Lebanon

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation, Cooperative, Endowment

Five main social issues addressed by these organizations: Human Rights, Primary and High School Education, Basic Needs, Youth and Family, Environment

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: US $0

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

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<th>Year</th>
<th>Ease of Operating</th>
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<td>2018</td>
<td>3.3</td>
<td>2.8</td>
<td>4.0</td>
<td>3.3</td>
<td>5.0</td>
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I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.

Question 1: To what extent can individuals form and incorporate the organizations defined?

Score: 3.5

Individuals are mainly free to form organizations, and the process is not burdensome in terms of required papers and fees, however the timeline is unclear. The papers can be submitted at the Ministry for months before hearing back and individuals must follow up on the status of their registration themselves, requiring many visits to the ministry. At the same time, the process and the governing body are inconsistent as legally the Ministry of Interior is the official body responsible for the registration; however, recently groups are being sent to the General Security to run security checks for the people who apply for registration. While this has been attributed to security concerns following the Syrian refugee influx and the attempts to form fake nongovernmental organizations (NGOs), it is causing major delays.

The Law of Associations (1909, Article 2) states that establishing an association does not require a permit. Instead, only a signed and sealed statement containing the address, goals, objectives, main office, and the names, capacity, and position of those entrusted with the governance of the association is needed and no specific fees or cost are mentioned in the law. However, in 2016 and 2017, the Lebanese Civil society is witnessing a new type of refusal from the government. There are reports that several associations have denied notification after submitting all correct papers. Noting that there is nothing in the law (or any new decrees) that suggest that these changes are institutional. Associations were not given clear reasons for the rejection of their permits. This makes it harder to identify the types or purposes of organizations that are not allowed to register. The number of entities not getting permits has increased in the last couple of years.

Question 2: To what extent are POs free to operate without excessive government interference?

Score: 4.0

Organizations are free to operate with no impediments on the purposes of their activities. They are also allowed to cooperate with national, regional and international entities. Although Article 7 of the Law of Associations requires associations to keep documents, accounts, notifications, revenues, income, staff, etc., well recorded and ready to submit in case of a government request, this has not been practiced heavily by the Lebanese government in past. A validation of this is the fact that there are a great number of inactive associations who have not been shut down or reported as inactive before the government yet. It seems as though the only monitoring process happening with associations at this stage is at the formation phase, follow-up or government monitoring is minimal. Additionally, POs are only required to inform the Ministry of Interior regarding the names of members and submit their balance chart and budget on an annual basis (Article 7 of Law 10830/62). If a PO fails to do so, it will only be fined. Also, Article 18 explains that the police are entitled to inspect
associations and clubs; therefore, the latter must keep their meeting places and offices open for police inspection at all times.

**Question 3: To what extent is there government discretion in shutting down POs?**

Legally, associations could be terminated through self-dissolution or dissolution by the authorities (Articles 3, 4 and 5). "Both the council of ministers and the criminal court have the authority to dissolve an association, in the event that the association aims at disturbing peace and stability of the empire (the state), attempts to change the current form of government, or politically divide Ottoman bodies; and if it is political with a nationalistic or ethnic nature and mission" (as extracted from the Law of Associations).

In the case of self-dissolution, the general assembly need to inform the Ministry of Interior and specify which body will be entrusted with the association's assets.

**II. Domestic Tax and Fiscal Issues**

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

**Question 4: To what extent is the tax system favorable to making charitable donations?**

Article 5 of the Legislative Decree No. 87, dated 30/6/1977 states that donations and grants conferred to public utility organizations by enterprises and individuals that are liable for income tax are tax deductible, in accordance with the provisions of Article 7 Paragraph 9 of Legislative Decree No. 144 dated 12/6/1959. Yet the challenge is that the donation needs to be given to an organization that has been declared as "charity" by a special decree from the cabinet of ministers (it is a very tedious process to get this status and to get a cabinet approval), furthermore the deductible amount is bound to only LBP 10,000 (US $6.6).

Companies are allowed a specific percentage on turnover to be considered expenses and thus tax-deductible, and the process of receiving tax benefits is clear, but requires too much time and resources and the amount of possible gain is negligible. The practice is very uncommon and almost nonexistent.

No incentives exist for individuals.
Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.5

Legislative Decree No. 58, 1967 exempted public enterprises and public interest organizations of industrial or commercial nature from paying taxes. According to Article 5 (A) of the Decree N. 78/77, public utility organizations are also tax-exempt.

Associations receive tax exemptions on donations received, if donations are spent on activities and expenses related to their mission. However, they have to make a fiscal declaration every year to the Ministry of Interior. They are asked to pay taxes for staff salaries, non-resident taxes (employees who don't reside in Lebanon), third category taxes (tax on returns of movable capital and capital profit of a PO), indirect taxes (entertainment tax of 5 percent imposed on subscription fees and admission tickets to events for charitable organizations), and finally taxes on imported goods subject to customs.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.0

There are no regulations or taxes levied on donations to external recipients. However banks request clarification on the purpose of funds to be sent abroad that are above a specific amount (US $10,000). Foreign cash donations do not receive charitable exemptions and in-kind donations pay the same customs and duties of other exported goods.

Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 4.0

Although Lebanese tariffs are high, POs do not need government approval to receive funds from abroad. Only approved organizations receive tax exemption and in-kind donations are subject to costly fees. However, most Lebanese POs have come to rely primarily on foreign donors. Furthermore, according to the 2014 International Narcotics Control Strategy Report (INCSR) Lebanon has a substantial influx of remittances, estimated by the World Bank at approximately US $7.6 billion annually over the last four years. Lebanon is also one of the main allies in the region in the effort to combat terrorism, which has required strengthening efforts to disrupt and dismantle money laundering and terrorist financing activities. In consequence, banks are required to fully
comply with the anti-terrorism regulations like the U.S. Hezbollah International Financing Prevention Act (HIFPA) to prevent Hezbollah’s global logistics and financial network from operating.

IV. Political and Governance Environment

*The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.*

**Question 8: To what extent is the political and governance environment favorable for philanthropy?**

Score: 3.5

There are no formal channels or mechanisms available to promote government – philanthropic sector collaborations. However, informal collaborations are frequent as associations are at the forefront of policymaking, drafting, designing and suggesting policy changes to major issues in the country. Additionally, local associations are in constant collaboration with local municipalities, which makes their operations easier, as long as the municipalities provide them with the needed protection and procedural ease to conduct their work.

On the national level, however, most associations are not formally invited to participate in conversations on laws and policies, and only a handful of them are given access to parliamentary committee meetings. NGOs tend to invite policymakers and government officials or representatives to discussions and round-tables frequently, but ultimately have minimal influence on the policy cycle. Main obstacles to associations’ ease of operation are political and economic conditions, more so with the rise of the numbers of Syrian refugees. Politicians' hate-fueled speeches lead constituencies to blame Syrian Refugees for the lack of job opportunities, poor infrastructure, and create a negative perception of NGOs that support them.

**Question 9: To what extent are public policies and practices favorable for philanthropy?**

Score: 3.0

Government promotes philanthropic values and generally facilitates equal access to national and international resources and opportunities. Donors are generally free to support any philanthropic cause without government pressure. However, government agencies do not demonstrate enough capacity to support and/or oversee POs. In particular, the Lebanese government did not have the proper infrastructure to manage the nonprofit sector before the Syrian Crisis, and is currently dealing with the crisis as it goes. In other words, Lebanon has implemented new informal legal practices in the past 5 years to better manage this sector. For example, governors have been given more authority to monitor philanthropic work, establishing a committee to manage the crisis in coordination with international nongovernmental organizations (INGOs) and representatives of ministries and civil society associations, and enhancing the monitoring process on active associations.

Additionally, in Lebanon, there are no formal and official barriers to establishing an association, no legal barriers to speech or advocacy, no barriers to access resources and no barriers to assembly.
(Except if a group of more than 10 people assemble in the purpose of mobilizing against the state or instigate violence, then the government can prevent it and criminalize them under 'illegal' assembly). Under the Law on Public Assemblies, “the organizers of an illegal assembly are subject to a prison sentence of between six months and three years, or a monetary fine, or both.” (Civic Freedom Monitor, 2017)

V. Socio-Cultural Environment

Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?

Lebanon, being a sectarian and extremely religious country, local communities have always been familiar with charity work mostly because religious institutions have many charitable organizations working to support beneficiaries from their respective sect. This makes the socio-cultural environment more supportive to POs and their work. People tend to donate and support POs in the country. Communities in Lebanon are strong believers in solidarity and charity, and this may be due also to the fact that the country witnessed a 17 years civil war that necessitated people help and donate to support each other.

At the same time, it is important to highlight that, with the rise of the number of POs registered in Lebanon, especially with the increase of the number of refugees, Lebanese individuals are becoming increasingly protective of their resources (jobs, financial assets, homes, etc.). It is especially because most host communities (villages and regions that host Syrian Refugees) are vulnerable and in need of many basic resources (clean water, electricity, etc.) in 2011. The INGOs gave those amenities to the Syrian communities, without considering the needs of the host communities. This is, however, changing as municipalities are demanding INGOs to give a percentage of their relief work to Lebanese communities and not entirely to Syrian Refugee communities.

VI. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

In general, the philanthropic sector is vibrant and diverse; there are a great number of registered POs working on different issues on the national as well as local level (more than 8,300 registered POs).

At the same time, the lack of adequate monitoring and management from the government leaves room for corruption, unorganized efforts, duplication of efforts, etc. For example, the Ministry of Interior doesn't have a clear unified list of POs operating in the country, and lacks the capacity to do so.
Additionally, the political scene in Lebanon cripples advocacy work, leading to the publication of a great number of research studies and policy recommendations with little practical changes being implemented due to the fact that the parliament has not been adequately active in making legislative changes and recommendations.

The sector definitely has a lot of potential and is greatly impacting the way things are in Lebanon today. With a diversity of causes at hand, POs are the first ones to mobilize and trigger conversations about important issues in the country with the help of some media and academic institutions. For example, some TV stations have become increasingly committed to sponsoring shows or hosting talks about the work of POs across the country, to the extent that POs' work and causes have been showcased in evening news. Academic institutions are bridging the gap between research and practice by organizing and designing courses, panels, conferences, symposiums among others – involving POs and activists – on causes and issues that are important to the country.

While impact is high, sustainability is at risk, especially because the Syrian crisis has brought much aid to the country. As the crisis eventually dissipates, the aid will be invested in Syria or another country in need, leaving many employees in the philanthropic sector without jobs and POs without funding. There is still no clear exit strategy for donors and INGOs.

There are efforts from the government to organize the sector, as it has recently established a State Ministry for Human Rights, and another for Refugee Affairs. They were established in November 2016 with the new cabinet in place, and are expected to put in force new regulations to manage the philanthropic sector.

There are informal inter- and intra-sectoral collaborations mainly sponsored by INGOs and donor organizations, seeking to create a number of consortia of POs working on similar issues. At the beginning of the refugee crisis there was high duplication of efforts.

Finally, one thing to keep in mind is that religious and political organizations in Lebanon are registered as POs, which makes it difficult to separate formal political work from philanthropic efforts.

**Three major recent events affecting the philanthropic landscape between January 2014 and December 2016**

- Political instability. The philanthropic sector is faced with a government that has not been active since 2008, and has not been making any legislation since then. All policy work is on hold, and the Syrian war is turning the eye on internal matters and putting everything on hold in the country because of regional threats;

- The parliament has extended its mandate twice so far, which has greatly impacted the efficiency and impact of POs, as the legislation has been mostly pending including political changes and electoral reforms; and

- The Syrian crisis and the influx of refugees to Lebanon (it is the highest percentage of refugees to local population, globally) has highly influenced the donor funding and the philanthropic scene too.
Future development trends in the philanthropic landscape

There is a growing trend of specialization in specific topics and themes. Most POs have broad mission statements focusing on development in general, but there is a growing interest in specializing in well-identified themes and topics.

Organizational development is given more priority, as POs are growing (in both size and scope) and there is need to look at their internal structure.

Some POs are currently turning to a social entrepreneurship model to guarantee financial sustainability for their work.

Three key recommendations to improve the environment for philanthropy

- Cross-sector coordination: More coordination between INGOs, local and national POs, and government institutions to avoid duplication. Developing strategic sectoral plan, so funding can be structured rather than being scattered and uncontrolled;

- POs: More focus on financial sustainability of POs to release them from donor dependency and allowing them to focus on their own agenda; and

- Governmental: Build the capacity of the government to manage, coordinate and respond to the efforts of POs more effectively. Additionally, put in place tax incentives to promote donations from the private sector. Finally, allow the registration of social enterprises to promote sustainability and social impact.