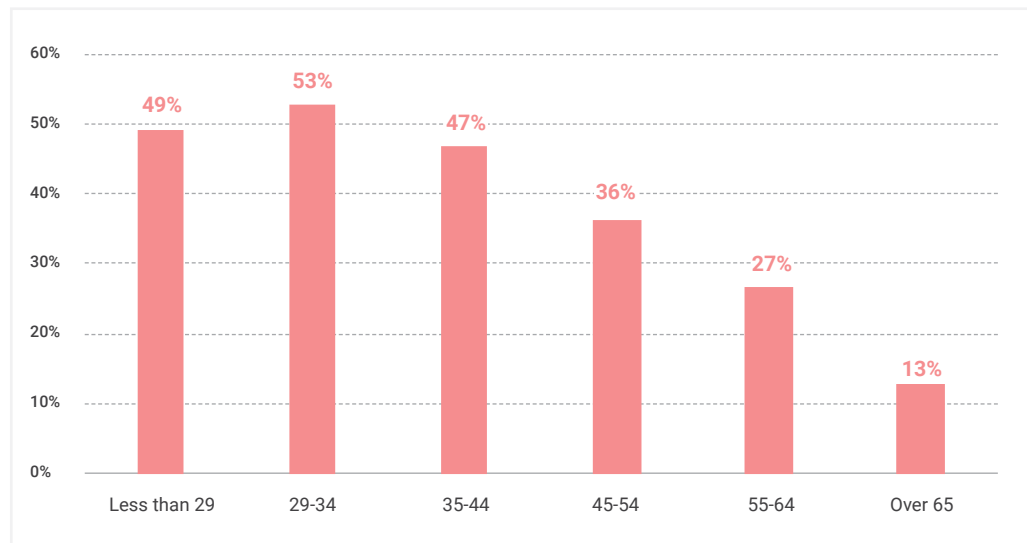
4.8 EMIGRATION

Tyre Union is experiencing a brain drain, as 38 percent of heads of households are planning to emigrate, with the rates being equal across genders.

The main reason, for nearly all of those who are planning to emigrate, is to look for job opportunities abroad (94 percent of those who plan to emigrate). The share is higher among the unemployed (46 percent, compared to 40 percent among those who are employed), and much lower among those who have retired (28 percent).

A striking relationship exists between age and plans to emigrate—of those aged below 45, 49 percent have intentions to emigrate while this is only 13 percent among the elderly (13 percent) (see figure 26).

FIGURE 26 Plans to emigrate by age



Having social networks abroad also seems to positively affect one's intentions to emigrate. Indeed, as much as 62 percent of those who have had a family member or friend emigrate in the last year are planning to emigrate themselves, compared to 29 percent of those who have not experienced emigration in their close circles. A multivariate regression analysis highlights that, after controlling for one's income and financial situation, younger individuals and those who have social networks abroad are significantly more likely to have taken steps 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 from 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

The results of our analysis show that the population in the Tyre UoM is moving closer to poverty, as incomes have sharply decreased and are increasingly volatile, which may hinder future household investments in education and healthcare. Consequently, the future and health of the workforce is under threat both in the short and long term. While some of the social repercussions of the economic crisis 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 Tyre UoM should address is healthcare. First, Tyre's residents seem to prioritize improvement in healthcare facilities, a measure which falls under the prerogative of UoMs. Second, the human resources in the healthcare sector are decreasing due to rising emigration, reduced number of working hours, and layoffs among healthcare workers. Third, individuals' ability to seek healthcare has decreased due to financial difficulties. The Tyre UoM should therefore think of investing in healthcare facilities and hospitals, which it is allowed to do as per the Municipal Act. The UoM should also ensure that medical workers are protected and supported during the crisis and should provide medical assistance to its population.

The health of Tyre Union'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 and its member municipalities could provide food aid or collaborate with charity organizations and civil society in order to ensure the nutritional needs of its population. This is posing an urgent threat to society's wellbeing, not only in the short term but in the long term as well.

The UoM must also address challenges faced in the education sector. While enrolment rates are high, a common concern among the population is the high tuition fees. The UoM should therefore provide and/or facilitate financial assistance to young children in education and invest in public schools. There is also 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 the lack of interest is a common reason for dropping out, the Union can play a role in raising awareness on the value of education in the long term.

Furthermore, emigration trends point at a decreasing human capital pool in Tyre. 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 in order 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, Tyre UoM 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 should continue investing 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. Another major issue is housing insecurity. As rents are on the rise, tenants struggle to pay it, and most do not have any contracts. Although housing does not fall within the mandate of UoMs, the Tyre UoM could leverage its authority as a trusted local council in order to support tenants during this crisis. In the short-term, it could use both regulatory prerogatives and mediatory capacities to protect them from evictions and ensure rents do not spiral out of control, remaining in line with market fundamentals. In the long-term, the Union could explore actively how it could support the provision of affordable housing in partnership with the private sector.

05

MARKET ANALYSIS: CRISIS-STRICKEN ECONOMY IN TYRE UoM REGION



05

MARKET ANALYSIS: CRISIS-STRICKEN ECONOMY IN TYRE UoM REGION

Poor local development could also be attributed to low appropriability. In fact, local economic actors are not reaping their investment efforts due to market or government failure. In this section, we examine from a general perspective market failures and obstacles facing firms which are preventing them from (re-)investing in the 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 of Lebanon to subsidize essential raw material— the bread and butter of the region's private sector— such as fuel.¹¹⁰

In light of the above, this section aims to unpack the specific market conditions that have come to surface and influenced LED in the Tyre UoM 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 the employment growth of firms – 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, wastewater networks, traffic regulation, and health services.

The section is organized as follows. Part 5.1 summarizes the sectoral composition of Tyre UoM region's economy and its key characteristics.¹¹¹ 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 accumulation, on private sector activity. Part 5.3 presents a balance sheet analysis, which looks at firms' sales, costs, and production between 2019 and 2021, with the aim of measuring the effect of the crisis on job creation and local development. Part 5.4 explores the different survival strategies of firms during the crisis such as remote work policy, voluntary closure, or altering staff working hours. Part 5.5 investigates the interaction between Tyre UoM area's private sector and the local government. Part 5.6 looks into the Tyre economy's long-run prospects in light of Lebanon's multiple crises. Part 5.7 concludes with a few policy recommendations.

¹¹⁰ 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.

¹¹¹ This is based on a firm-level survey conducted in the Tyre Union region in December 2021 with one hundred twenty-seven (127) firms. A detailed breakdown of the sample follows.

5.1 TYRE'S ECONOMY: KEY CHARACTERISTICS

Economic activity in the Tyre district is more balanced between services and trade (wholesale & retail), industry (manufacturing), and agriculture than in the rest of the country. Prior to the crisis, 56 percent of men and 88 percent of women were employed in services and trade, 34 percent of men and 7 percent of women in industry, and 10 percent of men and 6 percent of women in agriculture according to the district-level 2018-2019 CAS Labor Force and House Living Conditions Survey (LFHLCS).¹¹² In contrast at the national level, 69 percent of men and 92 percent of women were employed in services and trade, 27 percent of men and 7 percent of women in industry, and only 4 percent of men and close to 2 percent of women in agriculture.

The informal sector accounts for more than half of employment (based on the CAS LFHLCS 2018-19) which is mirrored in our binding constraint analysis later on. Average firm size is very small by international standards. For example, most firms have less than five (5) workers (based on the CAS 2004 Census of Buildings, Dwellings, and Establishments).

These features of economic activity in the Tyre district are also reflected in the firm-level survey we conducted with one-hundred twenty-seven (127) enterprises in the Tyre UoM region.¹¹³ Agriculture represents more than 9 percent of the firms in the sample, in line with the CAS LFHLCS statistics. The share of manufacturing firms is with 7 percent lower than in the other two (2) regions surveyed. The remaining firms belong to the wholesale & retail trade sector (55 percent), services (15 percent), and real estate (13 percent).¹¹⁴

More than 82 percent of the firms in Tyre UoM region employed five (5) or fewer full-time workers. In 2019, the average firm employed four (4) workers and the median firm size was only one (1) worker.¹¹⁵ Therefore, there was not much room to reduce employment even further in the last two (2) years. The median remains one (1) worker while the average came down a bit to three and a half (3.5) workers by 2021, which partly explains the lower level of layoffs. 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 laid off their workers.

The share of temporary workers decreased from 12 percent in 2019 to 10 percent in 2021, as firms were more likely to let go of their temporary workers first. Compared to the other regions, the average share of foreign workers (non-Lebanese) went up slightly (from 18 percent to 21 percent),¹¹⁶ however, as did the share of women workers (from 15 percent to close to 18 percent). Note that this was especially pronounced in the manufacturing sector for foreign workers and in the agriculture and trade sectors for women.

Other characteristics of the firms in the Tyre UoM region sample confirm the small and diffuse nature of firms. More than 40 percent are sole proprietorships and close to another 10 percent are family businesses. These types of firms 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. The larger firm type in the Tyre sample is a partnership but that only characterizes 3 percent of the sample.¹¹⁷ These are also associated with the largest firm size. Almost none of the sampled firms exported goods between 2019 and 2021. Only one (1) agricultural firm of the one hundred twenty-seven (127) companies sold some of its products in foreign markets.

One characteristic that highlights the fact that Tyre 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. The

¹¹² CAS and ILO Labor Force and Household Living Conditions Survey, 2018-19.

¹¹³ Survey data is geographically bound to the UoM region in specific.

¹¹⁴ 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.

¹¹⁵ The use of median as a measure is favored as it better captures the typical firm at the 50th percentile.

¹¹⁶ Based on FGDs, foreign workers include Syrian workers.

¹¹⁷ There are no limited liability companies (SARL) or joint stock companies (SAL) in the sample. All firms are privately owned. None are non-profit organizations.

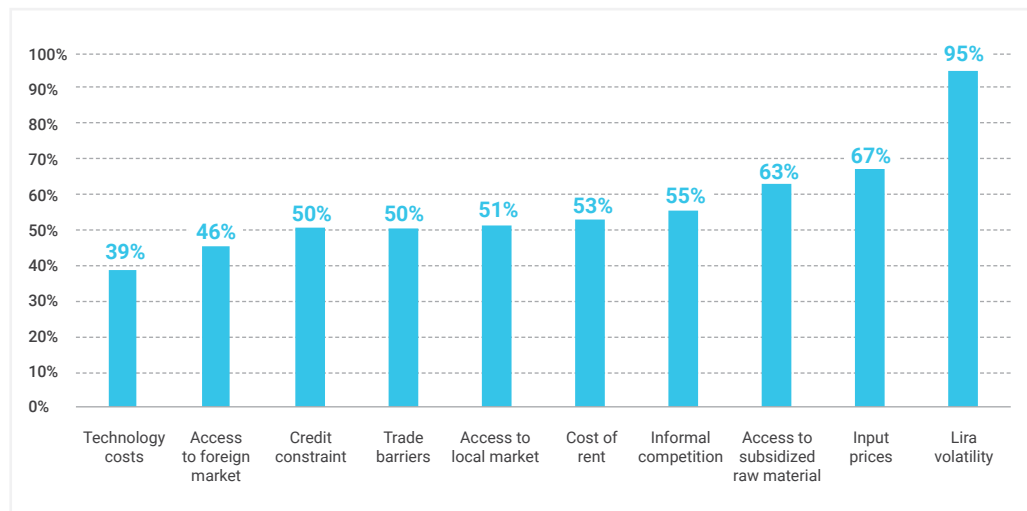
youngest firms were established two (2) years ago in 2019 pre-crisis. This is a sobering statistic in that there has been anemic business creation in the Tyre economy, if at all. And this is despite the fact that Tyre has the youngest firms overall with the average age only fourteen (14) years (median is ten (10) years), and about 25 percent of the sample established in 2018-19 alone.

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 as capital)*.

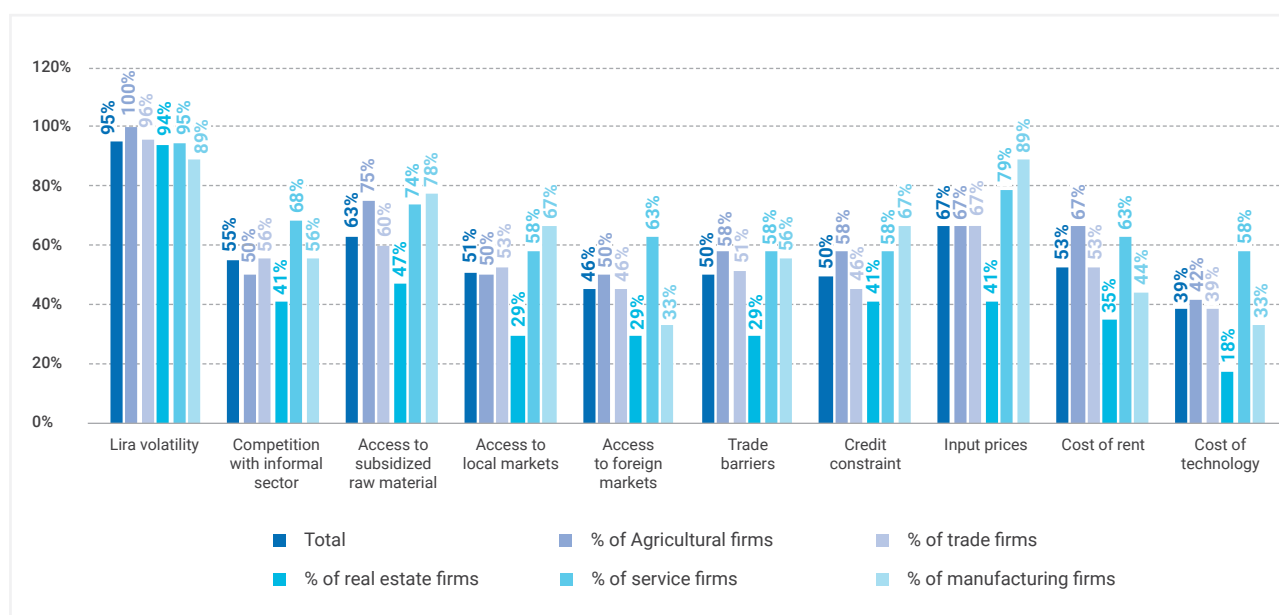
Firms in the Tyre UoM region have been severely constrained by all of our chosen market obstacles. The most binding obstacles are volatility in the Lebanese lira (as reported by 95 percent of the firms), the high cost of input goods (67 percent), limited access to subsidized raw material (63 percent) owed to the inability of BdL to provide foreign currency below market rate to import goods as much anymore, competition with the informal sector in light of a large informal sector (55 percent), cost of rent (55 percent), access to local markets (51 percent), trade barriers and restricted access to credit (50 percent), access to foreign markets (46 percent) and lastly, cost of technology (39 percent) (see figure 27). In comparison to the Matn and UCF regions, firms in Tyre UoM region perceive the market shock to be quite severe, which as we will see later may be attributed to their liquidity shortages and financial vulnerability in times of crisis.

FIGURE 27 Market obstacles



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 28 Business obstacles by economic sector



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 binding constraints were examined by economic sector (Figure 28 and Table 8). Almost all firms, regardless of sector, have been severely constrained by the volatility in the Lebanese lira.

Around 70 percent of service firms were heavily constrained by competition with the informal sector, followed by around half of manufacturing, wholesale, and agriculture firms. Firms in the manufacturing sector are the most affected by high input prices (90 percent), followed by service firms (78 percent), agriculture firms (67 percent), trade firms (67 percent), and real estate firms (40 percent). More than half of agriculture, wholesale, and service firms appear to have been severely credit constrained during the crisis period.

Hence, the market shock has clearly paralyzed companies working across different industries/sectors, with manufacturing, wholesale, services, and agriculture firms absorbing much of its negative effects. Table 8 summarizes the most binding constraints by economic sector.

TABLE 8 Binding constraints by economic sector

Sector	Lira volatility	Informal competition	Access to subsidized raw material	Access to local market	Access to foreign market	Trade barrier	Credit limit	Input prices	Rent cost	Technology costs
Agriculture	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Trade	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Real estate	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manufacturing	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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.

Based on our focus group discussions with agricultural workers in Tyre UoM region in February 2022, it appears that farmers have been constrained by the high cost of raw material (such as fuel), exorbitant land costs, and poor electricity access. The situation appears to have been exacerbated by informational asymmetry amongst farmers. Some farmers are not well informed about market needs or demand, while others are. Finally, many farmers suffer from weak access to foreign markets, even though their products have significant export potential.

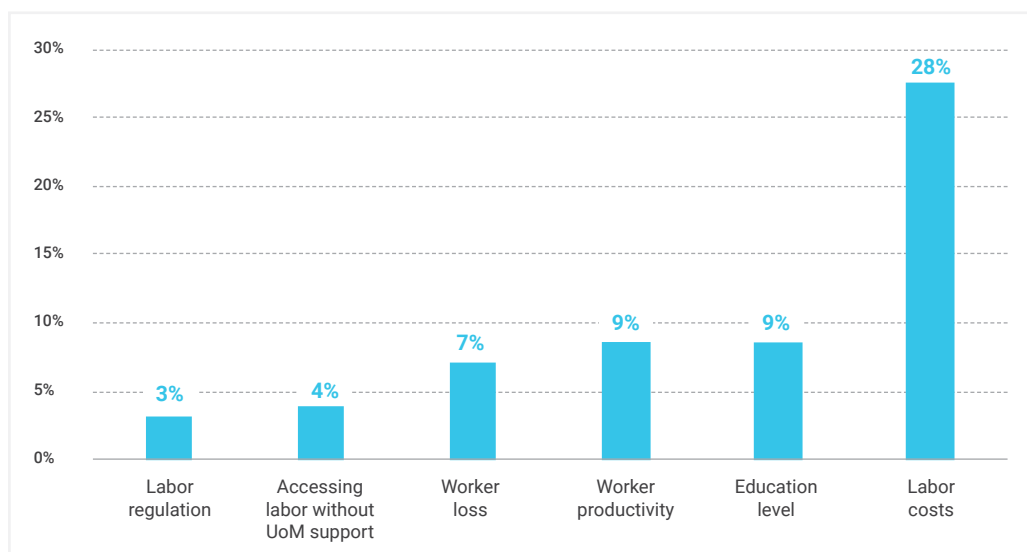
However, even in the face of such a sizable market shock, firms do not seem to be constrained by human capital obstacles like labor costs (Figure 29).¹¹⁸ Only thirty-seven (37) companies (28 percent) find the cost of hiring workers to be a binding constraint to their business activity. This is an interesting finding because it implies that firms are less likely to lay off workers for cost-related reasons, which is not consistent with the observed reality.

The fact that labor costs pose a minor constraint to firms implies that such a cost burden is being dealt with using direct and targeted policies such as laying off workers (though the margin for such a policy is rather small in the Tyre sample), cutting salaries, or short-term business closure. Our FGD with tobacco farmers in February 2022 revealed that the high labor costs and dollarized input goods (especially pesticides and fertilizers) have been indeed constraining to their business activity.

Moreover, only a handful of firms (9 percent) are constrained by unproductive labor, although this figure exceeds what is reported in the Matn and UCF regions. This indicates that firms were not very likely to lay off workers for reasons related to productivity or performance. When we asked firms to provide reasoning behind laying off workers, nine (9) out of seventeen (17) who let workers go mentioned productivity. The rest attributed their decision to the current business climate or the COVID-19 pandemic.

Another interesting finding in this section is that barely any firms (4 percent) find accessing labor without seeking support from the UoM a serious obstacle. This is seen as a drawback as it might imply that firms see little benefit in collaborating/or partnering with local authorities to reach potential employees or recent graduates.

FIGURE 29 Human capital as a constraint



¹¹⁸ Although one might assume that familial ties may have affected this outcome, we find no correlation.

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 firms in the Tyre UoM region perceive the effect of the market shock as a highly drastic one, especially in comparison to what has been reported in Matn and UCF regions. Particularly, the collapse of the financial sector coupled with disrupted economic cycles have burdened many of these firms with high domestic currency (Lira) volatility, credit scarcity, high input prices, limited availability of subsidized raw material, as well as poor access to both local and foreign goods markets. These results were especially pronounced for firms in the manufacturing, wholesale/trade, agriculture, and services sectors, but less so in real-estate. In the absence of proper local financial aid support, the minority of firms that can afford to reduce their workforce, consider layoffs to be an inevitable business decision today. In what follows, we contextualize these findings by measuring firms’ real business constraints using data on balance sheet changes between 2019 and 2021.

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

In this section, we examine the extent to which firms’ cost and revenue structures were vulnerable to the market shock. Concurrently, we measure the effect of the latter on local employment growth in Tyre. This approach is employed as it allows the local planner to quantify the magnitude of market constraints highlighted in Part 5.2 of this section.

Our survey data suggests that firms’ balance sheets were tainted with financial losses in light of the current market shock, leaving many in Tyre UoM region and around the country struggling to break even. Nonetheless, said changes/losses were less severe compared to the Matn and UCF regions.

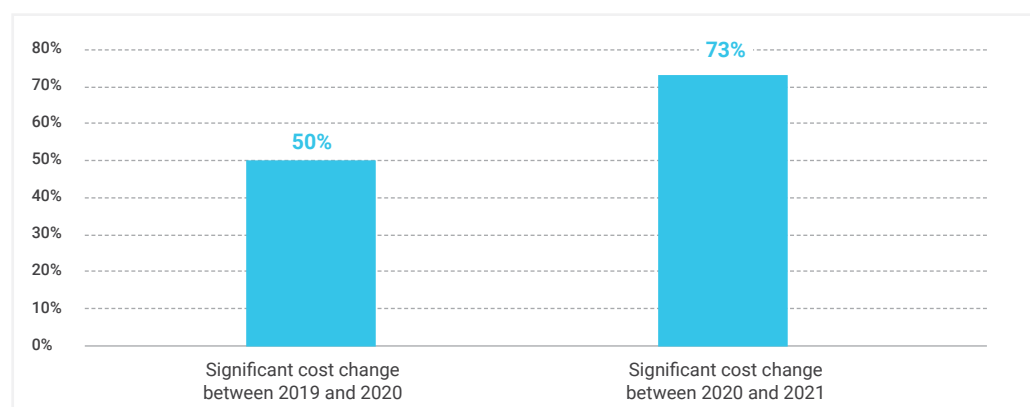
5.3.1 Unhinged Cost Surges and Weakened Sales

INCREASE IN COSTS

The ongoing national financial crisis has obstructed the work of businesses in the Tyre UoM region. Today, the private sector in the area is being left to fight extortionate costs in the absence of a national economic recovery program or local/municipal financial aid schemes.

Figure 30 presents data on the percentage of firms that saw a significant increase in costs between 2019 and 2021. The share of firms that witnessed such a surge in costs (i.e., an increase of above 10 percent) went up from 50 percent in 2019-20 to 73 percent by end of 2021.¹¹⁹

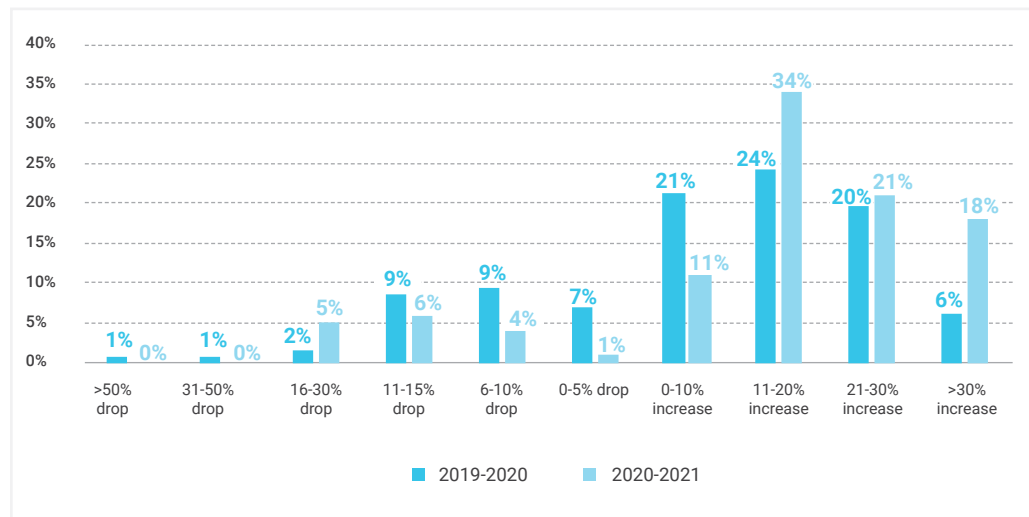
FIGURE 30 Share of firms with a significant increase in costs (>10 percent) during the crisis period



¹¹⁹ Between 2020 and 2021, almost 20 percent of the sampled companies— up from 6 percent in the year before— experienced a surge in overall costs exceeding 30 percent.

We also look at the magnitude of cost changes during 2019-20 and 2020-21 for firms in the sample. Between 2019 and 2020, around a quarter (1/4) of the firms in the sample saw an increase in costs ranging between 0 and 10 percent. The share of firms increased by 10 percent between 2020 and 2021. Moreover, the share of firms whose costs exceeded 30 percent tripled in 2020-21 (Figure 31).

FIGURE 31 Share of firms by magnitude of cost change between 2019 and 2021 in the Tyre UoM region

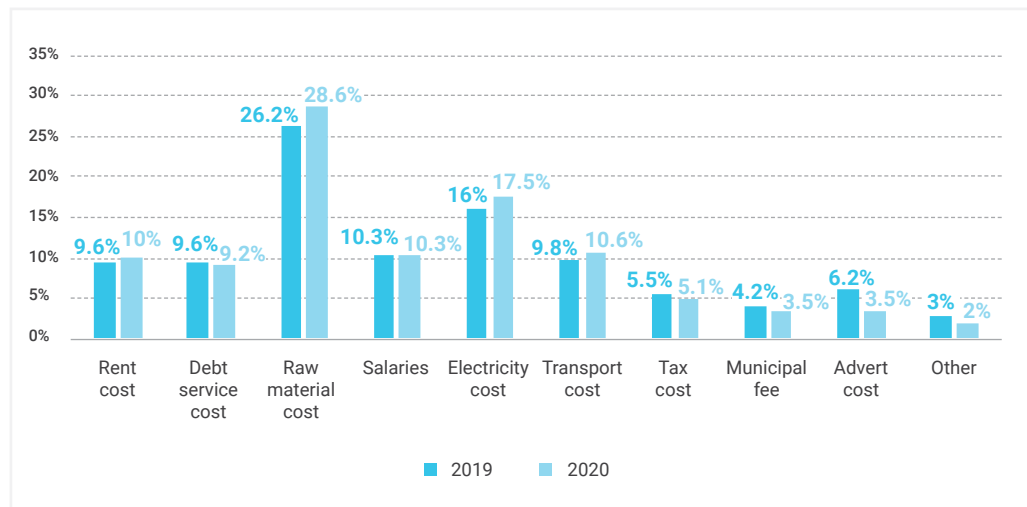


Such an upsurge in costs may be explained by the domestic currency's steep depreciation coupled with inflationary pressures during the past three (3) years. This may also be validated by the binding constraint analysis which indicated that a wide majority of firms have been constrained by expensive raw materials, rent costs, and other expenses. Data on the variation in firm expenses (as percent of total costs) between 2019 and 2021 reveals that raw material goods (3 percent change) and electricity (1.5 percent change) accounted for much of the increase in firm costs (Figure 32). However, the average share of salary payments (as a percentage of total costs) did not change at all throughout the examined crisis period. While those are minor variations, relative to what we saw in the Matn Union and UCF regions, they remain both statistically and economically remarkable as per our analysis later on.

One of Tyre's most active economic sectors is tourism. According to our FGD with touristic businesses (resorts) in February 2022, it appeared that fuel shortages and high raw material costs have heavily obstructed their activity and dynamism. These effects were also felt by tobacco farmers who had to venture into less costly and in-demand production such as wheat and barley (rain-fed agriculture).¹²⁰

¹²⁰ Prior to the crisis, they used to grow fifty (50) rows of tobacco. Today, many are growing three (3) rows at best. The remaining are filled with wheat and barley. According to the FGD participants, there are growing concerns over excess production and market saturation.

FIGURE 32 Cost composition during crisis period



SATISFACTORY SALES AMID COLLAPSE

Sales growth, which we refer to as sales turnover in this section, is a key determinant of local growth and economic activity. 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 clear picture of the size of the market shock.

Interestingly, sales turnover was only moderately weak during the crisis period, compared to balance sheet data from the Matn Union and UCF regions. In Tyre Union region, the share of firms that witnessed a significant reduction in sales (>10 percent) was low overall. The percentage of such firms dropped from 46 percent in 2019-20 to 36 percent (forty-six (46) firms) in 2020-21. This is an encouraging statistic as it implies that business activity in the region has been shouldered by positive local demand during the crisis period.

To that end, half of the firms that witnessed an increase in sales between 2020 and 2021 were wholesale firms, 16 percent were real-estate ones, and only two (2) firms were agricultural. This indicates that economic activity was highly concentrated in the trade sector in the Tyre UoM region. This also implies that there is a serious need for sector-tailored policies to support other vital economic industries in the area. On average, 17 percent of all sampled firms (twenty-two (22) firms) recorded an increase in sales ranging between 11 and 20 percent between 2020 and 2021.¹²¹

Upon further inquiry, local authorities and actors revealed in a SLAT workshop that these reassuring sale figures may be explained by a high flow of remittances from Southern Lebanese emigrants and the wide presence of an expatriate and international community in the area. All such characteristics appear to have spurred consumption and local economic activity during the crisis period, thus moving the local economy into a less devastating equilibrium.

Our balance sheet analysis presents two important findings. First, it validates much of the results outlined in Part 5.2 of this section. Specifically, raw material/input prices, coupled with currency depreciation and limited access to subsidized raw material, have been very constraining to firms in the area. However, in comparison to Matn Union and UCF regions, the real cost burden appears to be significantly less, especially when it comes to raw material and electricity/transportation expenses. Second, this analysis allows us to complement our earlier evaluation of supply-side constraints by additionally tapping into demand-side shocks using sales data. To do so, we

¹²¹ Sales data also shows that the average share of sales (in foreign currency) to the total reached 40 percent.

exploited the variation in sales between 2019 and 2021 for the average firm. Interestingly, firms in the Tyre UoM region have witnessed only a moderate drop in sales, implying a stronger demand for goods and services in the area. This finding was most pronounced in the wholesale/trade sector.

In what follows, we measure the effect of these balance sheet changes—constraints— on the region’s economic development process, with a focus on job creation.

5.3.2 Compromised Employment Growth as A Feature of The Crisis

Faced with demand and supply-side shocks, firms in the Tyre UoM region were forced into making unfavorable business choices to survive, one of which is laying off workers.

To that end, we center our empirical 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, we attempt to answer the following question: To which extent did firms’ cost surges and sales changes seriously guide the average firm’s layoff policy and employment growth? Our findings suggest that the substantive increase in costs had both a sizable and negative effect on firms’ employment growth. Predictably, sales turnover, which was moderately poor during the crisis, contributed only faintly to negative employment outcomes in the area.

Only seventeen out of one hundred twenty-seven (17 out of 127) firms let go off workers during the crisis period, which is not surprising as the average firm size in the Tyre sample is considerably small.¹²² Alarmingly, though, fourteen (14) of those seventeen (17) businesses laid off what amounts to over 50 percent of their workforce.

To best capture retrenchment, we first zoom in on firms that witnessed a large drop in costs (i.e., exceeding 10 percent) between 2019 and 2021.¹²³ The average firm in this group reduced its workforce by around 20 percent more than firms whose cost surge was less significant (Figure 33).

Interestingly, firms whose sales dropped pointedly during the crisis seem to have had a moderate drop in employment (around 4 percent more than other firms in the sample).¹²⁴ Such a modest effect may be explained by the increase in sales in the region witnessed towards end of 2021, indicating a strong local demand. That is, some firms in the sample did in fact lay off less people as a result. Firms whose sales increased between 2020 and 2021 let go off 20 percent less people than those whose sales went down or remained constant.¹²⁵

We also consider the constraining effect of the market shock through changes in firm output/production capacity between 2019 and 2021. Survey data indicates that 38 percent of the sampled firms (forty-eight (48) firms) significantly reduced their production (i.e., by more than 10 percent). Of those, seven downscaled their production of goods by more than 50 percent. Controlling for size, sector, cost, and firms’ growth prospects, we find that firms whose production dropped by more than 10 percent during the crisis cut their employment by 15 percent more than other firms.¹²⁶ See figure 32 for a summary of these results

¹²² A small firm is one with five (5) workers at most on board.

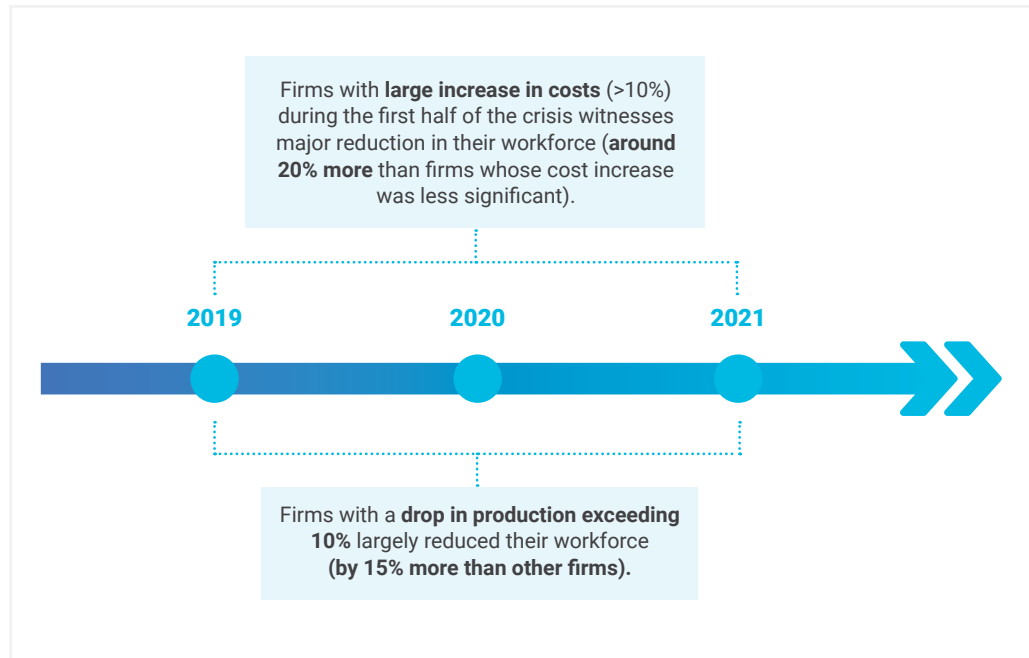
¹²³ This covers firms whose costs decreased either in the first half of the crisis (2019-20) or the second half (2020-21) or both.

¹²⁴ This is statistically insignificant.

¹²⁵ This is economically and statistically significant at the 1 percent level.

¹²⁶ This is economically and statistically significant at the 1 percent level.

FIGURE 33 Balance sheet effects



Controlling for firm size and sector, we gauge the effect of the change in costs and sales on the probability of laying off a worker. Predictably, firms that experienced major cost surges were 11 percent more likely to reduce employment.¹²⁷ On the other hand, the drop in sales was expectedly not a determining factor for layoff decisions. To recap, it is important to keep in mind that this outcome might be driven by an important factor: the region’s particularly highly income-elastic and positive demand during the crisis period (even in comparison to the national level or other regions).¹²⁸

Policies on the extensive margin in the Tyre UoM region are directly tied to changes in the units of labor or capital (i.e., hiring or laying off workers). Our data shows that changes on said margin were not always driven by concerns over worker productivity in times of crisis as also revealed in our binding constraint analysis.¹²⁹ Survey results suggest that almost half (47 percent) of the 17 firms that laid off people did so due to the economic crisis.

Furthermore, we find that 30 percent of the 127 sampled firms increased the salaries of their workers. Of those, 14 percent, raised salaries by more than 20 percent. This indicates that the income loss was, on average, less severe for workers in the Tyre UoM region.

A key finding from this section is that the effect of the market shock, though severe, seems less intense in Tyre. But one should remain cautious about this result.

First, low layoff rates are driven by the small average firm size in the region, which means there is barely any margin to let workers go. Second, the only moderate drop in sales is viewed as a symptom of strong local demand, which can be partly attributed to the sizable flow of foreign remittances into the area. As more and more people earn in foreign currency, which they can exchange for Lebanese pounds at a profitable market rate, their purchasing power will surge along with their demand for goods and services. However, faced with steep inflation and continuous loss in local income, workers – part and parcel of the local community– will be forced to reduce their demand and social spending, which will end up constraining firms and municipalities (through lower incentive to pay taxes).¹³⁰

¹²⁷ The result is statistically insignificant due to an insufficient sample in this group.

¹²⁸ In other words, income volatility affects demand. One (1) percent increase in income increases demand largely. i.e., high income elasticity of demand.

¹²⁹ 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.

¹³⁰ Data from the human capital survey conducted by our team in January 2021 confirms this finding. 56 percent of the six hundred (600) sampled households in the region reported not paying their municipal taxes during the crisis period.

Furthermore, we can already see many firms that are choosing to downscale their production. This shows that, even in the unlikely circumstance of ‘resilient’ demand going forward, firms could ultimately lose their ability to sufficiently supply into the market. All of this will have a clear effect on LED: tax revenues are bound to plunge, which in essence lowers the likelihood of sound service provision by local government and limits its ability to implement or plan for proper development.

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-seven (127) 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 potential sources of support by entity

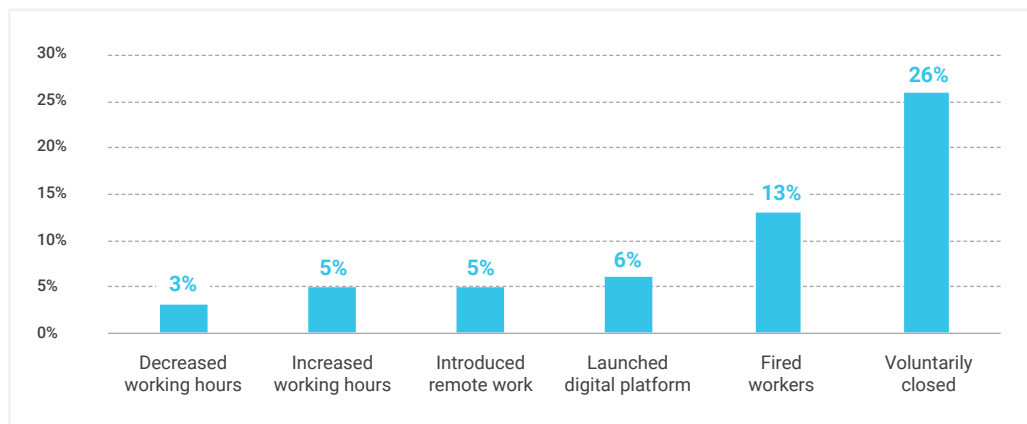
From national government	From Union of Municipalities (UoM) or Municipality	From international donor	From trade union
Credit access	Microcredit	Discretionary loans	Support in hiring
Cash transfer	Business grant	Grants	Campaign to improve quality of public services
Deferral of fee payment	Deferral of 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 five (5) key policies to increase the chances of survival during the crisis period. 26 percent of the sampled firms in the region voluntarily closed for a short period of time.¹³¹ 6 percent started a digital platform (online website or social media pages) to facilitate business operations. 5 percent of sampled firms introduced remote work in order to cut operational costs. A few firms worked against the intensive margin by altering the number of working hours.¹³² For example, 3 percent reduced hours of work and 5 percent increased them (Figure 34).

¹³¹ 79 percent of those closed for more than three (3) months, for reasons that do not include protests and the COVID-19 pandemic.

¹³² Policies on the intensive margin have a direct influence on productivity of labor already employed.

FIGURE 34 Firms' survival strategies in times of crisis



However, most of these strategies varied by sector. Data shows that most layoffs happened in the manufacturing sector. 44 percent of manufacturing firms (four (4) out of nine (9)) let go off workers. This retrenchment trend is not as pronounced across service firms (three (3) out of nineteen (19) firms), trade firms (six (6) out of seventy (70) firms), or agriculture firms (two (2) out of twelve (12)).

Barely any firms introduced work-from-home policy. Data shows that only three (3) out of seventeen (17) real estate firms and two (2) out of seventy (70) trade firms exploited this survival strategy by way of cutting operational costs (i.e., electricity etc.). None of the manufacturing or agriculture firms relied on remote work to increase their chances of survival. A similar trend emerged for digitizing work: only one (1) real estate firm, three (3) wholesale/trade firms, two (2) manufacturing firms, and one (1) service firm introduced a digital platform to facilitate business functions (e.g., sales).

As for voluntary closure, a relatively significant number of wholesale/trade firms voluntarily closed for a short period (seventeen (17) out of seventy (70)). Four (4) manufacturing firms, three (3) real estate firms, six (6) service firms, and three (3) agriculture firms relied on such a strategy. Finally, there was barely any variation across sectors when it came to increasing or decreasing working hours.

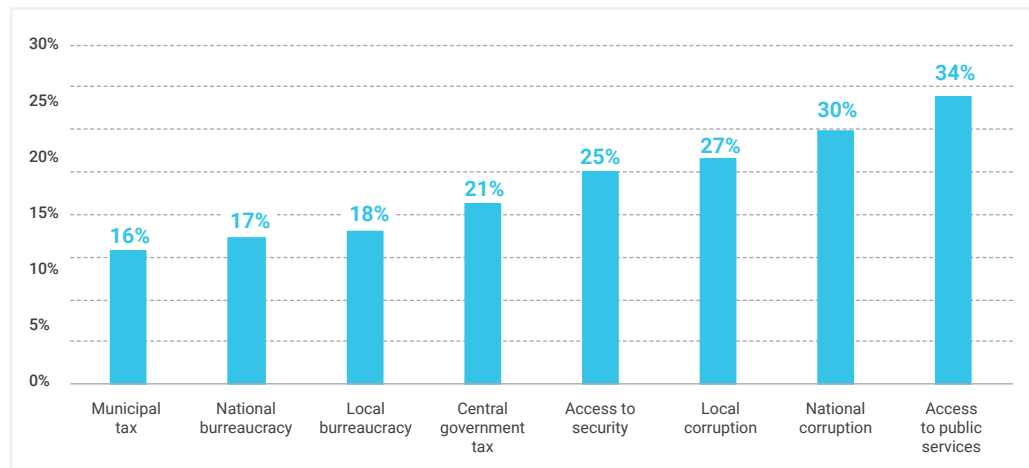
We also investigate how such decisions might have been shaped by the magnitude of the local market shock. To unpack this relationship, we disaggregate data on survival strategies by change in sales between 2020 and 2021.¹³³ It is evident that firms who were in a better position in terms of sales were less likely to rely on survival strategies like laying off workers. But, when it comes to voluntary closure, the story flips. 40 percent of firms whose sales increased had decided to close voluntarily at some point in the past. This may be explained by an urgency to cut losses and retain savings for worse times.

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 interesting (Figure 35).

¹³³ We focus on the second half of the crisis for simplicity.

FIGURE 35 Poor governance as an obstacle to businesses



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 their dues, extent of local bureaucracy (including reading 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 development or infrastructure projects).

Returning to our definition of a binding constraint,¹³⁴ weak access to public services such as solid waste management and lighting streets appear to be a binding constraint to a third of the sampled firms. This was followed by national corruption (30 percent of all firms), local corruption which we define as “irregular procurement processes” (27 percent), weak security (25 percent), and central government taxes (21 percent). Municipal fees do not seem to burden firms.¹³⁵ In comparison to weary market conditions such as lacking credit and high input prices, poor governance does not seem to be a large constraint for firms in the sample.

To rationalize this finding and best understand how firms perceive governance in real terms, we prodded them more by asking about their interaction and collaboration with local governments.

5.5.1 Interactions with Local Government

The interaction of the Tyre UoM private sector with various levels of their government is weak, similar to the Matn and UCF UoM regions. The main “interaction” is a transactional one: the payment of taxes. For example, about 83 percent of firms have fully paid their tax obligations since the crisis and another 8 percent have partly paid their tax obligations. Even so, this leaves 9 percent of the sample that has fully avoided paying taxes recently—more than in the other regions.

Firms reported little interaction around implementing infrastructure or development projects. For example, 88 percent of firms did not interact with their municipality and 86 percent did not interact with their UoM in the previous twelve (12) months. Interestingly, the extent of direct interactions is weak even with the municipality, while in other regions there is a somewhat more frequent interaction with the municipality relative to the UoM. Even among the 12 percent that interacted at least once, the main purpose was for settling taxes and other financial issues.

These findings were confirmed in our FGDs with tourist businesses and agricultural enterprises in February 2022. The “unifying struggle” for much of these actors appears to be poor collaboration with municipalities. The general perception is that municipalities are incapacitated to support

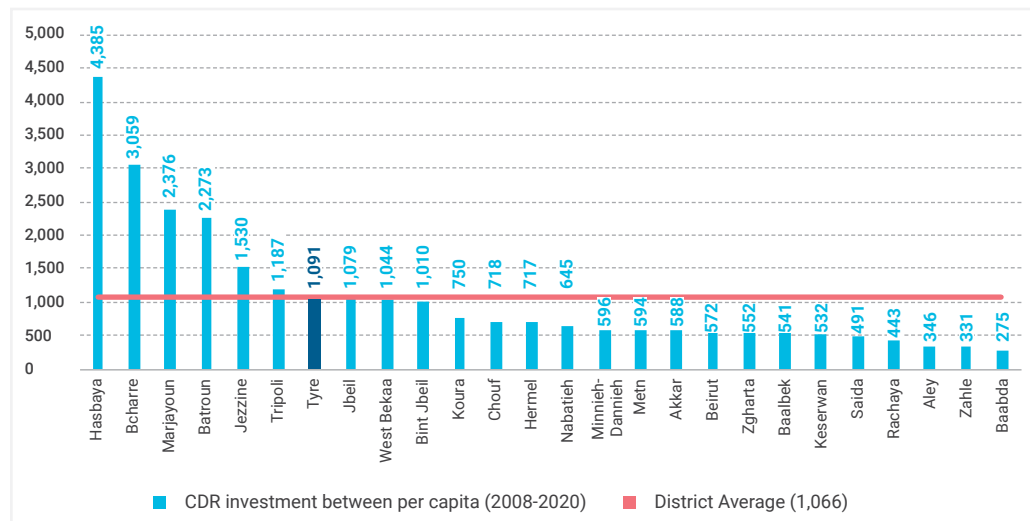
¹³⁴ We define a ‘binding’ constraint as one which has been rated as either “Moderate” or “Significant” by at least 20 percent of the firms.

¹³⁵ According to local officials we spoke with, many firms usually evade local taxes.

businesses in the area. Some also believe that municipalities do not advertise local production or economic activity sufficiently.

The lack of infrastructure investments confirms such poor coordination with local authorities. Between 2008 and 2020, nearly USD 280 million were allocated to CDR infrastructure projects in Tyre, much higher than the district average of USD 131 million. However, per capita data shows that the district of Tyre receives around the national average (Figure 36).¹³⁶

FIGURE 36 Volume of CDR investment per capita between 2008 and 2020



Sources: Council for Development and Reconstruction (2021) and Central Administration of Statistics (2019).

In the survey, there was little mention of infrastructure and other project discussions in interactions with local authorities and similarly few instances of collaboration over development projects reported with the municipality or UoM. For example, of the four (4) firms that collaborated with the municipality or UoM, only two (2) indicated that there was follow-up with execution). When prodded to answer specifically if they were ever invited by their municipality or their UoM to discuss local economic development, there were a few more responses in the affirmative but still representing only 5 percent of the one hundred twenty-seven (127) firms sampled (for either invitation by the municipality or UoM).

When asked to assess their relationship with various levels of government, one striking result is the share of firms noting that the question “does not apply” to them. This share rises the more distant the level of government is from them. For example, only 13 percent of the firms noted that the question about their relationship with municipal employees does not apply to them, 18 percent said this about their relationship with the municipal mayor, 26 percent with the UoM president, and 37 percent with either the Governor or the Qaemaqam.

However, of those answering these questions, the median (and average) response for all these questions was “good” (on a scale of poor, moderate, or good)—better than in the other regions. This means that relationships with local government in Tyre can be divided into two (2) groups: those engaged and overall satisfied with local government and those not engaged altogether. Similar results are obtained for questions pertaining to the capacity of the different levels of government (albeit fewer “does not apply” responses).

5.5.2 Local Government Priorities and Service Provision

Firms were also asked their views about local public spending priorities. One (1) result is that a large majority of firms (80 percent) said they would be willing to pay higher local taxes in return for

¹³⁶ Sanchez, D (2018) Perpetuating regional inequalities in Lebanon's infrastructure." Lebanese Center for Policy Studies. <https://www.lcps-lebanon.org/articles/details/2182/perpetuating-regional-inequalities-in-lebanon%E2%80%99s-infrastructure-the-role-of-public-investment>.

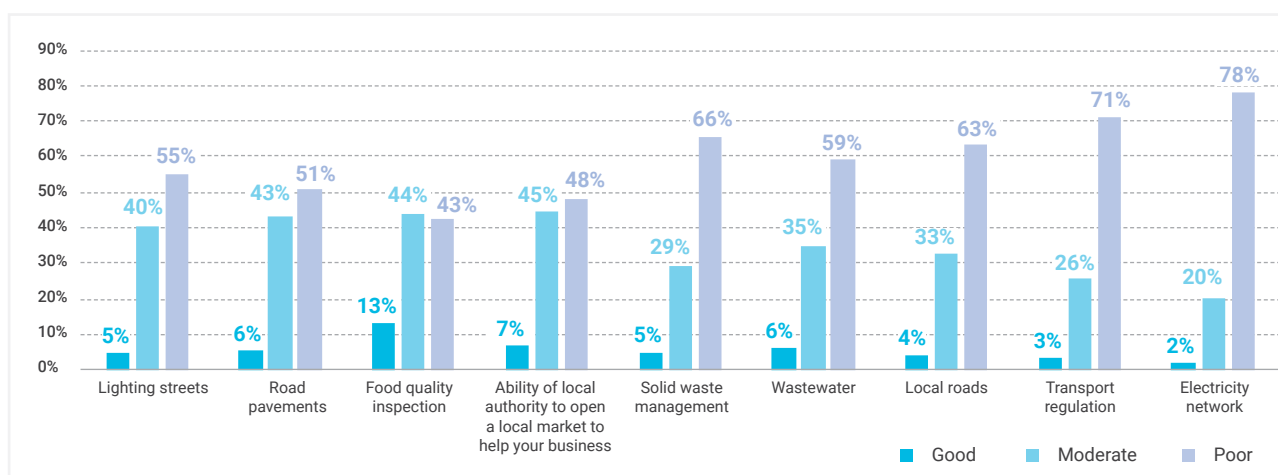
¹³⁷ The survey question specifically captures tax willingness. Firms' answer here is conditional on the availability of funds accessible by them. In any case, it is important to bear in mind that in the long run and amid continuous loss in income, tax payments may nonetheless be expected to plunge.

¹³⁸ The results displayed in Figure 37 should be treated with caution as the 'solid waste management' option, along with a few others, may have been omitted inadvertently.

better local services. This is an important finding because it shows that there is a tax base in the population willing to fund well-managed local infrastructure and public services.¹³⁷ Nonetheless, municipalities could manage to secure co-funding or seed-funding for some pilot projects to be scaled up with local private or international partners.

There is much to be done to improve the quality of public infrastructure and services in Tyre as evidenced by responses about the current quality of main services. The median (and average) response to all services was "poor" with the exception of food quality checks and local public markets that were rated "moderate". Everything else was seen as glaringly inadequate: the electricity network; roads-related infrastructure from pavement to organization to street lighting; and solid waste and wastewater management (Figure 37). These numbers may be validated by the fact that almost 57 percent of the firms found their poor access to electricity a severe (binding) constraint to their business. This was followed by poor access to roads (33 percent), limited access to water (30 percent), and distorted access to telecommunications (28 percent).

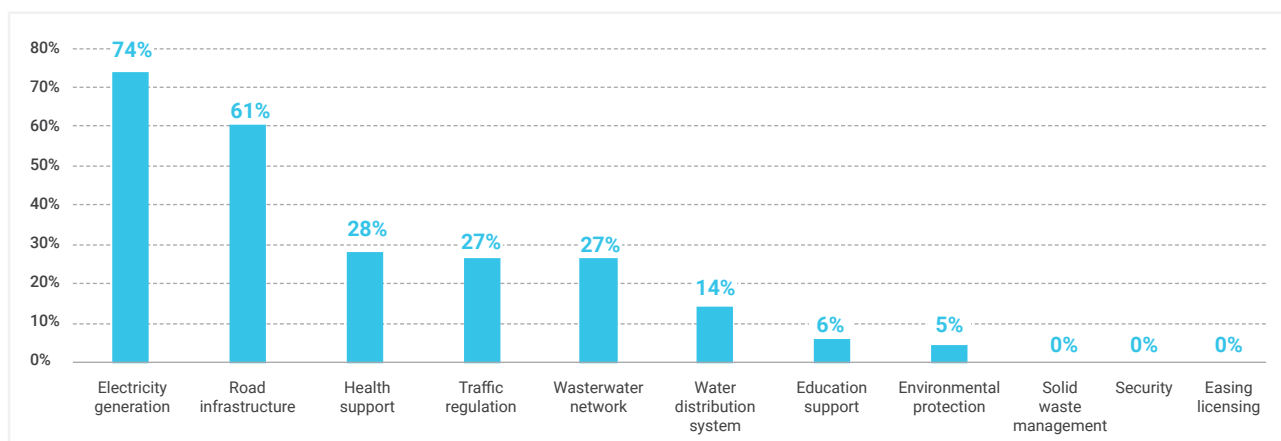
FIGURE 37 Firms' assessment of local service provision



¹³⁹ The options provided were 1) roads 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.

When asked to choose what were the most important priorities of all the inadequate services to improve, electricity generation and road infrastructure were selected as the top two (2) (Figure 38).¹³⁸ In this question, a pre-selected list of possible infrastructure options was given to firms to choose from.¹³⁹ Health support was also frequently cited, in line with the quasi-absent job benefits related to health insurance in this region, and also in line with previous findings noted in the desk review (scarcity of hospital beds in Tyre; health coming up as the top priority in South Lebanon in the 2019 World Bank firm-level survey).

FIGURE 38 Local firms' needs



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 25 percent of the firms in the sample.

For example, half of the agricultural firms in the sample ranked improved road infrastructure as a top priority for business enhancement, followed by health support (as reported by 42 percent of the firms), and proper water distribution networks (25 percent), which is predictable. In addition to the aforementioned, a large deal of wholesale firms (71 percent) classified electricity generation support by municipality as a top need, which was followed by road infrastructure (37 percent), health support (30 percent), traffic regulation (29 percent), and proper wastewater networks (27 percent).

Expectedly, manufacturing firms expressed a great desire for better road infrastructure (44percent of the firms), and electricity generation (89 percent). A small group of firms in said industry (32 percent) solicited better wastewater networks.

Interestingly, none of the firms in the sample seem to prioritize education support and protective environmental policy as a means of enhancing their business. A detailed mapping of priority needs is summarized in Table 10.

TABLE 10 Detailed mapping of priority needs

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	Not a top need	x	x	x
Electricity generation	x	x	x	x	x
Environmental protection	Not a top need	Not a top need	Not a top need	Not a top need	Not a top need
Wastewater network	Not a top need	x	x	Not a top need	x
Water distribution system	x	Not a top need	Not a top need	Not a top need	x
Health support	x	Not a top need	x	x	Not a top need
Education support	Not a top need	Not a top need	Not a top need	Not a top need	Not a top need

An alternative open-ended question asked firms to suggest their top priorities in a hypothetical scenario where they were given the equivalent of USD 500,000 along with the authority to implement a local economic development policy. This question resulted in a wider range of responses, as expected.

Many responses were related to job creation, in addition to the standard electricity, roads, and health center needs. For example, *“taking advantage of land suitable for agriculture and employing the disadvantaged”* was mentioned. The interviewers for this region correctly directed respondents to suggest potential projects for the local government, not for their own business.

5.6 FUTURE PROSPECTS

One common challenge for the private sector in Tyre Union is related to the recovery and sustainability of 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 destruction with little to no creation. While job losses were smaller in this region than elsewhere,¹⁴⁰ the need for job creation is even greater for it is poorer with a large young population. Manufacturing firms have, on average, reduced their employment by 18 percent, followed by real estate firms (9 percent). Agricultural firms and service firms barely laid off any workers, which might be attributed to (1) the size of these firms and (2) a broader sense of social solidarity within these sectors.

There is a strong risk of a jobless recovery. Since firms are operating significantly below full capacity, and even if the Tyre region slowly recovers, production can be expanded without increasing labor. The longer the recession lasts and the longer firms continue to operate below capacity, the fewer are the incentives to hire workers and create jobs. This causes a situation of long-term unemployment and under-employment, and could lead to the eventual exit of discouraged workers from the labor force altogether with rising skills atrophy. In the long run, local business conditions may be exacerbated by the ongoing emigration of highly educated youth.

The risk is highest to the current youth population, which has not had the opportunity to gain job experience and skills. They risk facing the biggest challenges when well-paying jobs with health and other benefits return to the economy. In the pre-crisis era, benefits were largely absent from jobs in Tyre: less than 4 percent of employers offered health insurance, with this rate dropping to 2.5 percent at the time of writing of this study. Similarly, few workers were enrolled in the NSSF (roughly 15%).

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 the national economic recovery and resulting sales pick-up at the level of firms. This calls for local policy intervention as discussed earlier.

The reality on the ground in Tyre Union indicates major vulnerabilities to business survival and creation: surviving firms are optimistic about their long-term growth prospects if they survive over the next three (3) years but are also the most pessimistic about their short-run survival over the next six (6) months. Specifically, more than 60 percent of firms in Tyre 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 average and median typical firm rates its future as five (5).

But troublingly, a significant share of firms (44 percent) perceives 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). It is to be noted that these vulnerable firms (on the short run) are not perfectly correlated with those having weak growth assessments (long run). The correlation between the two (2) indicators in Tyre is weak and not statistically significant.¹⁴¹

What these two (2) statistical figures mean is that there are many firms in Tyre Union with good growth and business opportunities over the longer three-year horizon that might not survive in the shorter term. This is likely due to liquidity and cash-flow problems that can affect any firm even if its longer-term expected profitability is good. There are no support mechanisms in place to keep them afloat because they are geographically spread out and isolated. This is despite their survival so far in the face of: 1) sharp increases in operating costs and moderately weak sales; 2) being small, disparate and isolated (not part of larger conglomerates as they are mostly individual and family-owned businesses); 3) not receiving any outside support since the onset of 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.¹⁴²

¹⁴⁰ Only about 13 percent of firms in the Tyre sample took the decision to dismiss workers. Nonetheless, conditional on making that decision, cuts were deep with a 30 percent-50 percent layoff rate, like the other regions.

¹⁴¹ The correlation coefficient is -0.09 in this region.

¹⁴² It is striking that only one (1) firm of the one hundred twenty-seven (127) in the Tyre sample answered in the affirmative to having received some financing since the crisis (although the source of financing was not any of the options commonly listed). None of the firms received support from the national or local government and other sources such as trade unions and international agencies.

More evidence consistent with excessive business depletion and job losses comes from responses to a hypothetical question on how firms would best spend USD 100,000 if offered such a grant. Firms were given various options which can be grouped as follows: 1) the option to expand (by increasing production or hiring more workers); 2) the option to diversify and innovate (by diversifying production, opening new branches or investing in technology); and 3) the option to close their business and invest the extra funds elsewhere in presumably higher-return opportunities. The fact that less than 3 percent of firms in Tyre UoM region chose to invest elsewhere while more than 97 percent chose to either expand or diversify their business is even more evidence that firms believe they have good business prospects but are financially constrained and vulnerable to liquidity-induced closures.

It is, therefore, encouraging to note 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 (42.5 percent). But the key finding is that when asked about how they would expand, only a minority chose to hire more workers (5.5 percent). Even when given three (3) top spending choices to allocate the funds, only 17 percent chose to do so by hiring more workers. These figures on potential hiring are much smaller than in the other regions.

This is a key finding implying that 1) firms are operating significantly below capacity and can expand the production of goods & services without creating new jobs. As such, the recovery will be a jobless one. 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. The next section discusses the shape and form of active policies can enhance the recovery while creating job opportunities in the Tyre area.

5.7 CONCLUDING REMARKS AND POLICY RECOMMENDATIONS

To summarize, the market shock that hit firms in the Tyre Union region presented itself in the form of cost surges and moderately weak sales, which resulted in an unsettling level of layoffs. We predict that such effects will likely last in the face of sporadic and slow economic recovery. The resulting loss in local income will in turn restrict economic activity and consumption, and therefore obstruct proper LED in the region. These market conditions have been further exacerbated by weak infrastructure, complete absence of private sector credit/microcredit and business support, and firms' weak relationship with local authorities.

Our analysis suggests that firms in Tyre UoM region have been severely constrained by all of our chosen market constraints. The binding business obstacles include high lira volatility, high input prices, high rent and technology costs, limited access to local and foreign markets, restricted access to credit and subsidized raw material. 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 a number of firms had to lay off workers to mitigate their losses amid high costs and moderately weak sales. Surprisingly, revenues from sales appear to have only moderately dropped during the crisis period, which we speculate is symptomatic of strong local demand. Expectedly, these effects were most pronounced in the wholesale, real estate, and manufacturing industries.

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

applicable for almost half of the manufacturing, wholesale, and real estate firms and almost all service firms. A wide majority of agricultural firms (five (5) out of nine (9)) are optimistic about their long-run growth. However, 44 percent of all firms perceive their likelihood of closure over the next six (6) months as being high, which indicates limited liquidity.¹⁴³

Fourth, firms appear to be highly constrained by weak local infrastructure such as electricity, roads, health, and traffic regulation with little variation by economic sector. This finding suggests that the area’s weak infrastructure has in fact distorted the economic activity by inhibiting the extent to which firms can engage with markets.

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,¹⁴⁴ whereby firms seek to scale up production but refrain from hiring. 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 in order to ensure job creation but should instead take a more active role in aiding that process. Local authorities could collaborate with international actors/investors on supporting small to medium sized businesses through setting up or developing microcredit facilities.

Clearly, there is a desire for better local public services. Also, there is a significant willingness to pay for better local planning and provision in the Tyre UoM region.

Sector-tailored policies should be spearheaded by local authorities to optimize the work of businesses in Tyre Union region and their contribution to LED. For example, the needs of manufacturing firms center around, in addition to enhanced roads and electricity access, sound wastewater networks to increase productivity and reduce costs. Moreover, wholesale and retail firms also demand better health support, which is essential for worker health, skill accumulation, and, consequently, productive output. In Table 11, we consider the different measures that should be taken to enhance business across different economic sectors.

¹⁴³ Short-term closure seems most likely for almost all agriculture firms, and a large chunk of wholesale, real estate, and manufacturing firms.
¹⁴⁴ An economy that undergoes jobless recovery may bounce back from a recession without reducing the unemployment rate.

TABLE 11 The different measures that should be taken to enhance business across different economic sectors

Service priority	Sector				
	Agriculture	Manufacturing	Real estate	Services	Wholesale
Road infrastructure	Enhancing internal roads to facilitate transport of material and agricultural products, while entating regulation to limit land speculation and build-up.	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 between factories etc.
Traffic regulation	Not a top need.	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.

Service priority	Sector				
	Agriculture	Manufacturing	Real estate	Services	Wholesale
Electricity generation	Supply alternative energy to increase productive work and rich crop seasons, taking into account high export potential.	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.	Alternative energy. Subsidizing fuel. Connecting business with investors to support in funding this need.
Environmental protection	Not a top need.	Not a top need.	Not a top need.	Not a top need.	Not a top need.
Wastewater network	Not a top need.	Map out key wastewater networks and fund factories to support with this work.	Map out key wastewater networks and fund factories to support with this work.	Not a top need.	Map out key wastewater networks and fund factories to support with this work.
Water distribution system	Maintenance of key water networks necessary for sustainability of productive land.	Not a top need.	Not a top need.	Not a top need.	Maintenance of key water networks.
Health support	Set up local medical centers to support farmers and those vulnerable to health crises.	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.	Not a top need.	Not a top need.	Not a top need.

What is less clear is what policy recommendation best addresses the private sector's desire for industrial support (including agricultural support) policy and job creation?

There are important lessons to be learned from successful local development policy as applied in France based on the discussion with French LED agencies.¹⁴⁵ 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 served 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 agencies to attract investment capital into the area.

This is especially relevant to Lebanon where firms are small, diffused, 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 and expatriate class that can be attracted to fund local investment projects.

¹⁴⁵ 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 Tyre 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.¹⁴⁶

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

¹⁴⁶ <https://www.parlicentre.org/about-us/area-expertise/governance>

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 Tyre UoM, 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 local 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 Tyre UoM underlying any current and/or potential LED role in-depth (please see Section 6.2: Tyre 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 Tyre LED governance will be initiated with an “institutional” and be completed with a “territorial” focus.

The “institutional” focus covers the various roles,¹⁴⁷ practices,¹⁴⁸ 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 Tyre 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 internal coordination and cohesion within the Union, 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).

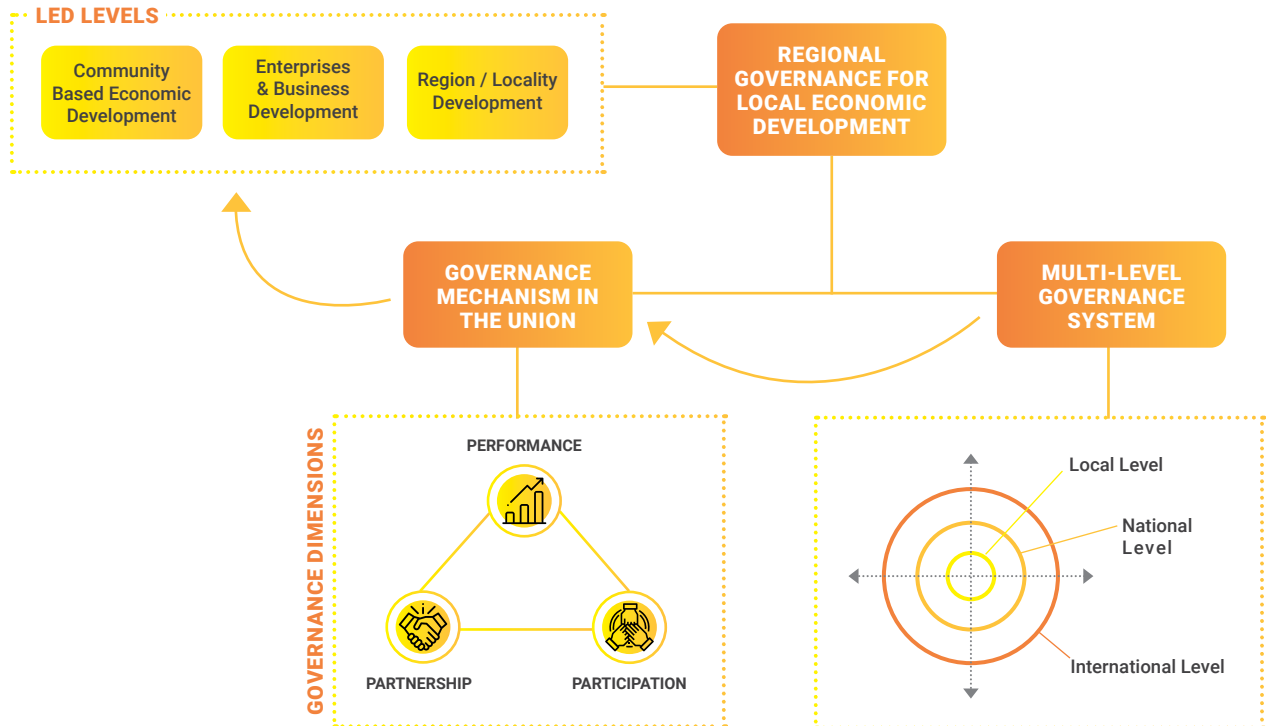
- The “Governance and Development” component will conclude with a final section dedicated to setting the contours of pro-active LED policymaking at Union level and the national requirements to optimize such policymaking.

¹⁴⁷ 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.

¹⁴⁸ For example, regular engagement of local communities, partnership building with private sector etc.

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 and decrees 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 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 is 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 - Demogratia 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 Tyre UoM 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 legislation 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 has to 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 properties, 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.¹⁴⁹ 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

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.

¹⁴⁹ 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.

impose: the rent fee on occupied properties and the fee on construction permits.¹⁵⁰

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 Council and their executive authorities. Representatives of member municipalities form the union council. As with municipalities, the Council can

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.

¹⁵⁰ DRI & LCPS. (2020), Restructuring Subnational Governance in Lebanon.

form specialized committees. It elects a president of the union who oversees the union administration. This administration has to have by law at least three (3) departments: the administrative 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.¹⁵¹ 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 decrees, 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 (2) 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.

¹⁵¹ Decree No. 1917 dated April 6th, 1979.

6.1.3 The International Level

Relations between international organizations and public institutions in Lebanon are deep rooted and varied.¹⁵² 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.¹⁵³ 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.¹⁵⁴ 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.¹⁵⁵ 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.¹⁵⁶

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.^{157,158}

6.2 TYRE UoM LED GOVERNANCE

The Tyre Union was established in 2003 by the decree No. 9761, and comprises twenty (20) municipalities:¹⁵⁹ Ain Baal, Al-Abbassieh, Alma Chaab, Aytit, Batoulay, Bazourieh, Bourj El Chamali-Ain Abou Abdallah-Ain Zarqa, Chaaitieh, Chehabieh, Deir Qanoun En Nahr, Jouaiyya, Maarakeh, Maaroub, Naqoura, Qana, Qlaileh, Shhour, Srifa, Tayr Filsay, Tyre (Sour in Arabic), and Yarine.

In 2007, twenty-nine (29) municipalities joined the Union: Al Bayyad, Al Berghlieh, Al Boustane, Al Jebbayn, Al Mansouri, Al-Henniyeh, Al-Hmairi, Al-Majadel, Arzoun, Bafliieh, Bidyas, Borj Rahhal, Chamaa, Chihine, Debaal, Deir Aames, Deir Qanoun Ras El-Ain, Derdghaiya, Hallousieh, Hanaway, Jbal Al Botom, Majdalzoun, Marwahin, Mazraat El Meshref, Reshknay, Tayr Debba, Toura, Yanouh, and Zebqine. In 2009, five (5) additional municipalities joined the union (Barich, Mahrouna, Saddiqine, Selaa, and Tayr Harfa).

The Union comprised at its peak sixty (60) municipalities. However, five (5) of them (Bafliieh, Chehabieh, Debaal, Jouaiyya, and Selaa) are no longer part of it for reasons related to its political affiliation reasons.¹⁶⁰ Therefore, the union currently consists of fifty-five (55) municipalities: Ain Baal, Al Bayyad, Al Berghlieh, Al Boustane, Al Dahriyeh, Al Jebbayn, Al Mansouri, Al-Abbassieh, Al-Henniyeh, Al-Hmairi, Alma Chaab, Al-Majadel, Arzoun, Aytit, Barich, Batoulay, Bazourieh, Bidyas, Borj Rahhal, Bourj El Chamali-Ain Abou Abdallah-Ain Zarqa, Chaaitieh, Chamaa, Chihine, Deir Aames,

¹⁵² 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.).

¹⁵³ Abdallah Ahmad, Director General, Ministry of Social Affairs, November 6th, 2021.

¹⁵⁴ Tarek Osseiran, Deputy Head of Country Programme at UN-Habitat, November 2nd, 2021.

¹⁵⁵ Natasha Marshalian Saade, Chief of Party at Foundation Mouawad, December 21st, 2021.

¹⁵⁶ Tarek Osseiran, Deputy Head of Country Programme at UN-Habitat, November 2nd, 2021.

¹⁵⁷ Ms. Sarah Sannouh, Regional Partnership Advisor at IRC, November 10th, 2021.

¹⁵⁸ IRC were even engaged in a Government Engagement Strategy study for their programs and interventions at ministerial and municipal levels.

¹⁵⁹ The romanization of the municipalities' names follow municipal actual practices and not standard rule of Arab to English transliteration.

¹⁶⁰ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

Deir Kifa, Deir Qanoun En Nahr, Deir Qanoun Ras El-Ain, Derdghaiya, Hallousieh, Hanaway, Jannata, Jbal Al Botom, Kniseh, Maarakeh, Maaroub, Mahrouna, Majdalzoun, Marwahin, Mazraat El Meshref, Naqoura, Qana, Qlaileh, Reshknanay, Rmadieh, Saddiqine, Shhour, Srifa, Tayr Debba, Tayr Filsay, Tayr Harfa, Toura, Tyre, Yanouh, Yarine, and Zebqine.¹⁶¹

Municipal unions 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, Tyre Union is the host of a significant share of refugees both of Palestine and Syria.¹⁶² In addition, three (3) of the twelve (12) official Palestinian camps in Lebanon are located in Tyre.¹⁶³ Thus, the Union has to maintain a basic level of services to attend to the needs of more inhabitants while managing economic, social and environmental challenges, by drawing on the same, largely insufficient, resources they had before the refugee influx and the current dire economic situation in the country. Moreover, the Union is also challenging the gridlock of the central government with its bureaucratic hurdles, obsolete systems, and the lack of institutional backstopping by the line ministries.

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

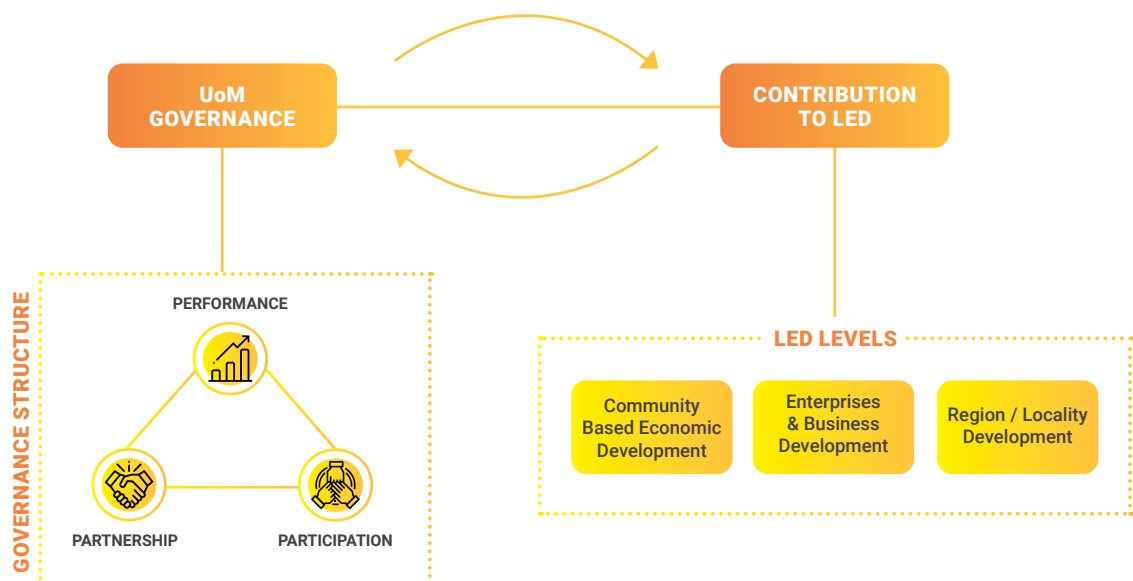
Based on the interviews, surveys and FGDs conducted as part of this assessment, LED is to be reviewed as a process in which partnerships between local governments, community and civic groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of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

¹⁶¹ Ibid.

¹⁶² Following the start of the Syrian war in 2011, as of 2015, nearly two thousand two hundred (2,200) Palestinian Refugees from Syria (PRS) families were registered with the UNRWA in Tyre (17 percent of the total families that migrated to Lebanon, registered with the UNRWA).

¹⁶³ These are: Rachidieh (nearly thirty-five thousand (35,000) refugees as of 2018), Bourj El-Chamali (nearly twenty-five thousand (25,000)), and El-Buss (nearly thirteen thousand (13,000)). Using the MoPH data on the number of Lebanese residents of the district in 2018, the ratio of Palestinian to Lebanese would be 30 percent, compared to 11 percent across the country.

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



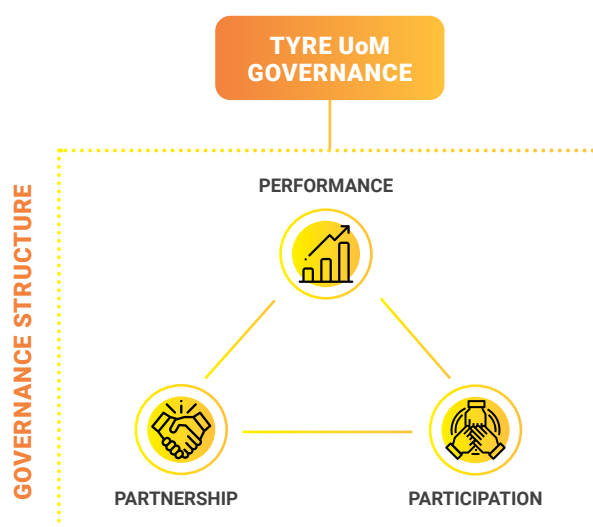
6.2.1 The Governance Structure of The Union

THE GOVERNANCE DIMENSIONS

Good governance on the local level as defined by Romeo¹⁶⁴ 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.

FIGURE 41 The governance structure/institution



In what follows are analytical descriptions of each dimension in figure 40 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 with its functions (e.g., 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 the understanding of 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.

¹⁶⁴ 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.

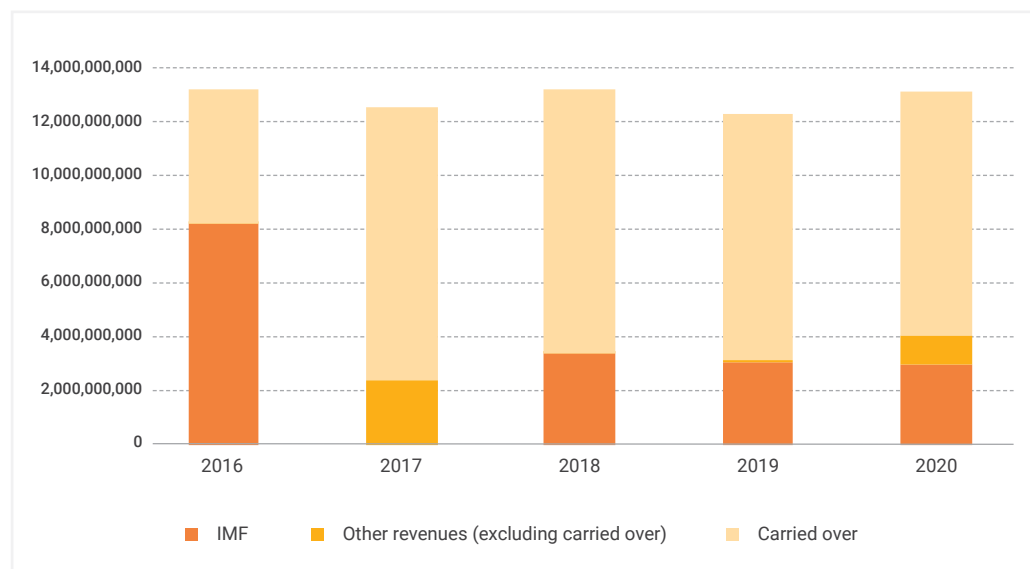
It aims to show the union's revenues and expenditures between 2016 and 2020. The financial strength of municipal unions is partly influenced by that of their member municipalities. According to the Municipal Act of 1977, member municipalities must pay their unions an annual contribution of 10 percent 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.¹⁶⁵ However, many of these are subject to constraints, restrictions or decisions.¹⁶⁶

1.1.1 REVENUES

The Tyre UoM largely depends on transfers from the IMF, as it did not receive any contributions from its member municipalities between 2016 and 2020, as shown in its Closing of Accounts (CoA) for the years 2016 to 2020. This high dependence on IMF transfers can significantly inhibit the union's capacity to fund development projects or plan and efficiently allocate its limited financial resources. In fact, the transfers for 2014, 2015, and 2016 were all disbursed in 2016, leading to a spike in the union's revenues from the IMF. By contrast, the IMF did not distribute any funds in 2017.

While the CoA show stable revenues over the years (between 12 and 13 billion LBP for the years 2016 to 2020), a closer look highlights that a large part of these are carried over from previous years. When excluding the funds carried over, the UoM's revenues decreased from LL8.2 billion in 2016 to 2.4 billion in 2017. They increased slightly since and reached 4 billion in 2020 (Table 12).

FIGURE 42 Revenue of Tyre UoM between 2016 and 2020



Source: Tyre UoM Closing of Accounts (2016 – 2020).

¹⁶⁵ Antoine DRI & VNG International, (2020). How resilient are Lebanese municipal unions? An institutional capacity assessment.

¹⁶⁶ According to Ms. Iman El Rafei, municipalities cannot get considerable cash donations nor can they spend them without *ex ante* authentication, for which the solution is to accept in-kind donations. However, conditions apply as the municipalities have to specify in the contract that they will not have to pay anything prior, upon receipt or even later on. If this the case, then the *ex-ante* authentication of the Qaemaqam is sufficient.

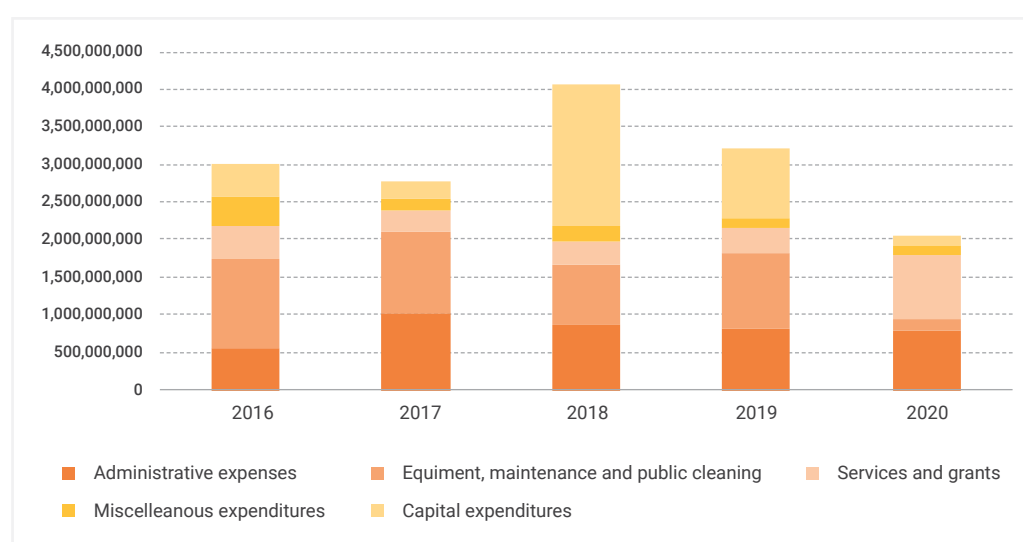
TABLE 12 Actual revenues of Tyre UoM by category

	2016	2017	2018	2019	2020
Revenues from member municipalities	0	0	0	0	0
IMF revenues to support the budget	7,154,880,000	0	2,346,543,000	3,053,806,000	1,593,792,000
IMF revenues for development projects	1,008,000,000	0	1,017,600,000	0	1,344,000,000
Other revenues (excluding carried over)	28,630,000	2,374,954,350	61,755,000	75,133,500	1,124,377,000
Revenues carried over	4,940,086,000	10,129,433,000	9,738,986,350	9,115,605,350	9,043,580,850
Total revenues (excluding carried over from previous years)	8,191,510,000	2,374,954,350	3,425,898,000	3,128,939,500	4,062,169,000
Total Revenues	13,131,596,000	12,504,387,350	13,164,884,350	12,244,544,850	13,105,749,850

Source: CoA (2016-2020).

1.1.2 EXPENDITURES

The Tyre UoM's spending varies by year. Between the years 2016 and 2020, the Union's expenditures varied between LBP2 billion and 4 billion. It largely increased in 2018, when the Union made large investments in construction (LBP 1.9 billion). Spending on equipment, maintenance and services, and aid were relatively stable between 2016 and 2019. The union's spending composition changed in 2020: It spent significantly more on services and grants than it had in previous years, and much less on equipment and maintenance.

FIGURE 43 Tyre UoM's spending from 2016 to 2020

Source: Tyre UoM Closing of Accounts (2016 - 2020)

The Union's budget has been relatively stable between 2017 and 2020. It, however, has spent much less than it budgeted, although this varies by spending category. The focus on 2020, the last year complete data is available for, shows that the union spent much more on services and grants than budgeted, spent a small part of its administrative and miscellaneous budgeted expenses, but barely any of the funds it had allocated for equipment and maintenance, and capital expenditures.

TABLE 13 Budgeted and actual expenditure of Tyre UoM

		2017	2018	2019	2020
Administrative expenses	<i>Budgeted</i>	718,000,000	1,205,000,000	139,500,000	1,395,000,000
	<i>Actual expenditures</i>	1,013,619,000	854,823,000	807,728,000	786,216,000
Equipment, maintenance and public cleaning	<i>Budgeted</i>	2,940,000,000	3,465,000,000	3,445,000,000	3,445,000,000
	<i>Actual expenditures</i>	1,077,969,000	798,785,000	1,022,443,000	158,823,000
Services and grants	<i>Budgeted</i>	497,000,000	585,000,000	655,000,000	655,000,000
	<i>Actual expenditures</i>	292,240,000	327,543,000	328,930,000	852,931,000
Miscellaneous expenses	<i>Budgeted</i>	485,000,000	535,000,000	585,000,000	585,000,000
	<i>Actual expenditures</i>	166,967,000	193,117,000	122,330,000	121,551,000
Capital expenditures	<i>Budgeted</i>	4,460,000,000	5,010,000,000	4,720,000,000	4,720,000,000
	<i>Actual expenditures</i>	214,606,000	1,875,011,000	919,533,000	125,611,000

Source: Tyre CoA and budget (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, the ability of the union to attend to basic services (*Solid Waste management, energy 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 policymaking 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.

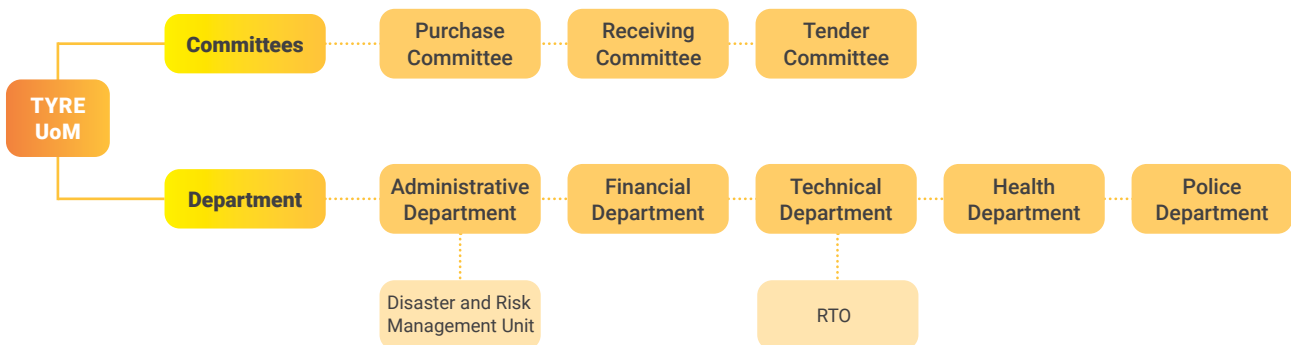
Hence, the organizational structure (see figure 43) of the union consists of three (3) committees (procurement committee, a reception committee, and a tender committee), and five (5) departments: (administrative department including a disaster and risk management unit, financial department, technical department, a health department, and a police department). Following, are the descriptions of the main two (2) departments.

The financial department is composed of the head of the department and a treasurer. This department is in charge of (a) the financial affairs of small municipalities whose own budget does not allow them to recruit employees to secure these works, (b) assisting the member municipalities' departments in improving their financial works, (c) the financial affairs of the union, (d) preparing the union budget, (e) carrying out a price survey about the union purchases, and (f) supervising the financial contracts of the union.

The technical department is composed of the RTO, an office head engineer, surveyor, foremen and data entry. This department is in charge of (a) examining the requests for building permits, organize the technical lists, and submit the entire file to the mayor of the concerned municipality for decision, (b) preparing of ToRs for supplies, works and services, (c) preparing the required technical studies and consultations, (d) preparing the expropriation regulations and detailed data for transmission to the relevant appraisal committee, (e) health monitoring, and (f) preparing reports to the concerned municipality mayor regarding building violations, health violations and all violations related to the authority of this department and which fall within the municipality's scope and submit them through the president of the union to the concerned municipality mayor).

The total number of the Union employees varies between twenty (20) to thirty (30) employees.¹⁶⁷

FIGURE 44 The organization structure of Tyre UoM



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.

¹⁶⁷ Hassan Dbouk, Head of Sour UoM, July 9th, 2021.

¹⁶⁸ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

¹⁶⁹ Ibid.

¹⁷⁰ Ibid.

¹⁷¹ These prerogatives are shared between several public institutions, namely the SLWE, MoEW, and the Litani River Authority (LRA) for water and wastewater management.

¹⁷² UPM Umwelt-Projekt-Management GmbH (2019), Pre-Feasibility Study & Capacity Building Assistance for Waste-to-Value – Integrated Sustainable Sanitation in Tyre – Rashidieh / Lebanon, V.2.

¹⁷³ FAO (2016), Evaluation of treated wastewater for agriculture in Lebanon (تقييم مياه الصرف الصحي المعالجة والمخصصة للزراعة في لبنان)

¹⁷⁴ UPM Umwelt-Projekt-Management GmbH (2019), Pre-Feasibility Study & Capacity Building Assistance for Waste-to-Value – Integrated Sustainable Sanitation in Tyre – Rashidieh / Lebanon, V.2.

¹⁷⁵ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

¹⁷⁶ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

- **Knowledge constraints.** Members of municipal councils are not being elected according to a development agenda and most are not aware of local development issues.¹⁶⁸ Moreover, the Union has a deficiency in the capacity of writing full-fledged project proposals. All this is reflected in the functioning and the management of the Union, and is translated into the absence of a common development vision and strategies. In addition, the Union lacks expertise and trainings in many sectors: municipal police lack proper training,¹⁶⁹ and the committee in charge of the natural reserve requires expertise and knowledge in the field.¹⁷⁰ **Attending to basic services.**¹⁷¹ The Union lacks the needed prerogatives and the technical, human and the financial resources to deal with some of the basic public services. In fact, many prerogatives are shared between several public institutions, namely the SLWE, MoEW, and the Litani River Authority (LRA) for water and wastewater management.

i. Wastewater management. Wastewater network reaches mainly agricultural lands, which is threatening agriculture and harming the environment through high risk of contamination.¹⁷² Even though a new Wastewater Treatment Plant (WWTP) was conceived by CDR in 2016 and funded by the EU,¹⁷³ the main problem persists as the WWTP has not been totally completed yet. Its construction was interrupted in 2017 due to the discovery of archeological sites.¹⁷⁴ On the other hand, there is no solution currently to separate the storm water grid from the wastewater grid. This is causing overflows and largely hindering the functioning of the treatment plant¹⁷⁵ In fact, the treatment plant has not worked properly yet. In addition, some villages still lack sewer networks.

ii. Water Services: The main issue regarding water services in the union is related to the situation of the South Lebanon Water Establishment (SLWE) that suffers from inefficient management as well as low budget and weak levels of fees collection. This leads to bad water services and water shortages. Consequently, most of the villages have recourse to digging wells. For instance, in Borj Rahhal, the municipality has dug and equipped four (4) wells managed by the SLWE. However, the municipality had to take over their maintenance because the SLWE was not capable of performing its duties in this regard.¹⁷⁶

iii. The Solid Waste Management. The amount of waste in the Union is about three hundred (300) tons per day. The union includes only one sorting and composting plant, the Ain Baal plant, which was established with funding from the World Bank and Office of the Minister of State for Administrative Reform (OMSAR) in 2017. The ministry claims that the plant can receive and treat two hundred fifty (250) tons per day, but according to the Union, this

plant could not receive more than one hundred fifty (150) tons per day. Accordingly, the Union developed a plan that specifies the type and quantity of waste that can be received in the plant only for municipalities which are near the plant, the city of Tyre, the town of Bourj El Chemaly, and an additional twenty-four (24) municipalities. However, the facility is not working as it requires a dumpsite, which should be approved by the MoE based on an environmental impact study.¹⁷⁷

iv. Power. Increasingly, streets are adopting solar power lighting with the support and cooperation with the United Nations Interim Force in Lebanon (UNIFIL) and NGOs.¹⁷⁸

- **Planning.** The Union suffers from the following:¹⁷⁹

i. General constraints. Municipalities and the UoM had their energy, effort and attention diverted toward other series of crises starting from the assassination of Prime Minister Hariri in 2005,¹⁸⁰ then the 2006 war to present paralysis of the government. The cumulative effect of all this is further alienation from local development objectives;¹⁸¹

ii. Development Priorities for municipalities. The priorities for most mayors are often projects considered to be visible such as road asphaltting and retaining walls that would serve best their constituents and voting purposes. Such short-term mindset and vision is an obstacle to strategic planning which should be based on a long-term vision, supported by policies and/or projects aiming for the common good;

iii. Land Management. The significant size of the UoM itself is not an issue. The real issue is the management and planning of these lands. Without an overarching plan, municipal decisions end up serving those who have more (political) support/clout and/or those who are able to make their voices heard, without necessarily being on the developmental priorities.¹⁸² In this context, a major hurdle regarding land management in planning local development strategies, is that the large proportion of lands in the Union are big private properties and mainly owned by few notables for potential real-estate development.¹⁸³ In addition, the perimeter of UoMs in Lebanon is a political matter. Recently, the potential division of the Union into three (3) zones was considered, but the dominant regional political powers kept the UoM as it currently stands;¹⁸⁴

iv. Strategic plans. The NPMP LT was not implemented in the Union and has not been updated. It was designed in a theoretical way and with a top-down approach. Had the central administrations cooperated with municipalities, the NPMP LT would have had a better chance for being implemented.¹⁸⁵ Moreover, the SSRDP scope is not viewed as fair as it did not account for residents' needs in all the regions making up the Union; "We have to admit that municipalities lack capacities and face lots of challenges. For instance, the strategic plan for the UoM would consider tourism as a major lever/tool for local economic development that could connect and benefit destinations for tourists in different villages and cities in the region. However, lack of governance is preventing this to happen".¹⁸⁶

- **Administrative capacities.** For sound management in terms of administrative capacity, the Union needs the following:¹⁸⁷

i. The electoral programs of municipal councils' members should capture people's needs and challenges and be responsive to them.

ii. Mayors should be full-time employees and the current indemnity system should be reformed to allow the provision of salaries and social insurance in order to serve best the interests of their respective municipalities. Municipalities need efficient management and skilled human resources. Most mayors are well-intentioned but need support when it comes to management and associated skills. Capacity building should, therefore, target mayors, council members and staff.¹⁸⁸

¹⁷⁷ Ibid.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ On February 14th, 2005, the former Prime minister was killed along twenty-one (21) others in an explosion in Beirut.

¹⁸¹ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

¹⁸² Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

¹⁸⁷ Ibid.

¹⁸⁸ Ibid.

1.3 TOOLS AND TECHNICAL RESOURCES

This section allows the mapping of different planning tools that exist at the Union level such as the RTO, and the technical department of the Union. This mapping helps in understanding the impact of these tools on the work of the union in terms of planning.

- **Planning tools.**

i. Regional Technical Office. The regional technical office is considered one of the main tools used by the Union.¹⁸⁹ It has collected a substantial data in terms of population, schools, landfills, solid waste, agriculture, etc. However, this data is not being put to contribution in the elaboration of development projects as the RTO is not endowed with the proper capacities for planning. Its human resources are modest and limited in view of the large number of member municipalities of the Union.¹⁹⁰ Nonetheless, the RTO has been mostly used for the design of traditional municipalities' projects (football court or retaining walls), failing though on its initial mission of suggesting development plans and projects for the whole Union.

ii. Disaster and Risk Management. The Union of Tyre municipalities council has approved the establishment of a Risk Management Unit under the name of Rapid Response Unit funded by the Swiss Embassy since 2010. Its aims: 1- Reduce the impact of all kinds of disasters in Tyre region and strengthening the rapid response, 2- Strengthening the capacity of the community and developing a strategic and sustainable program for disaster management and risk reduction, and 3- to spread awareness for school students all over the region.

iii. GIS. The GIS is used within the technical department to map the potentials and risks in the union, in order to support its projects.

1.4 ENVIRONMENTAL AWARENESS

The creation of the Tyre Beach's Natural Reserve in 1997 was very important to protect the area mainly from privatization and investors. However, proper management of the reserve suffers from insufficient contribution of the MoE and the lack of human and financial resources of Tyre municipality. Moreover, the reserve faces transgressions and threats from the expansion of the nearby Palestinian camp.¹⁹¹

Civil society is also active on this level. In November 2021, a group of associations, specialists and activists under the name "The Beach Coalition for All People"¹⁹² has been mobilized to protect the Lebanese coast, mainly through amending Budget Law 64/2017 with the aim of "limiting the right to occupy public maritime property to the Lebanese state only," and the accompanying ban on individuals and private companies from investing the seashore for private benefit.¹⁹³

1.5 TERRITORIAL KNOWLEDGE

It should be highlighted that the Union is characterized by the presence of good territorial knowledge of the historical and environmental heritage that exists within the Union territory. Many NGOs are active in the dissemination of this knowledge. In addition to this, there is a priority of enhancing tourism and environment protection in some municipalities.¹⁹⁴ The mayor of Qana is advocating to put Qana's spiritual history¹⁹⁵ in the service of local and international tourism.

2. PARTICIPATION

2.1 CIVIL SOCIETY/COMMUNITY PARTICIPATION

As means for more participation, Tyre Union and some Municipalities are inviting different stakeholders and social groups (elderly, women, children, workers, etc.) to meet, discuss and identify their needs and priorities. This participative model is gaining traction in municipalities

¹⁸⁹ The Regional Technical Office (RTO) is part of UN-Habitat projects' implementation strategy/ approach at the regional level and performs under the mandate of the UoM and comprises local experts and technical persons.

¹⁹⁰ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

¹⁹¹ Hassan Hamzeh, Manager of Tyre archaeological site, November 23rd, 2021.

¹⁹² Includes: Nahnoo, the Southern Green Association, Diaries from the Ocean, the Save Kfar Abida campaign, the Salt Revolution, Byblos Ecology Association, the Green Square Association, Al-Sawtak Gathering, the Lebanese Federation for the Physically Handicapped, and The Passenger Rights Association.

¹⁹³ Houda Zbib (2021), The Launching of "The Shore is for Everyone Coalition", The Legal Agenda.

¹⁹⁴ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

¹⁹⁵ According to the Biblical texts, the town of Qana is where Jesus turned water to wine.

such as Naqoura. In Tyre, the mayor meets traders and retailers to discuss their projects and their objectives. In addition, participative approaches are being adopted in municipalities and they take into consideration residents' opinions. In Borj Rahhal municipality, youth councils were formed to act as shadow local government.¹⁹⁶

2.2 BUSINESSES PARTICIPATION

According to the firm level survey we conducted offered an opportunity to interrogate the sampled businesses regarding their relationships with the Union and their municipalities. Relationship and participation are weak, however, there is significant room for improvement.

It has been shown that:

- 86 percent of firms in Tyre Union region have never had the opportunity to interact with the Union and municipalities, and for those who did, the interaction was mostly transactional and aimed to settle financial issues or registration and permit issues or to submit complaints.
- 97 percent of firms in Tyre Union have never had the opportunity to collaborate with the Union (for example, on development projects etc.); and
- 95 percent of the Tyre Union region's firms have never been invited by their municipality to discuss local development and 99 percent never participated in a procurement process through their local authority.

2.3 INSTITUTIONAL PARTICIPATION

Based on the spirit of the Legislative Decree number 116 dated 12 June 1959 and the tasks involved,¹⁹⁷ the Qaemaqam can be a participant in LED and ensure equal development, where they can advise the local authorities and the Union on what project to implement and where. Moreover, they can coordinate with many municipalities to help identify their needs and strengths.¹⁹⁸ However, they are met with resistance from elected municipal councils more empowered by law for the administration of their territories.

2.4 ACCESS TO INFORMATION

Tyre UoM shares the information related to its annual budget and activities over the Internet through its own website.¹⁹⁹

3. PARTNERSHIP

3.1 COLLABORATION WITH CENTRAL GOVERNMENT

There is a serious regulatory obstacle impeding the functioning of the unions and the municipalities regarding the time-consuming *ex ante* and *post ante* approvals and authentications especially from administrative control authorities. In addition, donations are a thorny issue that needs careful attention in the present situation of the country.²⁰⁰

The municipal code allows municipalities to grant financial aid (or other types of aid) for social service providers, however, without the authority of developing the service as such. For instance, the municipality can help public schools in their expenses but cannot participate in developing the curriculum to adapt it for specific local needs.²⁰¹

One of the major obstacles is the availability of public land for the common good or public use. In short, public land administration is divided among many public institutions that are governed by different legal regimes and statuses. Municipalities have a hard time using municipal commons (municipal "Mushaa" land) and community land to serve common projects as they are subject to approvals that could take sometimes years.²⁰²

¹⁹⁶ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021, and Mr. Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

¹⁹⁷ See Annex 1.6 – Deconcentrated structures.

¹⁹⁸ Iman El Rafei, Qaemaqam of Zgharta District, December 14th, 2021.

¹⁹⁹ <http://uotm.org/?p=14639>.

²⁰⁰ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

²⁰¹ Ibid.

²⁰² Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

3.2 COLLABORATION WITH INGOS

The coordination between the union and INGOS is project-based, and accordingly is not serving the purpose of an overall development strategy. In addition to this, INGOS lost confidence in cooperation in many fields, notably in waste management and wastewater systems.²⁰³

However, there is a particular relation between the Union of Tyre and UNIFIL, whereby the latter contributes to the funding of some projects in the villages through the Union.²⁰⁴

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, natural, 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) **Internal coordination and cohesion.** The key issue in the Union is the coherence between municipalities and their ability to work together for the general interest- not only to have the same political views.²⁰⁵ One of the main obstacles challenging the coordination between municipalities in the Union are the national public policies which often end up causing more division than unity.²⁰⁶ Witness of that, the solid waste management, where territoriality and communitarianism are major dividers as municipalities will not accept waste from other communities. Another challenge to the stability of the Union is related to the specificity in certain villages that does not exist in larger cities; where representatives of dominant families in these villages' councils, based on electoral understandings, take turns in presiding the municipal councils for two (2) years of time, which leads, in some instances, to change in terms of policies and decisions in the process for sustained development actions.²⁰⁷ However, the Union enjoys a kind of stability in decision-making, as almost all mayors of member municipalities bond together to implement actions that serve common objectives and vision for the wellbeing of their people.²⁰⁸
- b) **Governing and administrative capacities.** One of the major challenges is natural disasters and meeting the needs of towns and cities that face multi-level problems in light of the prevailing rapid social transformation, migration, unstable economy, and the threatening environment. Hence, the need to update and adapt the strategic plans and priorities in light of the actual prevailing situation in the country.²⁰⁹
- c) **Financial resources.** The Union faces a challenge regarding its ability to increase financial resources and operating capital in the absence of the municipalities' contribution and irregular transfers from the central government that are often paid in parts and with significant delays. The Union has a staff of twenty to thirty (20-30) employees, "we can finance them for two (2) years ahead, since we were saving a budget for a new center for the UoM, currently we are using this saved amount of money for the current running cost and for employees' salaries".²¹⁰
- d) **Planning challenges.** As for the cognitive tools and planning mechanisms, the Union faces

²⁰³ Ibid.

²⁰⁴ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

²⁰⁵ Ibid.

²⁰⁶ Hassan Hammoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

²⁰⁷ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

²⁰⁸ Ibid.

²⁰⁹ According to Hassan Hammoud, Mayor of Borj Rahhal municipality, the team who worked on the strategic sustainable regional development plan in 2015, ended up with comprehensive recommendations, however not fair enough; they did not account for residents' needs in all regions of the Union.

²¹⁰ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

many challenges such as:

- i.* The rehabilitation of the infrastructure to serve agriculture, commerce, industry, and tourism (water, sewage, energy).
- ii.* Stimulating the public and common spaces (markets, squares, reserves, the beach, cultural heritage...) to promote shopping, enjoyment, and gatherings.
- iii.* The lack of affordable land for planning local development strategies. Large proportion of lands in the Union are big private properties and mainly owned by a few families.²¹¹
- iv.* The Union has at its disposal tools to deal with LED (the technical office, the RTO, and the GIS) and support networking and decision-making at the Union level, however, those tools have to be empowered by expertise.²¹²

e) Addressing natural hazards. The UoM includes a department of disaster risk management as a permanent unit within its structure. This department relies mainly on volunteers from the villages and was actively involved in many crises but most notably confronting and responding to Covid-19 issues. This department is very active in training sessions, it, however, lacks the necessary tools to expand and be able to face more climate change challenges.²¹³

f) Preservation and protection of the built and natural heritage. The Union lacks the presence of preventive measures to protect the coastal beach. In addition, the master plan of “south coastal areas” is poorly enforced.²¹⁴ Moreover, the Union suffers, at the regional level, from the lack of solid waste management and widespread dumping and littering that affect the coastal line.

g) Insufficient control of urban sprawl. The Union is suffering from urban expansion, infringing on agricultural land and natural landscape and built heritage; in this context the Union of Municipalities can collaborate and coordinate with the DGUP and the DGA to revise master plans and municipalities could enforce the construction norms and prevent infractions.²¹⁵

h) Displacement of population. Villages within the Union suffer from the loss of population in the existing villages, migration of youth, and a high concentration in the Greater Tyre area,²¹⁶ in addition to recent emigration.

i) Balancing act between the rural and urban. For a more balanced development, the Union’s territory can be divided into three (3) main parts: the city of Tyre surrounded by its preserved agricultural plain, the northeast of the District/Caza with a high density of towns and villages in rapid spatial expansion, and the well-preserved natural spaces of the south part of the District/Caza, not subjected yet to the same demographic and economic growth than the other areas.²¹⁷ However, such balancing will need strong backing from dominant local political forces.²¹⁸

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 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:

Relations with central administrations. There is a need for a smooth working relationship with central government entities, particularly the SLWE establishment regarding water and wastewater management, the Ministry of Interior and Municipalities (MoIM), the Council for Development and Reconstruction (CDR) and other concerned public institutions and guardianship authorities.²¹⁹

²¹¹ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

²¹² According to Hassan Dbouk, President of the Union, the head of the technical office (an engineer), could well lead on local development matters in the Union, if properly trained.

²¹³ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

²¹⁴ Strategic Sustainable Regional Development Plan (SSRDP) for the Qadaa (Caza) of Sour (Tyre).

²¹⁵ Ninette Fadel, DGUP, November 10th, 2021.

²¹⁶ Strategic Sustainable Regional Development Plan (SSRDP) for the Qadaa (Caza) of Sour (Tyre).

²¹⁷ Ibid.

²¹⁸ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

²¹⁹ Hassan Dbouk, Head of Tyre UoM, July 9th, 2021.

6.3 RECOMMENDATIONS

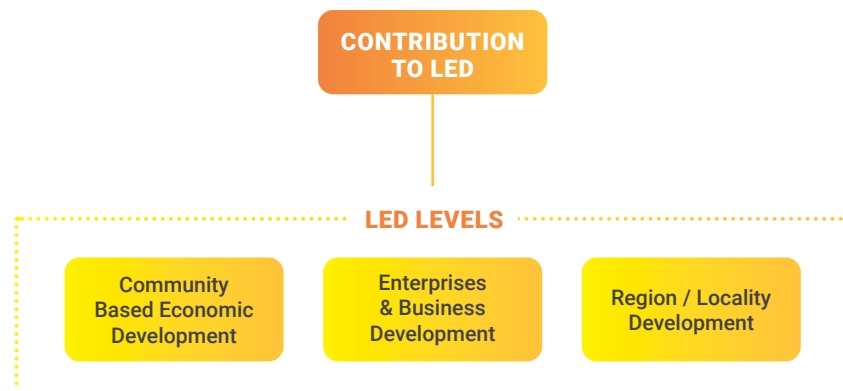
Given the current quasi-absence of LED policymaking, practices and/or initiatives within the governance structures of the Union, this section will introduce conceptually and practically what an active LED role would entail for UoM Tyre.

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 Helmsing²²⁰ the following are the three (3) interconnected levels of local economic development initiatives (see figure 44).

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.

²²⁰ Helmsing, A.H.J. (2003) 'Local economic development. New generations of actors, policies and instruments' in: Public Administration and Development, 23, 1, 1-16.

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;²²¹ 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.

- **Creating a local development unit in the Union.** This unit would serve as a territorial observatory collecting data and compiling territorial, social and economic indicators to help the Union to make best informed decisions regarding its policies and actions for LED.²²²
- **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. Projects, such day care centers run by women groups supported by the Union or a nursery for farmers in cooperation with NGOs can be the basis of local mutual support networks at neighborhood level. Another example, the cooperation of the Union with Aix-en-Provence focusing on the importance of crafts for local economic development.²²³
- **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. The example of the Al-Abbasiyeh municipality by securing solar energy to power the municipal well with the help of private funds on a municipal land could fit in this context.²²⁴
- **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 in order to raise revenues and ensure sustainability.²²⁵ The solutions depend on the will of the mayor. Municipalities need to 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 their respective unions in order to implement a project they will benefit from (article 133).²²⁶ However, contributions in terms of share, need to be approved by the Minister of Interior and Municipalities. Moreover, the municipal law 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.²²⁷
- **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

²²¹ According to H. Dbouk, Head of Tyre UoM, people do not have a sense of belonging, they destroy public facilities, throw waste on roads. He also notes that 40-50percent of waste budget goes to waste collection.

²²² Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

²²³ Ibid.

²²⁴ Cited by the Abbassiye mayor during a SLAT meeting.

²²⁵ Faten Abou Hassan, Director General of Local Administrations and Councils at MoIM, December 12th, 2021.

²²⁶ Ibid.

²²⁷ Sami Minkara, former Mayor of Tripoli, November 19th, 2021.

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. The Union has also a project to establish a permanent exhibition to sell homemade products and it was proposed to name it "Dar sour". It is one of the projects that were part of the plan made by AFD. And it had a fund. It is supposed to create jobs for around sixty to seventy (60-70) people (locals and local NGOs). However, Dar Sour has not been implemented yet due to challenges related to land availability and ownership (related to the legislation applicable to the State's private domain among other), issuance of permits by DGUP, and design.²²⁸

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.

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. 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. However, public land ownership is divided among many public institutions and is governed by different legal regimes and statuses. Municipalities are having a hard time using municipal commons and community land to serve common projects as they are subject to approvals that sometimes take years.²²⁹ In addition, zoning and other land and building regulations can be an important tool if it is carried out with flexibility and with a developmental attitude. In this context, and although by law, municipalities are not key players in the planning of their territories, the DGUP is tending to be more attuned and attentive to their demands.²³⁰ However, these regulations should be simplified, understood, and agreed on by all parties. Subsequently the Union and local authorities should make these regulations stick. The lack of transparency regarding land uses and zoning makes this a lucrative area for rent seeking and corruption.

²²⁸ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

²²⁹ Hassan Hamoud, Mayor of Borj Rahhal municipality, September 14th, 2021.

²³⁰ Ninette Fadel, DGUP, November 10th, 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 AFD funded CHUD in Tyre City.
- **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. In fact, such new modalities and partnerships are being implemented presently in the Union. The mayor of Al-Abbassieh, in partnership with a private donor, has used municipal land for solar panels to provide power for water pumping for domestic use.
- **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.

FIGURE 46 Tyre main stakeholders map

Governance	Agriculture	Health	CSO	Education
<ul style="list-style-type: none"> • UoM of Sour • Sour Municipalities • Sour Port Authority • DGA • DGU • CDR • MoIM offices • MoF offices • Council for South • Tyre coast natural reserve 	<ul style="list-style-type: none"> • Apiculture Union • Local development agency (BEDIAS) • Association for the development of rural capacities • Agricultural cooperative union • Italian cooperation local office • Association of southern farmers • Jihad el Binaa agricultural Branch • Citrus and Banana Coop • Syndicate of fishermen 	<ul style="list-style-type: none"> • Jabal Amel Hospital • Sour Governmental Hospital • Al Inaya Hospital • Hiram Hospital • Najm Hospital 	<ul style="list-style-type: none"> • Tadamon Sports Club • Sour Cultural Center • Mountada al fikr wal adab • Islamic Charity Association • Sour Cultural and Social Association • Maarake Sports Association • Women's Affairs Association • Univesity Students Association (TAYR DEBBA) • Family Planning Association • Al Mahdi Scouts • Al Imdad Geriatric Center 	<ul style="list-style-type: none"> • Public Schools • Private Schools • Al Musan PwD center
		<p>Trade / Industry</p> <ul style="list-style-type: none"> • Business association of Sour • Chamber of commerce of south Lebanon • Jabal Mohsen Industrialist Association 		

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, traffic regulations, electricity, and health support.
- Many businesses believe that the Union can play a major role in providing electricity, WWT, and better road infrastructure and traffic regulations.
- They also believe that the Union and municipalities have generally a good to moderate capacity to deal with LED.
- The impact of businesses is limited as they are rarely invited to discuss LED projects. However, around 80 percent are willing to pay taxes to improve LED.

6.3.4 Policy Recommendations for a LED Friendly Environment

It is important to stress here that LED only refer to local institutions but also to decentralized sectors, and national agencies and institutions. The participation of key stakeholders may generate new forms of multi-level local economic governance. Donors 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 Tyre UoM's 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 backwash²³¹ effects, 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.
- Finally, there 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 (refer to 6.1.1.b).

²³¹ 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.²³² 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 influent of these bills focus 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 and defines twenty-six (26) Councils for the twenty-six (26) districts. 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. This leads to a situation where rivers and watersheds that usually form basic environmental units are divided between different authorities that will see them as their periphery and could not give them needed attention, protection, and adequate 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 the 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.

²³² Iman El Rafei, Qaemaqam of Zgharta District, December 14th, 2021.

07

CONCLUDING REMARKS AND 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 the Tyre UoM 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 significantly increased due to the national economic shocks, are weakening 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 Tyre Union and District more generally.
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., the Tyre's agricultural plain 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.

Human Capital Constraints

The findings below are mostly based on a human capital survey conducted with six hundred (600) 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 8 percent in 2019 to 12 percent today, and overall, 6 percent of those who were employed in 2019 have lost their job.
3. Those who have been unemployed since 2019 attribute this to the unavailability of jobs which indicates weak job creation locally.
4. The few women heads of households have significantly lower labor force participation and higher unemployment rates: 51 percent of women heads of households are part of the labor force (compared to 93 percent of male heads of households), and the unemployment rate among them stands at 23 percent (compared to 11 percent among men heads of households).
5. Incomes have sharply decreased and are increasingly volatile, which may hinder future investments in education and healthcare. However, the figures are less devastating than what has been noted in Urban Community of Al-Fayhaa (UCF) and Matn.
6. The quality of and access to healthcare households receive has decreased since 2019, and this can be partially attributed to shortages in medication and financial difficulties faced by households.
7. There is a significant rise in malnutrition, as the majority of households have had to compromise their nutritional needs in order to cope with the deteriorating financial situation, and lower-income households have changed their nutrition habits at significantly higher rates.
8. Brain drain is quite evident in Tyre UoM region, especially among youth. More so, figures/rates appear to be equal across genders.
9. Those who rent their house are at increased risk of insecurity and worsening housing conditions. Lower-income households have comparatively worse housing conditions, compared to higher-income households.
10. Infrastructure quality and public services are assessed as mostly moderate, if not poor, for the majority of households in Tyre. Electricity provision is the most poorly ranked service. Other services that rank low are the quality of hospitals and healthcare centers, public transport regulations, road maintenance, and street lighting.

Market Constraints

The findings below are mostly based on a firm-level survey conducted with one hundred twenty-seven (127) companies in the region.

1. Sporadic and severely inadequate macroeconomic response to the financial crisis is inhibiting credit and dramatically decreasing aggregate production, while increasing business costs.
2. There is anemic business creation in the Tyre UoM. The youngest firms were established two (2) years ago in 2019 (i.e., prior to the crisis).
3. Across sampled firms, the share of female employment in the Tyre UoM sample increased since 2019, unlike what was noted in the Matn and UCF regions. It rose from approximately 15 percent in 2019 to 18 percent in 2021. This increase was in the agriculture and wholesale/trade sectors.

4. Firms in Tyre UoM region have been severely constrained by all our chosen market constraints. The binding business obstacles include high domestic currency (Lira) volatility, high input prices, high rent and technology costs, limited access to local and foreign markets, restricted access to credit/microcredit and the scarcity of subsidized raw material. 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 affordable input goods.
5. Specifically, tobacco farmers in Tyre Union find the high labor costs and dollarized input goods (especially pesticides and fertilizers) have been indeed constraining to their business activity. Many have decided to venture into less costly and in-demand production such as wheat and barley (rain-fed agriculture).
6. Our analysis of balance sheets reveals how several firms had to lay off workers to put a brake on their losses amid high costs and moderately weak sales. This was especially the case for manufacturing and real estate companies. Layoff decisions were largely driven by cost increases, less so by drop in sales.
7. Interestingly, revenues from sales appear to have only moderately dropped during the crisis period, which we predict is symptomatic of strong local demand. These effects were most pronounced in the wholesale/trade, real estate, and manufacturing industries. Based on a discussions with municipality mayors from the region, remittances from South American diaspora members have partly shielded consumers and producers from the heavy effect of the crisis.
8. Firms appear to be highly constrained by weak local infrastructure such as electricity and roads. Many have also been constrained by unreliable traffic regulation and poor health services in the area. These findings are also mirrored in our human capital/household survey.
9. In the absence of local/municipal financial aid programs or banking credit, firms continue to be optimistic about their long run growth (next three years). But it is important to note that a good number of businesses (44 percent of all firms) perceive their likelihood of closure over the next six (6) months as being low, which indicates that they have limited savings or retained earnings.
10. There is a strong risk of a jobless recovery because firms in Tyre UoM 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, a minority chose to hire more workers (5.5 percent), a figure that is much smaller than in Matn Union and UCF areas.
11. The private sector in the Tyre UoM region can be divided into two groups: those engaged and overall satisfied with local government and those not engaged altogether.
12. The “unifying struggle” for agricultural and touristic enterprises for example appears to be poor collaboration with municipalities. The general perception is that municipalities are incapacitated to support businesses in the area. Some also believe that municipalities do not advertise local production or economic activity sufficiently.
13. There is significant tax avoidance (9 percent of firms paid no taxes recently).
14. Nonetheless, a clear majority of firms (80 percent) would be willing to pay higher local taxes in return for better local services.
15. When asked to assess public service provision in the area, firms rated almost all public services as “poor”.

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. The poor collection effort of membership fees amongst member municipalities, and the unpredictability of the IMF instalments and municipality membership fees, are taking a toll on the UoM's balance sheet.
5. Weak capital expenditure contrasted with a high operational and maintenance expenditure is nullifying the positive effects of local public expenditure on the local economy.
6. The Union has at its disposal tools to address LED (such as the technical office and the RTO). However, such tools need to be empowered by technical expertise (hiring workers with varying specializations and skillsets including data literacy).
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. That said, understanding of the LED concept in Tyre UoM 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/business, and social aspects.
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. Tyre UoM'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.
 - While in practice different municipalities have successfully contributed to local markets (*Hisbeh* for example in Tyre), local authorities seem rather hesitant/unsure about their actual role and capacity when it comes to spurring business. Local private actors in Tyre UoM region perceive a concrete role for municipalities as market agents.
 - Municipalities and municipal unions have struggled to implement proper infrastructure projects that could ease business in the area.

4. Though there is some absence of comprehensive planning and lack of clarity over the area's future economic identity, some projects with good potential have been proposed to uplift the area:
 - SSRDP, for example, proposes several priority small projects in the agriculture, manufacturing, and trade sectors and that can be realistically implemented in the short-to-medium terms.

5. 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.

6. 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 manufacturing, followed by wholesale/trade, bearing in mind that the margin for layoffs is minimal in the area due to small firm sizes.
 - Remarkable demand for better health services in the area amongst sampled firms. This is especially true for firms working in agriculture and wholesale/trade sectors.
 - Lack of interest in workers' educational skills implies higher likelihood of skills atrophy following crisis.

7. The current market shock 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 demographics.
 - Amid domestic currency (Lira) volatility and soaring input prices, growing risk of property abandonment and increased rent gap.
 - According to several key informants, wealthy expats and/or those who have some liquidity and do not want to keep it in local banks, are buying land cheaply in South Lebanon from those in bad need for cash.
 - Decline of farmers' income and spread of crop diseases leading to land abandonment.
 - Lack of agriculture extension and no accessible supportive facilities.
 - Loss in agricultural workers and agricultural investment in crisis, though there is increased interest in developing the sector and protecting it from spontaneous urbanization. There are no detailed studies and plans to guide the location of agricultural investments.

8. The future of the workforce 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.
 - Tyre's residents' quality of healthcare was mostly moderate or good before the crisis, however, today, the majority assess it as poor or very poor.
 - Health outcomes are dictated by income in Tyre. 52 percent of the lowest-income households (less than LBP 1,200,000 per month) reported that their children's medical visits were insufficient, compared to only 21 percent of the highest-income households.
 - Food insecurity and malnutrition on the rise, as residents are compromising their

nutritional needs as a coping strategy to deal with the crisis. Since the onset of the crisis, over the majority of households (58 percent) have had to adopt some negative coping strategies related to nutrition. A high share is now reducing portion size or skipping meals, leading to malnutrition.

9. Decreasing pool of workers as youth plan to emigrate to find job opportunities abroad:
 - Tyre UoM region is suffering from a serious 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 labour force.
 - Having a social network is also a driver of emigration.
10. Poor quality of education, and negative perceived returns to education, leading to low human capital accumulation:
 - The most common challenge faced related to education seems to be the high tuition fees (reported by 52 percent of households). This was followed by teacher absenteeism or frequent strikes (26 percent) and a poor quality of teaching (20 percent). Overall, 51 percent of households reported challenges related to teaching (absenteeism, poor quality of teaching, and lack of enough teachers).
 - Lack of information on which skills are in demand in the market, leading to a mismatch between demanded and supplied skills.
11. 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.
12. Union unable to provide public services, leading to deprivation:
 - Electricity, health, water provision, road maintenance, and street lighting 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 Tyre UoM 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 nine (9) policy measures are proposed next:

- Considering governance as the area's main binding constraint, the concept of LED should thus be expanded within the UoM 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. Furthermore, the UoM should follow a clear audit of its finances (revenues and expenditures) as it can enhance predictions which would directly support development efforts. Lastly, technical offices and the RTO at the level of the UoM can bolster the development capacity of the UoM, if complemented with necessary expertise (technological literacy, database management etc.). This way, the office can support with dissemination of data on resident and private sector needs, which includes the implementation of infrastructural projects or other public services (such as waste management).

- 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, road 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 the Tyre UoM, officials 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 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 the Tyre UoM. The Union, in cooperation with member municipalities, 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. However, the UoM should lead on the design of detailed studies and plans that could better guide the location of agricultural investments. This is especially important seeing that farmers (or agricultural enterprise owners) are already bearing the brunt of the crisis.
- The UoM should also oversee farming activity and provide information to all farmers and agricultural workers involved in this market. By doing so, farmers are aware of what is in demand and could tailor their business models accordingly.
- The UoM, in collaboration with international donors and agencies, should ease the transition of the private sector out of the crisis. While sales turnover has been quite encouraging in the region, many firms appear to be experiencing liquidity shortages today. In order to preserve business and maintain a satisfactory level of production, urgent intervention is needed. 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.
- Local authorities should better regulate road traffic, by working closely with the central government (MoPWT) and the municipal police. This would ease business, especially for wholesale, real estate, and service firms. Similar efforts should be taken up when it comes to electricity generation, health support, and establishing better wastewater networks.
- Furthermore, the UoM should conduct regular needs assessments of local firms’ and communities’ infrastructural needs 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 (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 Tyre UoM area.

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

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, 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 for 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 the region, which hosts a large Syrian and Palestinian population.

ANNEX 1.3:

FINDINGS FROM MEETINGS WITH LOCAL ACTORS

- Municipalities in the union have made a concrete effort to support businesses, but it is not visible.
- Firms and other institutions do not pay their taxes dues to municipalities.
- Municipalities in Tyre UoM are not sectarian. All employees are treated similarly and fairly.
- Municipalities should be urgently supported with donation and funds, or else many will be forced to shut down.
- Some major local needs include hospitalization services as well as better access to water and electricity.
- Encouraging market outcomes, which include positive sale revenues in times of crisis, may be explained by political party support in the area as well as remittance inflows.
- Municipalities are struggling to increase salaries; salaries are barely enough.
- The municipalities are aid dependent. This model of dependency, however, only works for small localities.

ANNEX 1.4:

UoM FINANCES

1. REVENUES

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	
Tyre	Al-Boustan	2017	0.98	0.38	0.39	-	-	-	-	0.110	-	0.270
		2018	0.98	0.312	0.32	0.001	0	0	0	0	0.19	0.121
		2019	0.98	0.368	0.38		-	-	-	-	0.256	0.112
		2020	0.98	0.388	0.40	0.003	0.001	-	0.001	0.052	0.092	0.241
	Alma Chaab	2016		0.93		0.055	0.029	-	0.005	0.007	0.544	0.321
		2017	0.95	0.587	0.62	0.065	0.004	-	0.001	0.192	-	0.330
		2018	0.975	0.527	0.54	0.054	0.024	0	0.003	0.005	0.248	0.22
		2019	0.975	0.454	0.47	0.046	0.023	-	0.003	0.002	0.326	0.080
		2020	0.975	0.462	0.47	0.075	0.028	-	0.001	0.077	0.130	0.180
	Borj Rahhal	2018	0.852	0.418	0.49	0.115	0.013	0.003	0.052	0.003	0.3	0
		2019	0.852	0.397	0.47	0.089	0.013	0.004	0.035	0.001	0.386	0.010
		2020	0.863	0.37	0.43	0.046	0.011	0.003	0.013	0.112	0.197	0.015
	Deir Ames	2018	0.716	0.245	0.34	0.01	0.004	0	0.004	0	0.235	0
		2019	0.716	0.338	0.47	0.013	0.006	0.001	0.002	0.010	0.315	-
		2020	0.53	0.244	0.46	0.015	0.008	0.002	0.002	0.070	0.147	0.012
	Deir Kifa	2018	0.964	0.696	0.72	0.037	0.014	0.004	0.018	0.002	0.334	0.323
		2019	0.94	0.54	0.57	0.033	0.015	0.004	0.013	0.001	0.359	0.146
		2020	0.939	0.414	0.44	0.032	0.016	0.004	0.009	0.077	0.137	0.168
	Hallousiyeh	2018	1	0.755	0.76	0.018	0.001	0.001	0.013	0.17	0	0.567
		2019	1	0.5	0.50	0.014	0.002	0.001	0.008	0.001	0.258	0.228
		2020	0.999	0.457	0.46	0.005	0.001	0.001	0.001	0.001	0.347	0.104
	Jannata	2017	0.416	0.114	0.27	0.021	0.007	-	0.010	0.093	-	-
		2018	0.403	0.137	0.34	0.02	0.004	0	0.009	0.002	0.114	0.001
		2019	0.379	0.195	0.51	0.035	0.022	-	0.005	0.007	0.152	0.001
	Jbel Al Botom	2016	0	0.684		0.033	0.023	0	0.006	0	0.419	0.232
		2018	0.785	0.308	0.39	0.026	0.012	0.004	0.005	0.001	0.143	0.138
		2019	0.8	0.33	0.41	0.031	0.016	0.005	0.006	-	0.277	0.024
		2020	0.74	0.206	0.28	0.030	0.010	0.004	0.010	0.056	0.101	0.019
	Naqoura	2018	1.28	0.744	0.58	0.142	0.035	0.07	0.02	0.003	0.235	0.364
		2019	1.33	0.63	0.47	0.127	0.023	0.005	-	0.001	0.320	0.182
		2020	0.994	0.545	0.55	0.113	0.025	0.007	0.004	0.093	0.175	0.164
	Qana	2017	3.433	0.674	0.20	0.123	0.042	0	0.033	0.627	0.002	0.003
2018		3.98	1.41	0.35	0.076	0.018	-	0.025	0.009	0.715	0.611	
2019		3.975	1.222	0.31	0.082	0.030	-	0.014	0.004	0.953	0.183	
Shhour	2016		1.822		0.079	0.011	0	0.039	0.685	0.443	0.615	
	2017		1.26		0.070	0.007	-	0.036	0.386	-	0.807	
	2018	0.948	0.829	0.87	0.057	0.008	0.001	0.035	0.003	0.445	0.324	
	2019	0.95	0.76	0.80	0.058	0.010	0.003	0.015	0.001	0.588	0.110	
	2020	1.248	0.678	0.54	0.031	0.013	0.004	0.010	0.172	0.308	0.167	

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	
Tyre	Srafa	2017	1.5	1.386	0.92	0.083	0.026	0.011	0.001	0.401	0	0.902
		2018	2	1.3	0.65	0.069	0.019	0.007	0.001	0.005	0.452	0.776
		2019	2	1.149	0.57	0.061	0.014	0.006	0.001	0.001	0.627	0.460
	Tayr Debba	2017		0.38		0.073	0.030	0.009	0.015	0.310	-	-
		2018		0.45		0.060				-	0.380	0.010
		2019	1	0.63	0.63	0.030	0.011	0.003	0.010	0.001	0.455	0.148
		2020	0.999	0.738	0.74	0.019	0.004	0.002	0.005	0.136	0.241	0.342
	Al-Majadel	2017	1.5	0.565	0.38	0.027	0.006	0	0.016	0.234	0	0.304
		2018	1.6	0.43	0.27	0.017	0.001	-	0.013	0.005	0.256	0.152
		2019	1.5	0.523	0.35	0.135	0.010	-	0.120	0.002	0.363	0.023
	Deir Qanoun En Nahr	2016		1.552		0.152	0.056	0	0.019	0.59	0.358	0.452
		2017	1.419	1.225	0.86	0.15	0.038	0.017	0.021	0.336	0	0.739
		2018	0.91	0.56	0.62	0.291	0.027	0.006	0.009	0.022	0.265	
		2019	1.329	0.87	0.65	0.261	0.018	0.001	0.009	0.013	0.481	0.115
		2020	1.239	2.266	1.83	1.767	0.019	0.001	0.005	0.144	0.254	0.121
	Maaroub	2017	0.782	0.972	1.24	0.092	0.027	0.003	0.053	0.246	0	0.634
		2018	0.81	1.03	1.27	0.086	0.041	-	0.030	0.004	0.350	0.586
		2019	1.376	0.495	0.36	0.086	0.052	-	0.020	0.001	0.408	-
	Tyre	2016		11.09		2.024	0.915	0.237	0.051	0.290	8.306	0.474
		2018	11.6	6.163	0.53	2.318	0.209	0.149	0.02	0.14	3.281	0.424
		2019	12.49	6.96	0.56	2.115	0.156	0.108	0.008	0.052	4.211	0.485
		2020	10.2	5.257	0.52	1.580	0.174	0.125	0.004	1.249	2.241	0.187
	Arzoun	2016		0.328		0.021	0	0	0.019	0	0.113	0.194
		2017	0.39	0.246	0.63	0.042	0.017	0	0.005	0.044	0	0.16
		2018	0.43	0.22	0.51	0.030	-	-	0.004	0.001	0.112	0.080
		2019	0.432	0.279	0.65	0.030	0.002	-	0.001	0.003	0.148	0.098
		2020	0.432	0.175	0.41	0.028	0.003	0	0.003	0.019	0.036	0.092
Qlaieh	2020	1.5	0.492	0.33	0.059	0.02	0	0.004	0.119	0.217	0.097	

2. EXPENDITURES

Union of municipalities	Municipality	Year	Municipal Expenditure	Recurrent Expenditure					Capital Expenditure
				Total	Administrative	Equipment, Maintenance and Public Cleaning	Services and Grants	Miscellaneous Expenditures	
Tyre	Al-Boustan	2017	0.276	0.152	0.023	0.088	0.039	0.002	0.124
		2018	0.200	0.144	0.025	0.051	0.066	0.002	0.056
		2019	0.139	0.103	0.024	0.037	0.039	0.003	0.036
		2020	0.111	0.105	0.024	0.041	0.038	0.002	0.006
	Alma Chaab	2016	0.787	0.635	0.252	0.229	0.149	0.005	0.152
		2017	0.541	0.367	0.038	0.200	0.068	0.061	0.174
		2018	0.454	0.410	0.028	0.289	0.040	0.053	0.044
		2019	0.299	0.238	0.049	0.147	0.021	0.021	0.061
		2020	0.343	0.303	0.064	0.173	0.014	0.052	0.040
	Borj Rahhal	2018	0.416	0.294	0.022	0.250	0.013	0.009	0.122
		2019	0.487	0.342	0.031	0.288	0.013	0.010	0.145
		2020	0.289	0.271	0.063	0.194	0.011	0.003	0.018
	Deir Ames	2018	0.412	0.368	0.088	0.261	0.015	0.004	0.044
		2019	0.418	0.40	0.085	0.306	0.007	0.006	0.014
		2020	0.266	0.266	0.088	0.172	0.006	-	-
	Deir Kifa	2018	0.551	0.316	0.032	0.240	0.034	0.010	0.235
		2019	0.38	0.29	0.024	0.236	0.018	0.012	0.091
		2020	0.271	0.231	0.022	0.197	0.005	0.007	0.040
	Hallousiyeh	2018	0.53	0.296	0.050	0.206	0.022	0.018	0.233
		2019	0.43	0.28	0.033	0.205	0.023	0.014	0.152
		2020	0.33	0.289	0.061	0.182	0.042	0.004	0.037
	Jannata	2017	0.136	0.120	0.082	0.030	0.005	0.003	0.016
		2018	0.166	0.135	0.086	0.041	0.004	0.004	0.031
		2019	0.164	0.133	0.083	0.046	0.002	0.002	0.031
	Jbal Al Botom	2016	0.51	0.283	0.059	0.219	-	0.005	0.224
		2018	0.30	0.290	0.060	0.214	0.013	0.003	0.010
		2019	0.33	0.28	0.096	0.163	0.015	0.005	0.054
		2020	0.19	0.194	0.103	0.076	0.015	-	-
	Naqoura	2018	0.58	0.433	0.133	0.180	0.046	0.074	0.150
		2019	0.50	0.41	0.127	0.195	0.027	0.063	0.084
2020		0.43	0.404	0.130	0.207	0.022	0.045	0.030	
Qana	2017	1.46	1.272	0.168	0.926	0.118	0.060	0.185	
	2018	1.25	1.08	0.100	0.774	0.115	0.087	0.173	
	2019	1.08	1.001	0.233	0.627	0.096	0.045	0.079	
Shhour	2016	1.02	0.581	0.094	0.441	0.036	0.010	0.434	
	2017	0.95	0.56	0.101	0.410	0.028	0.021	0.393	
	2018	0.80	0.543	0.122	0.359	0.035	0.027	0.252	
	2019	0.65	0.53	0.092	0.379	0.020	0.043	0.113	
	2020	0.53	0.495	0.232	0.239	0.010	0.014	0.037	

Union of municipalities	Municipality	Year	Municipal Expenditure	Recurrent Expenditure					Capital Expenditure
				Total	Administrative	Equipment, Maintenance and Public Cleaning	Services and Grants	Miscellaneous Expenditures	
Tyre	Srafa	2017	0.56	0.562	0.129	0.376	0.054	0.003	
		2018	0.55	0.28	0.164	0.033	0.081	0.005	0.264
		2019	0.85	0.489	0.171	0.245	0.065	0.008	0.359
	Tayr Debba	2017	0.45	0.42	0.050	0.350	0.020	-	0.030
		2018	0.48	0.44	0.040	0.310	0.050	0.040	0.040
		2019	0.38	0.37	0.031	0.258	0.065	0.020	0.008
		2020	0.33	0.320	0.031	0.219	0.059	0.011	0.013
	Al-Majadel	2017	0.41	0.233	0.060	0.161	0.011	0.001	0.179
		2018	0.41	0.20	0.070	0.108	0.015	0.002	0.211
		2019	0.39	0.217	0.084	0.125	0.008	-	0.172
	Deir Qanoun el Nahr	2016	1.20	0.758	0.155	0.448	0.043	0.112	0.445
		2017	1.16	0.783	0.154	0.486	0.054	0.089	0.380
		2018	0.57	0.57	0.186	0.278	0.024	0.082	
		2019	0.74	0.621	0.172	0.280	0.018	0.151	0.118
		2020	2.02	2.013	0.144	1.826	0.021	0.022	0.005
	Maaroub	2017	0.38	0.286	0.119	0.143	0.016	0.008	0.098
		2018	0.47	0.33	0.111	0.193	0.017	0.007	0.142
		2019	0.70	0.415	0.115	0.267	0.024	0.009	0.284
	Tyre	2016	5.08	2.42	0.423	0.131	0.043	0.368	1.701
		2018	4.49	1.280	0.531	0.210	0.052	0.672	1.745
		2019	7.48	3.32	0.470	1.207	0.045	0.655	1.786
		2020	5.47	2.129	0.583	0.895	0.017	0.363	1.480
	Arzoun	2016	0.21	0.087	0.011	0.064	0.007	0.005	0.120
2017		0.20	0.085	0.040	0.034	0.003	0.008	0.119	
2018		0.14	0.09	0.042	0.044	0.003	0.005	0.050	
2019		0.20	0.107	0.062	0.040	0.002	0.003	0.095	
2020		0.15	0.139	0.075	0.056	0.007	0.001	0.011	
Qlaileh	2020	0.41	0.405	0.145	0.227	0.032	0.001	0.004	

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 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. 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, as a result 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 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. 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 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?
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 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) 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)
Women and men in the tobacco sector.	<ol style="list-style-type: none"> 1. Change in labor dynamics (formality to informality, full time to part time roles). 2. Change in working conditions and salaries following the crisis. 3. Main challenges facing farmers and their coping mechanisms (due to rising costs for example). 4. Assessing municipal support to these workers.
 Holders of formal and customary land rights in areas classified as natural reserves (includes residents, farmers, herders).	<ol style="list-style-type: none"> 1. Assessment of whether the classification of a certain area as a natural reserve affects their land tenure. 2. Assessment of specific challenges. 3. Assessment of land use and the perception of the role of the municipality, Ministry of Environment, and Ministry of Agriculture and Cooperatives. 4. Assessment of their needs to protect significant natural sites and their own land tenure rights.

Profile	Theme(s)
<p>Tenants (commercial and industrial and residential).</p>	<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, gave 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?
<p>Cultural heritage and tourism sector (Local NGOs, local authorities, representatives for commercial and farming activities, residents in or near old or heritage areas, restoration activities. This groups also includes workers in developing local resources, representatives of cultural amenities, and workers in hospitality services.</p>	<ol style="list-style-type: none"> 1. Importance of Planning and Community participation in the conservation and tourism development of heritage. Discussion points: how to initiate or support or implement processes involving and empowering local stakeholders - local authorities, residents, and private enterprises. Issues, potentialities, challenges, prerogatives, and constraints of local authorities and networking. 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. 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...)). Issues, potentialities, challenges, prerogatives, and constraints of local authorities and networking. Role of local authorities.
<p>Healthcare sector</p>	<ol style="list-style-type: none"> 1. Understanding why weak health appeared to be a major constraint for households and businesses. 2. Effect of crisis on healthcare provision. 3. Perceived change in demand for healthcare. 4. Role of local authorities.

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. He/she 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.²³³
- 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.

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,

²³³ 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.

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

1. 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:
2. 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.
3. 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.
4. 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.
5. 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.²³⁴ 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.
6. 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.

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.

²³⁴ In the Lebanese State civil servants' system, there are five (5) main categories, the first being the one allowing access to highest ranking positions.

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).²³⁵ 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.
- 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

²³⁵ 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.

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/she 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.²³⁶
- The Governorate Council gives its opinions on the situation in the area, the evolution of the execution of projects, however, 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, 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 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.

²³⁶ According to Mount Lebanon Governor, the Council convenes every three (3) months.

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 main 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) associates' 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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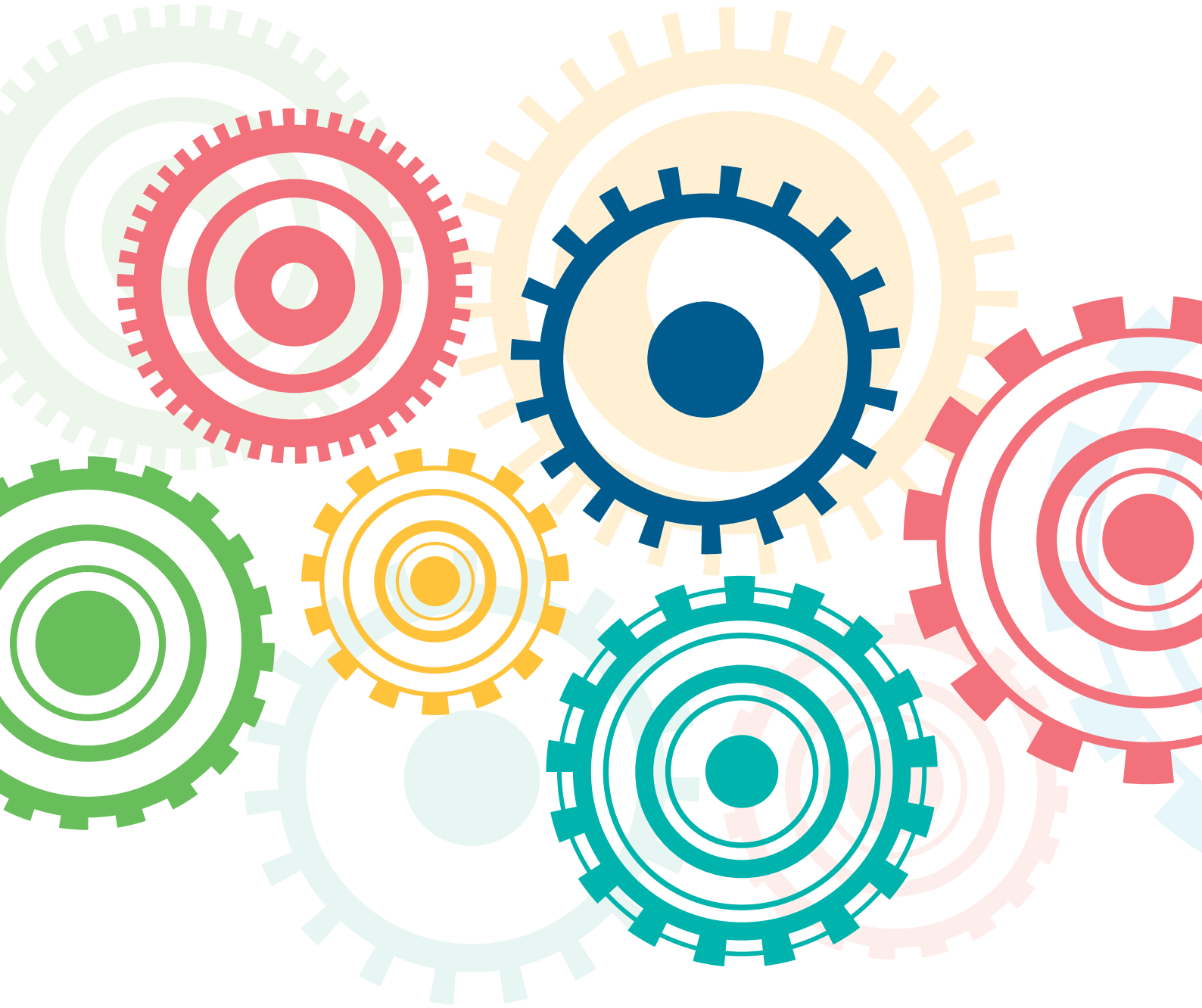
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