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Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Lebanon

Expert: Layal Sakr

Institutional Affiliation: SEEDS for Legal Initiatives

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QUICK FACTS

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

Five main social issues addressed by these organizations: Animals, Basic Needs, Food, Human Rights, Religion

Average time established by law to register a philanthropic organization: More than 90 days

Average cost for registering a philanthropic organization: USD 200

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

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	3.83	3.00	2.50	2.75	3.00	5.00	3.35
2018 GPEI	3.33	2.75	4.00	3.25	N.A.	5.00	3.67

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator 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 One: To what extent can individuals form and incorporate the organizations defined?

Score: 4.0

The creation of philanthropic organizations (POs) is a fundamental right safeguarded by the Lebanese constitution. The law concerned with POs in Lebanon dates back to 1909, and though it may seem old, it was very liberal for its time. According to the law, the organization does not need an authorization in order to be created. A declaration of establishment to the Ministry of Interior, which includes the address of the organization, its purpose, and information about its founders, is sufficient. However, when theory was put into practice, this liberal process faced restrictions. There are certain types of organizations that need an authorization to be formed; as for other types of organizations, which supposedly only need a declaration, practice shows that this is not the case. After the founders of a PO make a declaration, depending on the purpose of the organization, it is referred to the relevant minister. For example, if the PO is related to the field of ecology, its file is referred to the Ministry of Environment, which has to give its approval before sending the file back to the Ministry of Interior. The latter then decides to accept or reject this declaration. According to the law, the Minister of Interior is only allowed to reject the declaration if it is lacking required information or if the purpose of the organization is illegal. But, in reality, it seems like the Minister of Interior has total discretion in deciding which POs get to be lawfully established and which don't. If the declaration of establishment is accepted, the Ministry of Interior delivers a receipt in which it acknowledges that the declaration was lawfully submitted. Without this receipt, the PO cannot perform basic tasks that are essential for its existence, such as opening a bank account or renting property for its headquarters. Not to mention that the issuance of the receipts in question may also hinge on an investigation into the founders of the PO, conducted by the General Security Forces, the result of which determines the issuance of the receipt.

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

Score: 3.5

When it comes to operations, the same pattern of discordance exists between the wording of the law and the general practice. The law gives the founders total discretion when it comes to operating the PO and drawing up its statutes. However, it seems like the administration is imposing the abidance of standardized statutes and is, in some cases, refusing to look into statutes that do not conform with these templates. Concerning the activities the PO is allowed to perform, usually the only restrictions are that the activities cannot be illegal and cannot violate public order and morals. However, it seems like the Minister of Interior has total discretion in deciding those restrictions. As for the reporting requirements, and according to Article 7 of the 1909 law on POs, the PO must hold three registers: a register in which information about the members is recorded; a register of the administrative

committee decisions; and a register of the revenues and expenses. The administration can request access to these registers at any time. The association must also keep a record in which every amendment to the statutes, the administrative committee, and the headquarters is recorded, and present it to the authorities. Every January, associations are required to submit a list of the names of their members, their expenses, and their budget for the next year. The non-execution of these requirements subjects the PO to a fine. An unfortunate development in 2018 was that the Minister of Interior issued a circular with a new mechanism for reporting requirements. If a PO does not respect the requirements, instead of simply being fined, it is considered a secret organization with all the legal consequences that follow (i.e., dissolution of the organization). This is clearly unlawful, because the administration should not be allowed to extensively interpret a perfectly clear law and expand the concept of secret organizations beyond the meaning that was initially intended by the legislator.

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

Score: 4.0

The shutting down of POs can be both voluntary and involuntary. Voluntary termination can come in two forms. The first is derived from the fact that the statutes of the PO could mention that the organization shall be terminated when it reaches its objectives or when its term is complete. The second one stems from the will of the members as they may decide to terminate the organization. This can be done by the general assembly of the organization through the quorum and the majority required by its statutes. Involuntary termination also comes in two forms. The first one is the termination that is pronounced by the judicial body, in which case the criminal courts hold jurisdiction. These courts can terminate an organization in two cases: if it is secret or if its purpose is illegal. The second form is termination by the Governmental Administration. As previously mentioned, associations are founded simply by the common will of their founders and are not subject to prior authorization by the government. The founders must only submit a declaration of the PO's establishment to the Ministry of Interior. The said declaration can be lacking in information, in which case the Ministry of Interior can reject the declaration, which can then be rectified by the parties and presented again at a later time. However, if the purpose of the association is illegal, and violates public order and morals, the government can issue a decree dissolving the association. The State Council, an administrative court, is generally very strict when it comes to the supervision of the administration's right to dissolve associations. Indeed, it considers that this right is strictly limited to cases in which the PO's activity is illegal. It adds that the law related to the dissolution of POs is of public order and must be interpreted restrictively.

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 Four: To what extent is the tax system favorable to making charitable donations?

Score:2.0

According to article 7 of legislative decree No. 144 dated June 12, 1959, a deduction of amounts paid as charitable donations from taxable profits may be made if it is proven that they have been paid to officially recognized charitable, social, cultural or sports institutions within the general limits set by virtue of implementing decrees. This article does not differentiate between regular POs and public benefit associations, meaning donations made to both types of POs can be deducted from taxable profits. An implementing decree No. 14913 dating back to July 17, 1971 was introduced in order to set the general limits of those deductions. This time, a differentiation was made between regular POs and public benefit associations. For the former, the decree No. 14913 dated July 17, 1971, sets the maximum value of deductions at one per thousand of the total value of the non-net annual revenues, provided that it does not exceed a ceiling of LBP 15,000 per year (USD 10 at the official exchange rate or USD 0.75 at the black-market exchange rate) which is insignificant. This ceiling may be amended, when necessary, by decrees of the Council of Ministers. For the latter, the maximum value of deductions is set at 10 percent of the value of the net annual profits (no ceiling). It should be noted that even though this stipulation exists, it is not implemented in practice, and donations are not deducted from taxable profits made by individuals or legal entities.

As for the ceiling on donations, and according to the law, donations are considered to be one of the main sources of revenue of POs. In light of the importance of POs in Lebanon, the economic difficulties they face and the fact that a large portion of the population is dependent on their services, the legislator did not limit POs' financing methods, subject to supervision from the administration so the PO does not divert from its originally intended purpose. Thus, there seems to be no ceiling on donations.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 4.0

When it comes to public benefit associations, article 5 (A) of legislative decree No. 87/77 states that public benefit associations are tax-exempt.

When it comes to regular POs, the Lebanese income tax law did not include clear provisions regarding the taxation of POs on their regular and recognized income resources. This leads us to believe that the legislator had no intention to impose such taxes. However, if POs choose to engage in activities that are not directly related to their purpose, such as businesses whose purpose is making money, then their revenues and profits resulting from such activities are subject to income tax and therefore cannot benefit from exemption. These activities that POs may choose to engage in are completely legitimate as long as the aim is to re-employ the money and not share it among the members of the PO.

When it comes to property tax exemptions, according to the law, property owned by associations and institutions that do not seek to make profit are permanently exempt from tax, provided that the aforementioned institutions are established in accordance with the laws in force, and that the property is intended for purposes that are directly related to the activities of these organizations. The

violation of these conditions, which is represented by leasing the said property, or seeking to make a profit off it, or allocating it for purposes that do not have any connection with the goal for which the PO was established, prevents the latter from benefitting from the exemption. POs benefit from value-added tax exemptions for the activities they organize in order to achieve the goals for which they were established, with the exception of the activities they carry out frequently and whose exemption constitutes unequal competition for taxable enterprises. It is important to note that, usually, donations made to POs are subject to customs. However, by virtue of a law issued on October 16, 2020, the Lebanese Parliament waived fees and taxes on all donations that prove to be paid or received as a donation to associations affected by the Beirut Port Explosion. Lastly, PO employees are not exempt from payroll tax.

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

Score: 1.0

Over recent decades, the banking sector in Lebanon was able to become one of the most vital, flexible, and attractive banking sectors in the region, and it succeeded in attracting the deposits of Lebanese and foreign investors. However, during the past year, it was exposed to difficulties and transformations that caused it to lose this advantage. This was due to shortage of liquidity, and exceptional challenges related to the exchange market, especially in light of the widespread use of foreign currencies alongside the Lebanese pound, and the sudden decline in foreign currencies, which caused the Lebanese pound to lose most of its value. This caused Lebanese banks to suffer from a crisis of lack of confidence at the international level, which is an obstacle to the completion of financial transfers. Since last year, Lebanese citizens have been unable to perform monetary transfers through banks, let alone make donations, which is currently almost impossible.

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

Score: 4.0

The cost of receiving cross-border philanthropic donations is the same as that of making donations internally. However, it should be noted that POs are subject to customs and fees. Nevertheless, there is an exception that came as a result of the Beirut Port Explosion: donations and aid received in response to the catastrophe to Lebanese POs are exempt from customs, and this exemption will be in force until December 31, 2021.

IV. Political Environment

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

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 3.5

There is no doubt that Lebanon has the most dynamic and least restrictive PO regulations in the Middle East. The strength of this sector also stems from the main role that these organizations played during the civil war that lasted from 1975 to 1990, when they replaced the government in its role in providing basic needs for the Lebanese population, such as education, health care, and emergency relief. This role continued after the end of the war, taking other forms in various social and economic fields, because of the continuous absence of the government when it comes to performing its tasks. This may lead us to think that the relationship between the government and POs is a healthy one, since the latter play an essential role in society and often compensate for the former's dereliction. However, this is not the case, because if it were, the political class, which is represented by the Parliament and the government, would have better protected the constitutional right of creating POs. Instead, the liberal laws were affected by a tendency for restriction as described in the answers above. This is quite unfortunate, since the status of POs in a country is a strong indicator of democracy and how stable that country is, which is proving not to be the case in Lebanon. However, this does not prevent already existing POs to voice their concerns and demands, and push for social change. In some cases, POs were successful in putting pressure on the government and demanding change. For instance, they advocated for the passing of Lebanon's landmark law criminalizing sexual harassment. Yet, this achievement is not solely the result of the goodwill of the government, or the tireless lobbying of POs. It is rather strongly related to the necessity to heed the recommendations of the international community in order to continue receiving foreign aid.

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

Score: 2.0

The Lebanese government distinguishes two types of POs: regular POs and POs that benefit from a special status. The latter are called public benefit associations. They obtain their special status through a decree made by the Council of Ministers if they satisfy certain conditions, some of which are: not to share their revenue between their members, to have their objectives defined in the areas of social and public service, and to have been operating for at least five years. In reality, this special status is only based on whether the founders or members of the association are on good terms with politicians. Of the two PO types, public benefit associations are the only ones that get government funding. To date, there are 95 of them in Lebanon, and no association has been awarded the public benefit status for years (Monthly Magazine, 2017). The existence of these 95 associations is clearly a sign that not all Lebanese POs are treated equally. Nonetheless, since Lebanon is sunken in debt, corruption, and mismanagement, it is without doubt that, even without the discrimination between POs, not much governmental funding could be offered anyway.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 3.0

The economic climate in Lebanon is highly unstable, especially with the public debt, high levels of corruption, the economic crisis, the severe devaluation of the Lebanese pound, and skyrocketing prices. In October 2019, the Lebanese people, sensing a looming crisis, took to the streets and protested the poor living conditions. The gross domestic product (GDP) is estimated to have contracted by 25 percent in 2020, and a form of wealth destruction is occurring with Lebanese citizens losing the majority of their bank savings. Unemployment reached unprecedented records and half the population is under the poverty line. With the COVID-19 pandemic, and the August 4th explosion, the pressure on POs reached new heights and they were suddenly responsible for a broken population in the complete absence of the government. In such a scenario, the goal of POs becomes limited to surviving, counting more than ever on cross-border donations to come to the population's help, and putting aside, at least temporarily, their activities and projects that are essential for their development and expansion.

VI. Socio-Cultural Environment

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

Score: 5.0

In a country characterized by strong state divestments, where 70 percent of the education sector and most of the health institutions are in the hands of private entities, and almost half of the private sector workers do not benefit from Social Security coverage, more and more people are falling through the cracks of the system. They are forced, for their survival, to resort to their family, to the community, and to POs, to fulfill their basic needs. This may lead us to think that there is a strong feeling of trust toward POs since they are basically replacing the government in the performance of its basic tasks; however, this is not completely the case. After the 4th of August explosion, many POs have been accused of stealing funds that were meant to be distributed to people affected by the blast. Nevertheless, this does not undermine the importance of POs in Lebanon, especially since philanthropy is given the utmost importance in religions whose ideals continue to shape our societal values. In addition to that, philanthropy and civic engagement are also encouraged in schools and universities. Some schools are motivating students to volunteer as a graduation requirement, thus raising awareness of the importance of philanthropy.

VII. 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

The philanthropic sector is suffering from politics that continue to restrict liberties and fundamental rights, and move away from the standards set by the Constitution and the 1909 Law.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- 1) Beirut port explosion;
- 2) COVID-19 pandemic; and
- 3) Economic crisis.

Future development trends in the philanthropic landscape

Until now, the only development observed for POs in Lebanon is the digitalization of their work and the recourse to crowdfunding to raise money, as was observed following the Beirut port explosion.

Three key recommendations to improve the environment for philanthropy

- Modify the practices that came after the law of 1909 and that limit its scope.
- Treat POs equally and make them benefit from the same special status as public benefit associations.
- Roll back the increasing restrictions on freedom of expression and associations.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Although lockdowns imposed on Lebanese citizens arguably helped decrease the surging COVID-19 cases, those government-imposed measures did not take into consideration the fact that most Lebanese citizens need to work daily in order to survive. The government did not do anything to compensate for the losses incurred by these citizens. This is where POs played a big role in providing help to this vulnerable class. They also played a role in providing personal protective equipment and oxygen machines to health institutions, and raised awareness about hygiene practices and preventive measures to curb virus transmission.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

The philanthropic sector played an important part in the fight against COVID-19 in Lebanon since it took on many innovative projects, notably: providing mental health advice and assistance on how to deal with anxiety related to COVID-19; helping autistic children understand what is going on and how to adapt to the new normal; developing apps to help in the fight against COVID-19; launching websites that aim to analyze fake news regarding COVID-19 and to present reliable information;

establishing a suicide hotline; and providing assistance for victims of domestic abuse, which increased significantly with the lockdowns.

Impact of COVID-19 on the philanthropic environment

It added pressure on the already overwhelmed POs that are often required to offer services outside of their intended scope of work to stand in for the incapacitated government.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

POs will mainly focus on providing COVID-19 vaccines to the rest of the population and refugees who were not vaccinated.

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