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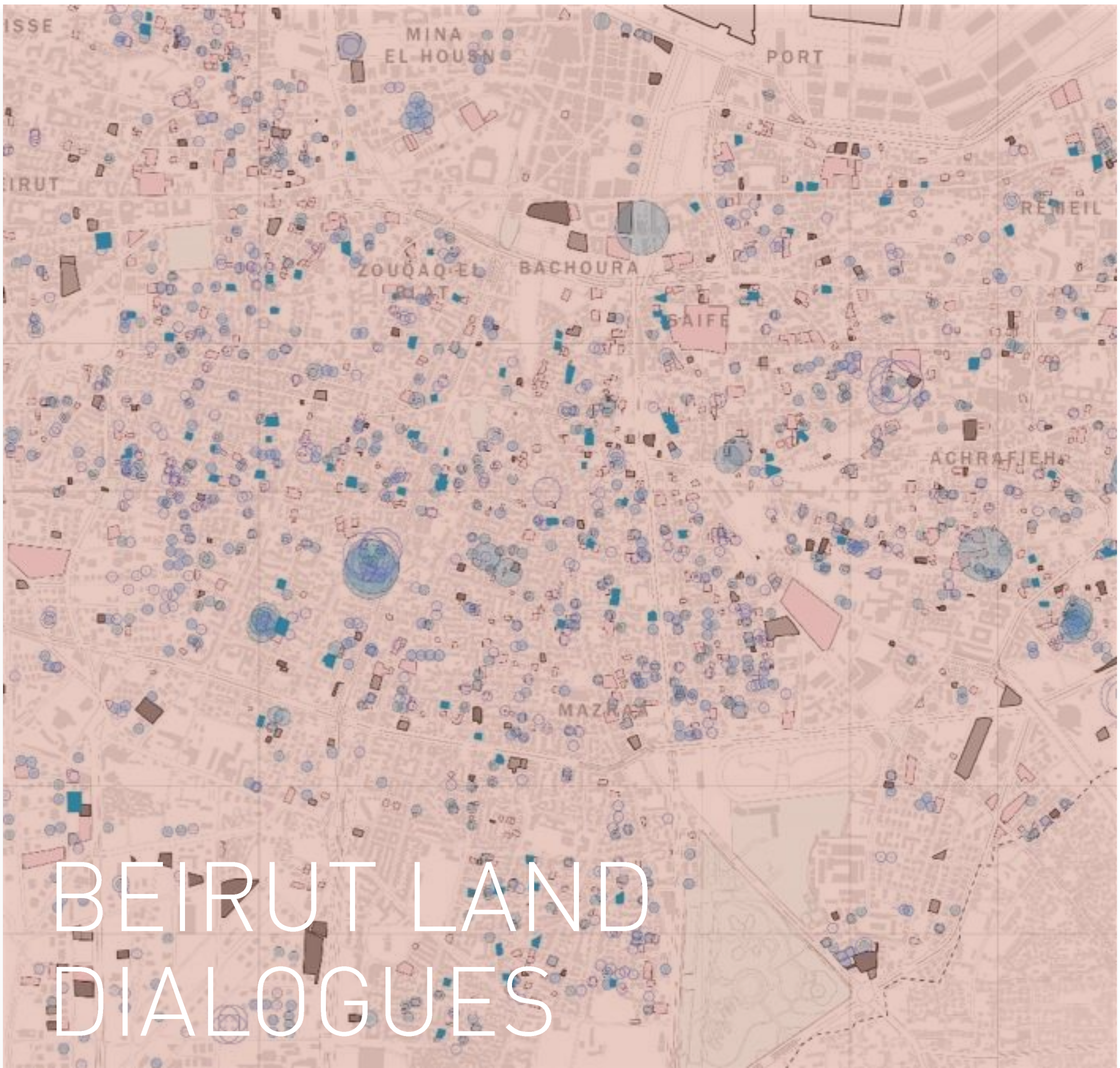

BEIRUT LAND DIALOGUES

Pathways towards Recovering the Social Value of Urban Land

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UN-HABITAT FOR A BETTER URBAN FUTURE

GLTN GLOBAL LAND TOOL NETWORK

BMZ Federal Ministry for Economic Cooperation and Development

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1. INTRODUCTION

1.1. Study Context, Partnerships, and Objectives

This document reports on the main subjects addressed during the six sessions of the *Beirut Land Dialogues.* These closed-door deliberative meetings constitute the first series of dialogues to bring together land experts, researchers, public agents, taxation lawyers, economists, developers, and activists working in Lebanon's private, public, and non-profit sectors to exchange lessons, experiences, and visions. The *Dialogues* were initiated on the premise that land management in Lebanon had suffered over the past decades from severe flaws that had exacerbated social inequalities, generated negative environmental externalities, and weakened public planning and finances, effectively contributing to the making of the ongoing national crises[1].

The *Dialogues* are the result of a twinning arrangement between the Beirut Urban Lab (BUL) and Lincoln Institute of Land Policy (LILP). They were co-organized by The Policy Initiative (TPI) with the support of Global Land Tool Network and UN-Habitat's Arab Land Initiative. This collaborative initiative responded to the shared interest of the involved research centers to contribute constructively to the ongoing crisis in land management in Lebanon. In this context, the experience of LILP in Land Value Capture (LVC) was essential in introducing the LVC framework as an adequate approach for a more equitable and effective strategy of land management and public finances in the country. The Institute's long trajectory in advising numerous governments over questions of land management was critical in informing the *Dialogues* and contributing to constructive discussions on concrete short-term policy recommendations in addition to longer-term goals.

The sessions looked to achieve four objectives:

1. Allow for a discussion of the main challenges facing land, accounting for the different perspectives of the participants.
2. Exchange knowledge, data, and information about micro and macro land related processes in Lebanon.

[1] Since October 2019, Lebanon has gone through overlapping and severe economic, financial, and political crises. Over that period, the Lebanese pound has lost between 70-90% of its value, inflation is skyrocketing, and at least one in three individuals in unemployed according to the World Bank's more recently released figures.

3. Zoom in on specific elements of the Land Value Capture toolkit that would support more effective and equitable land management and public finances in Lebanon.
4. Map out potential collaborations and policy initiatives that could be followed through after the *Dialogues*.

1.2. The Deliberative Experience

The *Dialogues* proposed deliberative sessions as the modality to chart an alternative development path for land management, valuation and public finance in Lebanon. Between October 2021 and April 2022, 6 closed-door sessions were held at The Policy Initiative offices.[2] The participants present in the sessions were carefully selected among Lebanon's most knowledgeable individuals working on land and housing issues. They also represented an array of divergent interests given their respective positions as public officials, lawyers, economists, developers, realtors, housing or planning activities, and researchers. To ensure that all participants were given a safe space, the series were held in a neutral space for discussion and in a closed-door format to allow for open communication and to alleviate potential pressure.

Each dialogue session began with a researched presentations conducted prior to the sessions by one of the organizing partners[3] to enrich the discussions and to ground the conversations around facts and beyond polarized positions. Presentations were followed by specific questions to help building the capacity to articulate specific issues and creating a safe space in which participants can express concerns linked to policy options. Each session began with researched presentations[4] that grounded discussions with facts and allowed participants to move beyond polarized positions. Three main outcomes could be pointed from these curated sessions: (i) clarifying concerns, (ii) building a common vocabulary, and (iii) convergence towards immediate revisions of land betterment policies.

[2] To balance between a direly needed in-person interaction, accessibility, and maintaining a COVID safe environment, sessions were held in hybrid format as the best way forward.

[3] Contributions were made by the Beirut Urban Lab, The Policy Initiative, ALDIC, the Lincoln Land Institute for Land Policy, and were facilitated by many participants during the sessions, particularly, public sector employees.

[4] Contributions were made by the Beirut Urban Lab, The Policy Initiative, ALDIC, the Lincoln Land Institute for Land Policy, and were facilitated by many participants during the sessions, particularly, public sector employees.

1. Clarifying concerns: While participants represented divergent interests and positions regarding the economic systems, they recognized the considerable challenges that face land governance. Participants raised concerns regarding the consequences of the crisis on lower income city dwellers.[5] Participants also conceded on the need to strengthen local authorities' ability to provide public services through direct collection of property related taxes, and improving legitimacy and tax compliance.

2. Building common vocabulary: Even when no agreement was reached, participants found value in the deliberative process creating a space of learning and exchange that influenced their respective points of view. Participants were able to establish a more comprehensive understanding of other's views and an improved reading of stakes and concerns. Discussion allowed for the establishment of common concepts among participants that were recurrently discussed during the sessions such as Land Value Capture, ability to identify different types of taxes and fees, and the Betterment Contribution. The *Dialogues* also served to create a public repository of knowledge on issues of land management and its taxation in ways that can benefit economic development in Lebanon.

3. Bringing light to potential betterment contribution policies: The *Dialogues* also fostered opportunities for co-learning about land value capture tools, and research that lead to the identification of potential pathways for policy change. During the sessions, specific elements of the Land Value Capture toolkit were discussed to support more effective and equitable land management and public finances in Lebanon. Discussions conceded on the need to prioritize the activation of existing land value capture tools and the adoption of additional modes through which the benefits of public investments are reaped by public authorities and reinvested in public interest projects. The conclusions reached from the discussions agreed on the need to revise and re-activate the Betterment Contribution tax, given that it could provide the mechanism to fund sustainably public projects reinvested in upgrading neighborhoods infrastructures (e.g., public parks, renewable electric grids).[1]

5 Proposals were put forward for affordable housing such as rezoning, inclusionary zoning and taxing vacancy in some neighborhoods.

1.3. Limitations

True, deliberative dialogues cannot shift the balance of power or modify the vested interests that shape land policy. Changing the role of land in the national economy requires a holistic review of the regulatory and fiscal frameworks and land use policies, which is a farfetched proposition in these difficult times of Lebanon's national history. It was also evident that few of the developers and/or realtors who participated in the Dialogues were not willing to reconsider the privileges that the sector had garnered. Yet, the model demonstrated a potential in clearing misconceptions, shaping a shared vocabulary, and possibly highlighting intersecting positions where consensus can be reached on specific issues (e.g., betterment). A first step in that direction is a convergence of positions about the role that land and land management practices should play on key policy agendas in the next phase. As we look forward to the next round of deliberative dialogues, and remain committed to the methodology, we believe that this process can only succeed as part of a set of wider strategies that include more rigorous advocacy.

2. TOWARDS A SHARED READING OF LAND GOVERNANCE

The deliberative sessions aimed to generate a shared understanding of land governance possibilities and challenges. Discussions were enriched by contributions in the form of researched presentations conducted prior to the sessions by the Beirut Urban Lab, The Policy Initiative, ALDIC, the Lincoln Institute for Land Policy (including expert presentations solicited by the Lincoln Institute for Land Policy). These contributions allowed to ground the conversations around specific facts and beyond polarized positions. The topics are: (1) Assessing the previous and future roles of land in Lebanon's economic model, (2) The challenges of planning amid a fragmented land governance framework and (3) The adequate balance for redistributing profits from the real-estate sector between private benefits and public goods.

2.1. An Investment Framework for Land

The research presented by the Beirut Urban Lab (BUL) provided the basis of an informed discussion. Evidence presented by the BUL team showed that between 1990 and 2019, an array of legal and regulatory measures contributed to developing an "investment framework" by favoring a role for land as a magnet to foreign capital (Krihnen, 2016 & Marot, 2018). Until 2015, these policies were successful in attracting capital into the country and activating the real estate industry [*Figure 2*]. Land prices rose substantially during this period, and the national currency was stabilized (Marot 2018). All participants concurred on the central role played by land and the real estate industry in the Lebanese economy during this period:

> ***The general rule is that real estate is very important on both political and economic levels. Land prices do not drop, despite circumstances. This indicates the high potential of land, especially in Beirut. [Ahmad Moumtaz, Arcade, Session 02]***
>
> ***Real estate market is a key component of the financial and banking systems in Lebanon that collapsed 2-3 years ago. The real estate market has been a main channel to attract capital; it contributed to the making of a bubble that has now burst. [Sybille Rizk, Kulluna Irada, Session 01]***
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> ***Land markets are a large part of the Lebanese economy; they are the main drivers of speedy urbanization. This was reflected in the modernization of Lebanon's land administration system to respond to this speedy urbanization. [Georges Maarawi, Land Registry, Session 01]***

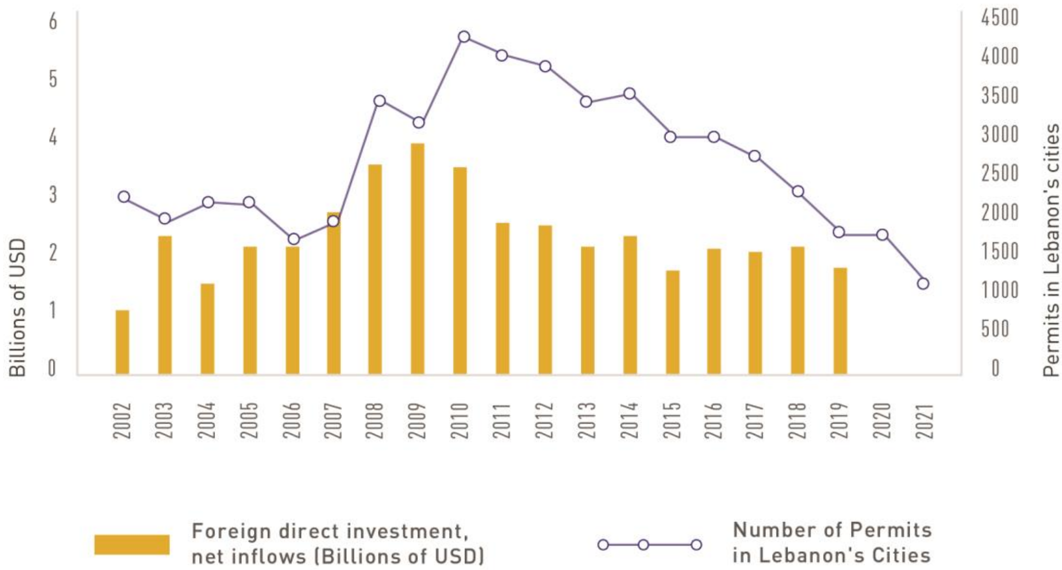

Figure 2: The increase in the flow foreign direct investments was coupled by an intensification of real estate activity in Lebanon's main cities' Foreign Direct Investment, net flow (Source: World Bank) Building Permits issued between 1996-2021 in Lebanon's main cities (Source: Order of Engineers and Architects).

Conversely, participants disagreed in their evaluations of the externalities of the role of land. Most researchers, activists, and public sector employees concurred that there were substantial negative social and economic consequences to the land management policies of the previous decades. These participants consequently concurred on a necessary revision for the role of land in the economy during the coming period, by way of enhancing the social and productive roles it can play. Many went further, assessing land policies as integral to the ongoing social and economic crises. Therefore, the "real estate" sector is not a separate part of the economy that was negatively affected by the crisis, it was a player in this crisis.

The falling prices of land or apartments is not a collateral damage caused by the crisis. Land was part and parcel of the making of the crisis. [Petra Samaha, Beirut Urban Lab, Session 01]

There is no public policy that has social/economic impact, real-estate policies were disastrous, from a macro-perspective it has contributed to the collapse of the global competitiveness of the economy by crowding out investments in other (potentially productive) sectors, developing a "piece of land" is more profitable than using it for social/productive end, the environmental cost is enormous and we have no tools to assess it.
[Sybille Rizk, Kulluna Irada, Session 01]

There were several justifications for this position. First, participants argued that speculative land market practices lead by public policy had engendered a housing crisis. Rather than serving as direly needed shelter, newly built apartments were kept as assets while their cost was prohibitive for the vast majority of city-dwellers. Thus, as an acute housing crisis rages, apartment vacancy rates increased exponentially between 2000 and 2018 [*Figure 3*], going from an average of 11 per cent to 23 per cent during these years. In higher end neighborhood, this percentage was even higher, reaching its peak at 56 per cent in downtown Beirut in 2018. The rest of the city was also taken by the redevelopment frenzy where numerous property owners began to evict tenants, while investors also bought up property that they emptied and held hostage while awaiting redevelopment. This was mostly the concern of housing advocates, be they public actors, researchers, or activists. They all recurrently decried the negative effects of speculative practices on housing affordability:

We need to develop a Housing Rescue Plan, to mobilize vacant housing and rental housing supply, pass necessary legislation that can improve access to housing under a new housing policy for all.
[Rony Lahhoud, Public Corporation of Housing, Session 01]

The right to housing should be at the heart of any response plan. So far, it's been missing from public discourse. We have not seen any intervention to mitigate increasing rates of evictions, no plans for non-performing loans and the foreclosure crisis. It's very critical to discuss land roles on long term strategies but we also need to account for the immediate emergency response. The right to housing needs to be at the center of our current conversations. The value created from investments and land/property are captured by a narrow interest groups, not redistributed fairly on the population, the social value of land is missing, and housing is missing from the policy making.
[Tala Kammourieh, UN-Habitat, Session 01]

Having prioritized real estate, land has been a site of extraction where planning agencies have been actively playing a role in zoning land for investments.
[Abir Saksouk, Public Works Studio, Session 01]

The places where an affordable housing stock exists have been shrinking. We cannot keep property owners benefitting and losses incurred on the deprived majority. There is a circulating idea that property owners pay a lot on land, but we need to look at the tax. [Myriam Mhanna, Legal Agenda, Session 02]

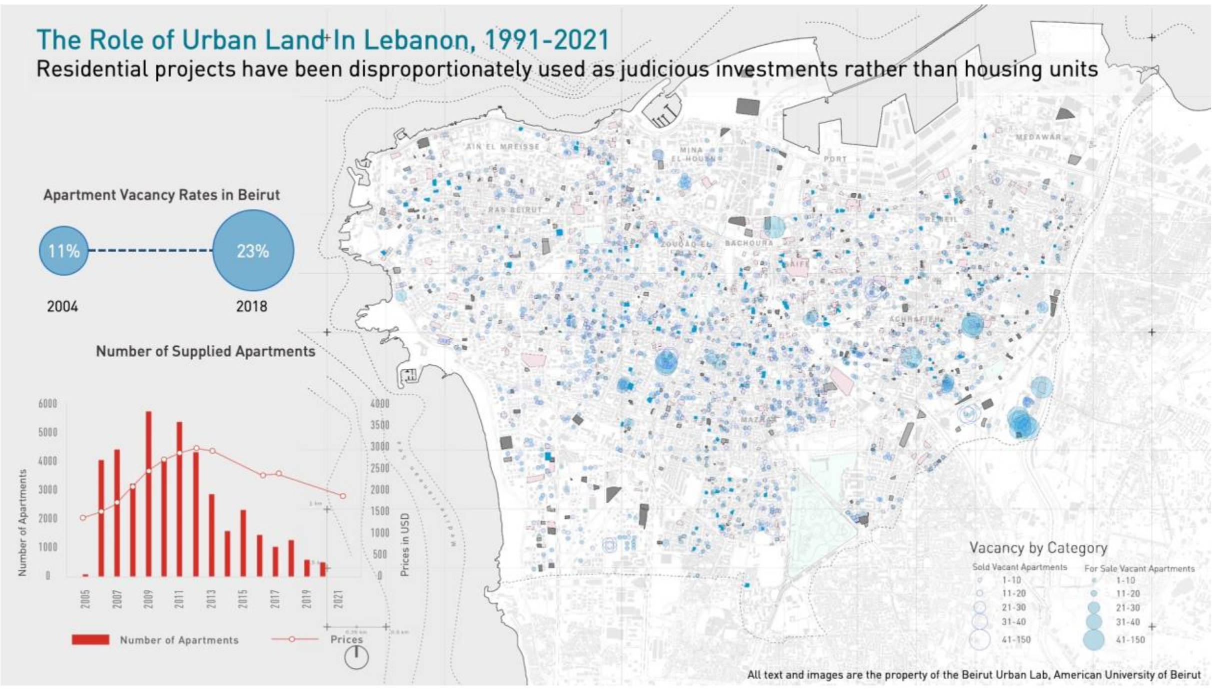

Figure 3: Vacancy rates doubles between 2004 and 2018 despite the increase in apartment supply, Beirut Urban Lab Map: Vacancy Rates in Buildings developed between 1996-2018 (Source: Beirut Urban Lab Survey)

A similar pattern was also argued for displacing productive sectors, such as industries for which access to land had become prohibitive. One repercussion of displacing productive sectors is the reduction of employment opportunities in society.[6] Data presented from the Ministry of Finance [***Figure 4***] shows the decline of employment share in productive sectors between 2004 and 2018 while real estate activities' share of GDP reached 15 per cent in 2018. The sector's share in employment generation remained extremely limited (0.4 per cent)[7], thus raising concerns around the economic impact of incentivizing investment in land.

Other participants disagreed about this assessment. This was particularly the case for actors in the real-estate sector (i.e., land developers, realtors) who

[6] For a parallel analysis of the US Market and a similar role to public policy and real estate on housing, see (Moroni, 2016).

[7] It is worth noting that the construction sector mostly created jobs for migrant workers –which means that these funds were at least partially channeled back as remittances outside the country [*Figure 4*]. This is one of the issues that were also highlighted by participants involved in/research the financial and economic sector.

argued that land should continue to play a central role in attracting future foreign investments, given its resiliency against the most severe crises.

> ***We need a wise governance model, we cannot push foreign investors away. We need foreign currency to keep flowing into the country, and we need investment in Land, This has always been and still is an essential part of our economy.***
> ***[Walid Moussa, Syndicate of Developers and Realtors, Session 05]***

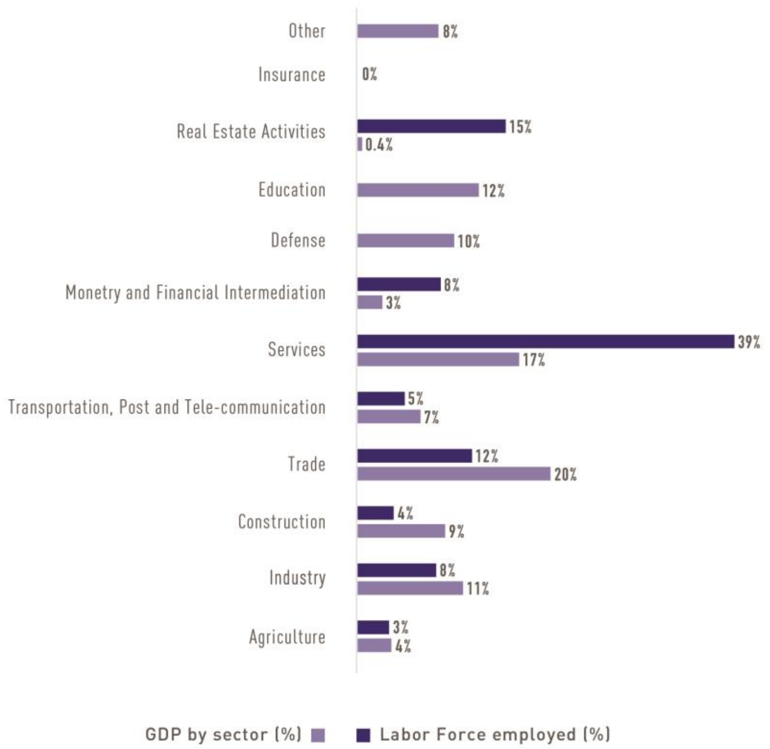

Figure 4 Employment and GDP share per sector in 2018, Lebanon

One of the main argument put forward to defend this view is the share of real-estate in the economy, which still amounts to at least 15% of the GDP. Even amid the current meltdown, property had remained resilient-at least temporarily, with numerous investors shifted their capital from banks to real estate. Dr. Georges Maarawi, the Director General of the Land Registry, showed that the first months following the country's economic collapse (since October 2019) witnessed intensive investments in real estate as land and/or apartments were seen as safer options to store one's wealth. Land Registry figures show a record increase in 56 per cent in property transactions and more than 105 per cent increase in transactions value in 2020 comparing to 2019 (Matta, 2021). Hence, despite the crisis, participants from the development sector resisted a radical transformation in the approach to land management:

The general rule is that Real Estate is very important on political and economic levels. Apartment prices did change, but land prices did not change at all despite all the circumstances. Real estate in Lebanon was the most important sector in the Middle-East; implementing taxes will only contribute to its collapse. Notice that when the real-estate sector collapsed, the whole economy collapsed.
[Ahmad Moumtaz, Arcade Group, Session 02]

As seen in the quote above, however, these disagreements didn't prevent participants from converging on the need to establish a better balance between the role of land as "investment" (for Lebanese citizens living in the country and/or expatriates) and its role in supporting "social life" in terms of housing, development, and ecology. This is again evidenced in the quotes below.

It's the right time to rethink and put new policies with people concerned, not against them. There won't be any construction activity in the coming years, there is no way for a local person to buy property with the mismatch of cost/capability. We need to guide investors and real estate developers to new market solutions.
[Walid Moussa, Syndicate of Developers and Realtors, Session 05]

We need to encourage the Saudi investor or the Lebanese expat who wants to buy in the Marina. This should not be a problem. We should implement vacancy tax in lower income areas only, and exempt it in areas where we want to attract investors. In some places we can implement taxes and in others we need investors and vacant apartments, just like all other cities, this is a balance between development/investment and the protection of the low income areas. Zoning or dividing the city in parts is super important. To create a balance between investment and affordability.
[Walid Moussa, Syndicate of Developers and Realtors, Session 05]

We are not against developers or development, but we should carve a space for people in the city as well. The real question is how to balance the two.
[Yousra Sidani, Municipality of Beirut, Session 02]

2.2. The Challenges of Planning

Participants unraveled the multiple challenges of planning that emerged as a result of the land governance framework and the role allocated to land in the Lebanese economy.

2.2.1. A Dysfunctional Framework of Planning

Most participants concurred that the principles of land use planning in Lebanon were rarely considered, as land allocation is typically subjected to political priorities and private interests. First, participants pointed to multiple examples of ad-hoc public interventions that paid little attention to how land-use was affected, such as post-war displacement policies and return plans, post-war reconstruction, and land reclamation projects.

Failure to plan for disaster management, like what happened with the refugee influx after the war in Syria, has left a detrimental impact on land use schemes in various Lebanese territories, especially the expansion of informal settlements at the expense of agricultural lands in the Bekaa and Akkar valleys. As a result, vast areas of fertile agricultural lands were lost and environmental problems were exacerbated as solid waste disposal systems deteriorated. [Wafaa Charafeddine, Council for Development and Reconstruction]

Changes in the exploitation factors in the biqa' valley to accommodate for development and touristic projects are leading to a shrinkage in land with allocated for agricultural use. [Rony Lahhoud, Public Corporation for Housing, Session 02]

Having prioritized real estate, land has been considered a site of extraction of natural resources for the cement industry. Planning agencies are actively playing a role in re-zoning land for investments with complete disregard of other economic sectors. We see this particularly in land classified for agricultural use, that is reclassified as touristic for investment purposes.
[Abir Saksouk, Public Works Studio, Session 01]

In all these circumstances, political calculations had trumped land principles of ecological protection and long-term sustainability. Second, discussions made it clear that available planning tools are outdated and deficient. Even when tools exist (e.g., public takings, betterment contributions, land use plans, environmental protections), their scope is limited, and they are rarely activated. One of the most recurrently mentioned planning tool is the National Physical Master Plan of the Lebanese Territories (NPMPLT), which was described by participants as having enormous potential had its indicative guidelines been adopted as prescriptive requirements. However, administrative implementation has lagged behind, as noted below:

The main challenge is how binding the plan is to administrations and municipalities. Implementing the plan entails an action from the Directorate General of Urban Planning which should translate the directions for land use specified in the plan into guidelines that define land categories so that they may be implemented in the detailed schemes of towns, villages and unclassified zones. Years after the decree was issued, the Directorate enlisted public land uses on territorial maps, but not enough effort was made to issue detailed schemes for sensitive zones as per the scheme's broad directions. Conversely, local administrations made several attempts to bypass the National Physical Master Plan of the Lebanese Territory by requesting many amendements that were passed in many classified zones to shift the use of such lands from agricultural to residential, etc… [Wafaa Charafeddine, Council for Development and Reconsruction, session 2]

Worse, the Directorate General of Urbanism approved numerous land-use plans that contradicted the guidelines of the NPMPLT directions.

> ***Even weak existing planning regulations are rarely followed [...] the National Physical Master Plan of the Lebanese Territory, which was approved in 2009, was sidelined as Public Works documented numerous masterplans that contradicted directly the protections decreed by the Master Plan.***
> ***[Abir Saksouk, Public Works Studio, Session 01]***

Third, land use planning tools are primed towards land development, so much so that revisions of land use plans and building law amount to piecemeal negotiated increases of land exploitation factors aimed at incentivizing real estate development in cities. One notorious example is the 2004 revisions of the national building law, which increased exponentially development rights, claiming that it could increase supply (hence affordability) and incentivize green architecture by introducing additional construction rights.[8]

> ***The aim behind this law was to promote the use of environmentally friendly building practices such as the double wall which reduces energy consumption. The law incentivizes developers to adhere to environmentally friendly standards such as double-walls by removing part of the built up area from the allowable exploitation factors. Those incentives were passed to promote environmentally friendly buildings. It is however true that when the double wall was removed from the allowed Built up Area (BUA), when the stairways were also excluded from the BUA, at least one floor was added to the total allowable built up area. The law allowed both improvements and more density... And it surely increased the price of land.***
> ***[Ahmad Moumtaz, Arcade Group, Session 02]***

Fourth, one issue that emerged, but was not explored fully, was the lack of consideration in both plans and practice over the physical and financial impacts that new developments have on the existing urban fabric and services. Permitting and construction in Lebanon far outpace local efforts to upgrade and expand the services and infrastructure that sustain new, denser development. Fifth, a number of participants expressed fear that this outlook on land as always serving other interests, ahead of planning, could harm city and regional planning in the future, and consequently urban livability. One participant pointed to the ongoing discussion about using public land as collateral to be sold in order to finance the state deficit as such a threat.

> ***We look with fear at the project of sovereign fund being presented as a solution to recover the losses in the financial sector at the expense of land that is for future generation. We would be losing the stock of land for future generations.***
> ***[Myriam Mhanna, Legal Agenda, Session 02]***

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[8] Developers perceive these as rather necessary compensations for the cost of "green buildings".

While these assessments were not fully shared by all participants[9], public employees highlighted the importance of reintroducing a solid role for spatial planning in the management of land and integrating it within policymaking to protect social, ecological, and economic productivity at the local, regional, and national levels. They also acknowledged the necessity to strengthen the role of the State and its agencies as the public custodian and coordinator of land management, to introduce dimensions of accountability, and produce better synergies with the non-profit and private actors in ways that reduce the dominance of private projects and interests in decision-making.

2.2.2. A Dysfunctional Institutional System:

The second challenge in land governance is the dysfunctional institutional framework that lacks accountability mechanisms and clear prerogatives. The jurisdictions of the Council of Development and Reconstruction (CDR) established in 1977 to replace the Ministry of Planning overlaps with ministries, creating frequent conflicts and contradictory visions for how to address the challenges of urbanization. At the local level, municipalities are legally empowered to govern and regulate their territories. However, a practice of heavily centralized management prevents them from implementing actual transformations. In addition, the small size of most municipalities contributes to the spatial fragmentation of the natural territories, making municipal rule ineffective due to limited resources and small geographies.

> ***The idea is that local authorities and municipalities do not have the capacity to collect the fees and taxation so the central government is tasked with collecting the taxes. The government is tasked to put them in a fund and to distribute the revenues to districts and municipalities in a way that is consistent with its policy. This creates high dependency between the local and central authorities who are highly dependent on the budget allocations by the central government. [Sami Atallah, The Policy Initiative, Session 03]***

2.2.3. The Increasingly Prohibitive Cost of Planning

With a fragmented land governance framework and skyrocketing land prices, urban planning and infrastructure implementation is further undermined by the rising cost of land and the limited ability of public agencies to collect any sizable taxation from these increases. On the one hand, the cost of expropriation

9 Notably the building law, the national physical masterplan of the Lebanese territory (NPMPLT) and its role, municipal fees, rent and income tax laws

became prohibitive.[10] Rather than benefiting from the property boom to collect public revenues that could be reinvested in a direly needed public infrastructure, public agencies were faced with the additional hurdle of prohibitively expensive land prices that undermined their ability to intervene on the land market.
On the other, the real-estate hype meant that landowners strived for increasing exploitation factors, making the entire planning discussion about prospective speculation. Resistance to ecological protections and/or agricultural development were largely the outcome of the "land sales" incentives too. Planning was unable to play a substantial role in channeling urbanization, directing land markets, and/or protecting other functions of land. Several participants spoke about this challenge.

> ***Having prioritized real estate, land has been seen as a source of extraction of natural resources for the cement industry.***
> ***[Abir Saksouk, Public Works Studio, Session 01]***

> ***The model is working towards the primacy of private property, and the role of the state has been to protect the rentier economy at the expense of any other public project.***
> ***[Myriam Mhanna, Legal Agenda, Session 01]***

2.3. Fiscal aspects – budgets and taxation

The taxation framework that governs land transactions in Lebanon is limited for both property owners and developers. The framework is also heavily centralized, and collection is slow and typically easy to circumvent. Furthermore, the basis of valuation was unanimously seen as flawed. As a result, throughout the past three decades, revenues to the tax base for both local and central authorities were limited, despite the substantial gains reaped by the real-estate sector. This section fleshes out some of the main points discussed during the last two sessions. The detailed list of taxes, as prepared by ALDIC, is in Annex 2.

2.3.1. A "Light" Framework of Property Taxation

Property Taxation for Private Individuals
Research presented by ALDIC showed that the framework of property taxation in Lebanon is limited to a handful of fees and taxes imposed (i) when property changes hands due to sales and/or inheritance (i.e., inheritance fee, property registration procedures), (ii) when profit is directly reaped from the exploitation of an apartment and/or land (i.e., municipal tax, built property tax), and (iii) when

[10] The expropriation law was modified in 2006 to reduce the authority of planning agency in taking properties for public planning by introducing a contested article on compensation schemes

a public project increases the value of land considerably (i.e., betterment tax). The presentation noted that property taxation as a form of taxing wealth is absent in the national legal taxation framework, whereby property owners only pay limited [municipal and built property] taxes that are appraised on the basis of a "rental value", an outdated mechanism that is neither fairly measured nor appropriately assessed.[11] The main principle behind the built-property tax is to collect a percentage of the profit generated by exploiting a built property, either through renting it out, or through the owner occupying it and benefiting from the saved cost of rent that would have been incurred otherwise. [12] Consequently, the tax does not consider land as a capital asset, nor does it capturing the larger increases in land values as investments and demand for land rise.
Participants debated the impact of taxes on attitudes vis-à-vis property ownership. For activists and some of the present researchers, the taxation framework for property ownership in Lebanon is quite "light", not taxing wealth appropriately.[13]

> ***There is a circulating idea that property owners pay a lot of tax on land, but when we at taxes, we find that most of it is indirect. We need to implement taxation on property owners.***
> ***[Myriam Mhanna, Legal Agenda, Session 02]***

> ***We need to recognize that (from fiscal/tax perspective) urban land markets didn't play a positive role in fiscal/tax. The policies were actually stimulating real-estate by reducing transfer duties and registration, eliminating betterment tax, exempting from VAT, etc. which led to dangerous hub and consequently sector crisis.***
> ***[Karim Daher, ALDIC, Session 01]***

Others pointed that the way public policy has estimated taxation is skewed, potentially taxing some groups exponentially more than others, while leaving leeway for reporting vacancy and allowing for tax evasion.

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[11] Property owners are required to register lease contracts at the municipality every year following the Built Property Tax Law of 1962 (Law 0/62). The tax is paid in the form of stamps on these registrations. The tax value is appraised based on the value of the rent.

[12] For more, see: Built Property Law/1968

[13] According to an interview with an active real-estate developer, profit during the peak years was estimated as a 30% return on investment. Conversely, very low returns went back to the city since taxation is quite limited (see Annex 2 and paragraphs below).

If you look at the impacts of the built property tax and the municipal fees on owners' behavior, you need to think how much "ownership costs". In high-end buildings, maintenance costs are very high, and the built property tax and rental fees add the expenses on high end owners exponentially. In some building in Beirut, you pay US$100,000 per building for maintenance, Built Property tax, and municipality fees. Many therefore choose to report vacancy. If you push them too hard, they will just not occupy the unit! [...] They would prefer to stay in a hotel instead of paying taxes. [George Maarawi, Directorate General of Land Registry, Session 02]

2.3.2. Property Taxation on real-estate transactions:

The ALDIC presentation showed the most significant taxes and fees paid by all developers to be transfer and registration fees in case of a land transaction, followed by construction permit fees, and subdivision fees.[14] It also showed the modalities of taxing profits to differ depending on the modes of operation of developers, whether they are registered as companies or individuals. Until recently, developers registered as individuals were able to circumvent most taxes. The 2017 tax on capital gains however introduced restrictions on this mechanism, forcing developers to pay taxes for the profits they make irrespective of whether they operate as individuals or companies. The 2017 taxation framework nonetheless still provides for generous exemptions.
Here too, participants disagreed on how "light" the taxation framework actually is for developers. Researchers and activists were adamant that developers were poorly taxed and revenues to public coffers are limited. A back of the envelope calculation conducted by the Beirut Urban Lab team and real estate developers operating in Beirut showed that the total taxes on building development constitute as low as 8% of the project cost, while at 30% of the project revenues are allocated as profit. Participants linked the "light" taxation schemes to the public policy of supporting the national currency that rendered decision-makers partially dependent on real-estate to attract capital flows. Consequently, the real-estate sector was incentivized through property tax reductions[15] and administrative reforms designed to ease property taxation.

[14] These fees are also reduced when the developers record property as a shareholding company. If property is registered as part of the company's assets, the registration fees go down from 5% to 2%. If one of the owners of the company transfers ownership (through transfer of shares), this transfer is exempt from any taxation (for s.a.ls and s.a.r.l). A tax is nonetheless imposed on the valuation of assets of the company, which is done under the framework of capital gain tax.

[15] As of 2001, property laws were modified to reduce property taxes, particularly for foreigners, and expand the ability of foreigners to acquire property.

> ***A favorable tax regime was adopted over the past three decades to incentivize real estate development and attract foreign investments. It has nonetheless deprived the country from the chance to build a productive economy and deprived the treasury from substantive revenue.***
> ***[Karim Daher, ALDIC, Session 02]***

Some argued that public policy has encouraged speculative behavior and tax evasion practices with legal provisions such exempting vacant residential units from all taxation.[16]

> ***There should be control on vacant apartments, there should be a time period allowed for vacancy, it shouldn't be open-ended because this will encourage speculation and limit the rental stock on the market. We can give them 2 years grace period and then they have to pay. There is are lot of apartments recorded as vacant in the Municipality that are actually not vacant.***

Once again, however, developers disagreed with this assessment, pointing to the risk they had taken and the severity of the current crisis.

> ***Applying a vacancy tax will be a central cause to the collapse of the real estate market. We pay a lot of tax on the property from the day you buy it until the day you sell it. More than 32% is paid as taxes. When you buy the lot you pay 5.5% registration, permit fees, residency permit fees, selling fees. The state is the party responsible for incentivizing investment for people to access affordable housing. I cannot ask the developer to compromise.***
> ***[Ahmad Moumtaz, Arcade Group, Session 02]***

2.3.3. A Skewed Land Valuation Model

Irrespective of whether they considered taxation high or low, all participants agreed that the land valuation system needs to be overhauled. First, reliance on a so-called "rental value" which is rarely reconsidered has set in place a skewed model. Second, land valuation is not uniform across public administrations (e.g., betterment tax committee, ministry of finance committee, municipal committee). Participants from the public sector highlighted that this has entailed considerable delays in public projects and in revenue collection due to the repetitive bureaucratic processes:

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16 Thus, municipal records in Beirut show that vacancy figures are over-reported where an inflated figure of over 50% vacancy is reported for Beirut's housing stock. While city dwellers over-report a claim of vacancy to evade taxation, local and central state authorities incur hefty losses in revenues amounting roughly to a third of the Municipal budget from vacancy only (Fawaz & Zaatari, 2020).

Each administration has their own valuation system. The evaluation done by the Ministry of Finance is different from that of the Municipality, different from that of Directorate General of Urbanism, different from that of the Central Bank, etc.
[Georges Maarawi, Directorate General of Land Registry, Session 01]

Additionally, valuation is not periodically reconsidered or reviewed to reflect changes in market trends. This has generated sharp inequalities in tax incidence on taxpayers, and high resistance to paying tax.

Why do people not pay taxes. In Lebanon there is no clear criteria for the valuation of apartments. The Problem is in the valuation process. Those who have lived for more than 30 years pay a different rate than the ones who occupied the building in past 3 years because the valuation is different. In the same building, the rental value of an occupant renting the apartment 20 years ago is 50,000 LBP while someone who has been renting it in the past 4 years will pay 700,000,000 LBP. There should be clear criteria for valuation of property. [Ahmad Moumtaz, Arcade, Session 03]

Participants converged on the need to establish a unified and clear valuation system for land that can be continuously updated by public authorities. They also highlighted the importance of reintroducing a solid role for spatial planning in the management of land and integrating it within policymaking to protect social, ecological, and economic productivity at the local, regional, and national levels.

I think the rent value is obsolete. I think they should get rid of it as it involves a lot of bureaucracy and some people in the department benefit from keeping it. But it should be changed.
[Walid Moussa, Syndicate of Realtors, Session 03]

We started a project with the Canadian government to unify the rental value between the municipality and Ministry of Finance. Unfortunately, the municipality withdrew from the projects, and the Canadian government eventually suspended the grant because of bureaucratic delays in approval and the COVID pandemic.
[Georges Maarawi, Directorate General of Land Registry, Session 02]

We need to strengthen the ability of the state in addressing issues in land management systems so they are in line with the economic/social policies. The state is not regulating the sectors appropriately. There is a big gap in data and transparency, on land valuation, etc. This needs to be systematized and made available to the public.
[Tala Kammourieh, UN-Habitat, Session 01]

2.3.4. Heavily Centralized Public Collection Schemes:

Another important point raised by ALDIC's presentation is the fact that almost all taxes are channeled through the state treasury and redistributed through the yearly budget, curtailing the possibility of targeting collection towards specific visible ends. Around 70 per cent of the real-estate taxes/fees are channeled to the state treasury [*Figure 5*]. None of the taxes incurred in the development process are direct contributions.

We need taxation reform in Lebanon. The current taxation framework gives the impression that the tax is a penalty imposed on people against their own interest. Taxpayers cannot expect something in return. One cannot tell the state, for example, because I pay this tax you need to fix the sidewalk. Taxes in the form of contributions aim at improving and bettering a situation. It seeks to help owners, investors, residents and the real estate sector to increase the financial value of their real estate and to also get benefits in return. If I pay the 1.5% municipal fees and the municipality doesn't conduct sewage and sidewalks projects, I can ask the Council of State for refund and even for a compensation because the municipality should have conducted such works against what I have paid...Citizens are unable to see the benefit of the tax they have. In a state where accusations of corruption run so high, the best way to build trust is to earmark taxes to clear ends, where citizens can act as monitors.
[Karim Daher, ALDIC, Session 04]

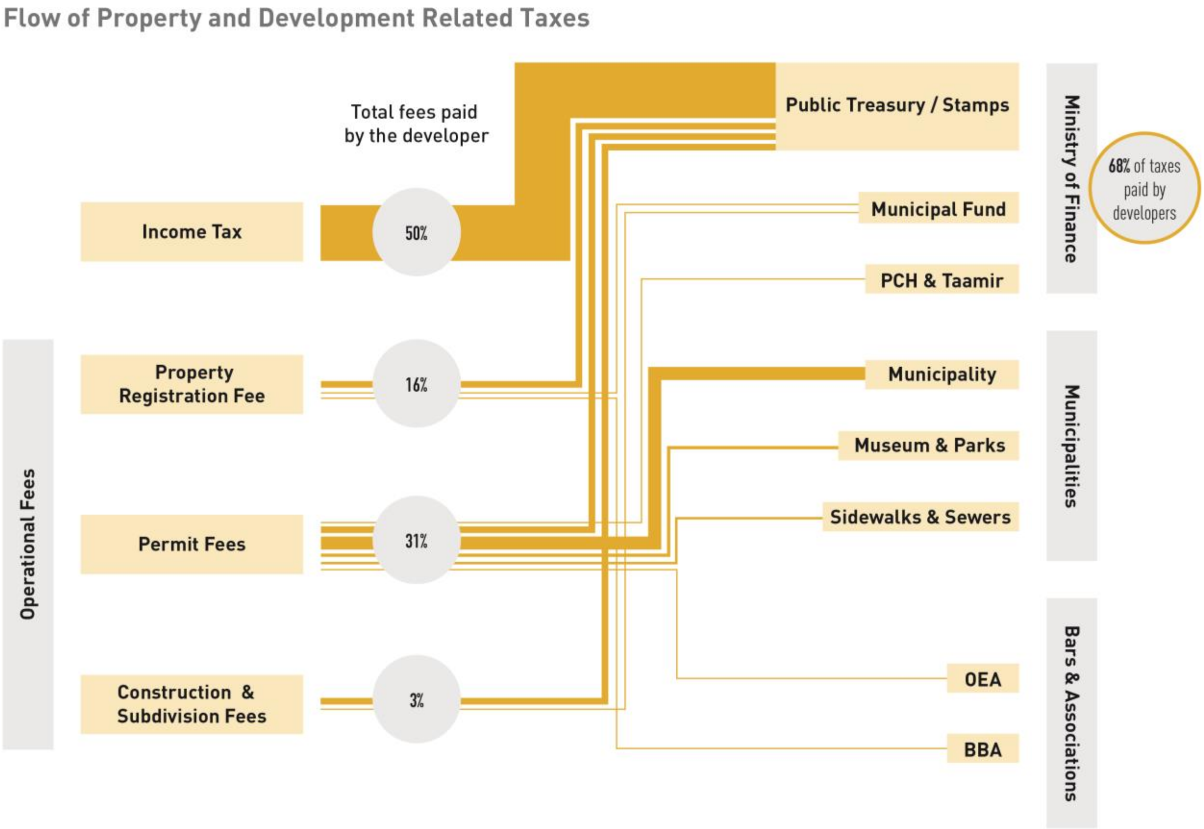

Figure 5 Flow of Property and Development Related Taxes

This heavy centralization has detrimental effects for public agencies. From the perspective of local authorities, this centralization incentivizes the wrong behavior. With lagging collection for built property and betterment taxes that are unpopular among voters, local councils are heavily encouraged to rely on building permits fees in lieu of taxes that they may not be able to collect. This, in turn, makes them reliant on development projects for revenue, even when these developments harm the environment or produce empty apartments (*Figure 6*).

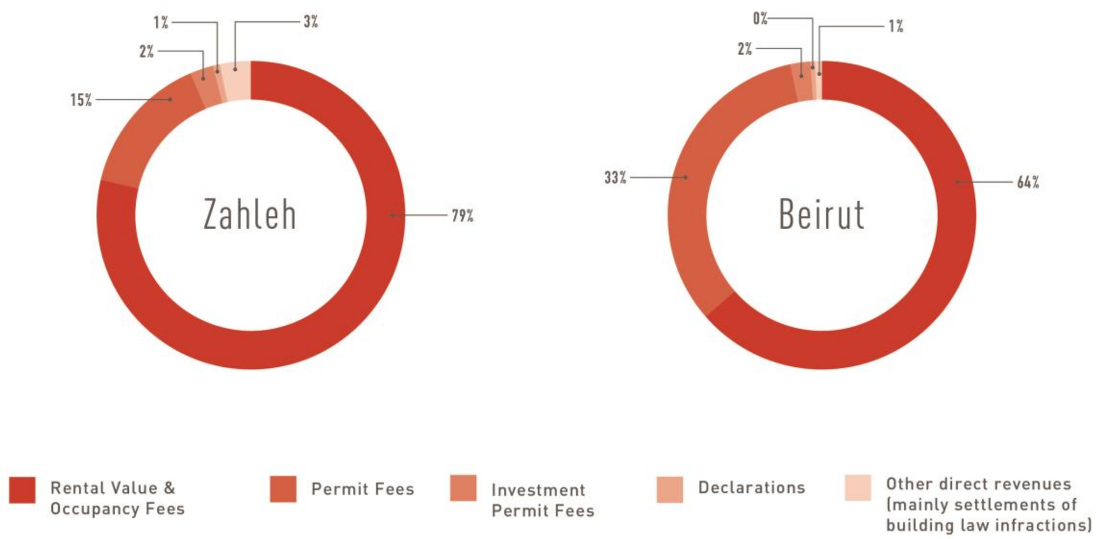

Figure 6 Percentage distribution of direct revenues for Beirut and Zahle in 2017

Conversely, contributions or earmarked taxes are barred by the principle of "centralized/redistributed" taxation, which prevents mechanisms of betterment and voluntary incentives such as those proposed, for example, by the Public Corporation for Housing who seeks self-sufficiency to plan long term programs and housing policies that would balance the current incentives.

> ***I am tired of hearing about this "centralized" or "unified" taxation system. It prevents me from advocating for the right to housing. We need to get around it and make sure that revenue from land development is directly allocated to serve housing provision.***
> ***[Rony Lahoud, Public Corporation of Housing, Session 04]***

2.3.5. Public Collection is Limited:

It is common knowledge in Lebanon that tax collection is slow and partial in Lebanon, and that it is undermined by the ease in which can be evaded, particularly in the absence of data on land and prices and the lack of transparency and visibility in transactions. As noted above, citizens perceive taxation in Lebanon in general as a penalty rather than a contribution as no tangible improvement is apparent in return, a sign of a decreasing state legitimacy. Therefore, land has only been a limited source of public revenue despite having led to wealth accumulation
Except for 2020, when extraordinary circumstances led to a huge boom in property transactions while the rest of the economy contracted severely, taxes on property never exceeded 12 per cent of tax revenues and constitute less than 2 per cent of the GDP, as seen in [*Figure 7]* below.

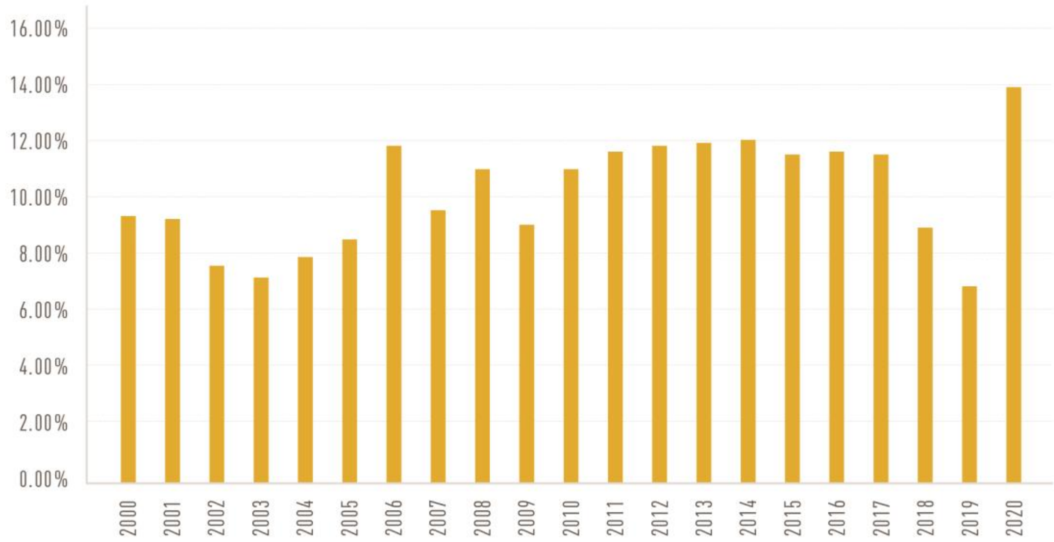

Figure 7. Tax on property as percentage of total tax revenues, Ministry of Finance

In closing, most participants converged that it is critical to redistribute profits generated by the real-estate sector both through the introduction of adequate tax schemes that can support the development of direly needed infrastructure development and the organization of a more inclusive market. The inappropriate application of betterment and other tools led to the fact that public planning agencies did not recover costs of infrastructure and urbanization. While we acknowledge that there is more to do regarding the adjustment of the role of land with a decent fiscal and legal framework, we focus on the potential of the betterment contribution.

3. LEARNING AND ADAPTING (BETTERMENT)

From the outset, the Beirut Land Dialogue's initiative was premised on identifying which aspects of LVC would be adequate to propose as a strategy to improve land governance in Lebanon. This was clearly announced in the opening meeting by the LILP director of International Programs:

These dialogues are ultimately about developing strategies, whether research or policy strategies, and to advocate for spaces of policy change. Insights from former research have lead us to focus on ways in which governments can tap on land and land values to generate a sustainable sources of revenue and fund infrastructural and housing projects especially for the lower segments of the society. Tackling dysfunctional land markets is not an easy step. It is very political and involves many stakeholders that may be at opposition with each other. This is a community building exercise hoping to develop a shared vision and agreement to work together to advance our collective interest in healthy land policies and healthy cities. [Enrique Silva, Lincoln Institute for Land Policy, Session 01]

This proposition found echoes among several participants as of the first meeting, specifically in the Betterment Contribution tool that already exists –albeit in limited form- in the Lebanese law. Despite its presence in the regulatory framework in Lebanon, this tool seems to be overlooked and unknown to many of the participants even those involved in land development for a very long time.

From our experience, betterment tax can only be applied under certain circumstances. In Lebanon, it doesn't work. We find on certain buildings/lots that there is a betterment tax without really understanding why and how it works. [Ahmad Moumtaz, Arcade Group, Session 02]

Consequently, two of the Beirut Land Dialogue sessions were fully dedicated to the discussion of Betterment Contribution. In session 3, LILP invited a lead expert on the topic, sharing his experience in Columbia. In session 5, several participants brought their experiences from Lebanon, allowing a better comparative assessment of the tool. This section reports on these discussions. It begins with a brief description of Land Value Capture, as it was fleshed out by the LILP approach, and specifically the elements of the Betterment Contribution. It then fleshes out the components of the research conducted in the course of these dialogues and the discussions that ensued.

3.1. Land Value Capture, A Brief Introduction

The Dialogue organizers introduced the Land Value Capture (LVC) tool kit as a widely used and effective modality of governing land and securing a sustainable source of state revenue.[17] LVC refers to the recovery of some or all this value

[17] Early uses of the LVC can be traced as far back as the Roman era. Today, numerous countries and cities around the world rely on variations of these mechanisms to improve public planning (Blanco et al., 2016): betterment levies in Columbia (Borrero, 2012), building rights charges and exactions in Guatemala (Smolka, 2013) and Argentina (Terraza et al., 2015), and land readjustment in South Korea (Lee, 2002).

increase for the benefit of a community (Blanco et al., 2016; Smolka, 2013). It is premised on the fact that public interventions[18] in the form of administrative reforms (e.g., zoning[19], redrawing boundaries) or public projects (e.g., roads, parks) often induce increases in land value for private landowners whose property is adjacent to/falls within the areas affected by the project. Since the increase in property value was generated by public action, and not by the landowner, it hence constitutes unearned income for the taxed proprietor. The value captured through this mechanism allows further public investments without incurring public debt. It also mitigates land speculation that could be generated from public investment.

There are multiple modes through which Land Value Capture can be activated. In some cases, authorities impose fees (or taxes). In others, they impose regulations (e.g., inclusionary housing) or simply negotiate with parties (e.g., add a space for public development). LVC recovery tools thus take multiple forms such as betterment contributions, charges for building rights, inclusionary housing and zoning, special assessments, and transferable development rights. In each national context, public authorities adopt a selection of the tools based on the actions they want to incentivize and the revenues they want to capitalize on.

3.1.1. Betterment Contribution

As one of LVC's main tools, the betterment contribution (BC) is a charge levied on landowners whose property value increases due to public infrastructure improvements (Blanco et al., 2016). The income raised through BC is used to cover, partially or totally, the cost of the implemented public works. BC is legally described as a "fee" since only affected landowners are mandated to pay it (Blanco et al., 2016).
The review of Betterment Contribution presented in Session 2 showed that the application of the tool differs across contexts. BC can be collected before or after the execution of a public works project. When collected ex-ante, potential deficit in public budgets is hedged upfront. In order to impose a BC, the influence area and affected owners are specified before valuation of the tax, depending on the level of benefit. Determining the value of the contribution can be linked to the cost of the public project to be implemented or the additional value it will

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[18] This section is based on publications by LILP covering case studies from Latin America to South Africa: Lincoln Institute of Land Policy | Value Capture

[19] LVC rests on an important premise: building rights are not adhered to the property; they are conveyed by the public.

generate in affected properties (Blanco et al., 2016). The evaluation of the charge on landowners includes geographic considerations (e.g., proximity to the public project implemented and the resulting level of benefit). It may also account for the property value and/or the socio-economic conditions of taxed households (Blanco et al., 2016). BC has been used in several countries across the world, with a notable experience in Latin America (Borrero, 2012).
As we will see below, the *Beirut Land Dialogues* identified betterment contribution as one key area where immediate improvements can be introduced for land governance in Lebanon.

3.2. Betterment Contribution in Lebanon

Research presented by Dr. Wafa Charafeddine and Dr. Georges Maarawi, the Beirut Urban Lab, and ALDIC, allowed the Dialogue participants to answer a few questions about Betterment Contributions in Lebanon.

3.2.1. What are the Principles and Mechanisms of Betterment in Lebanon?

1. The principle of BC appears was first introduced in Lebanon during the late Ottoman period. The first regulation can be traced back to 1912 and is integrated within the Ottoman expropriation law, which empowers municipal authorities to take land for the "public good" through unequivocal decisions (Annex 03).

2. The principle of *betterment contribution*, namely the fact that increases in property values that result from public interventions[20] need to be partially recovered by public authorities, is justified on two grounds in the Lebanese jurisdiction. The first justification is for the priority of planning, which is considered to serve the common good. The second is the imperative of justice, the necessity for citizens to benefit equitably from public interventions. When linked to planning, the BC law recognizes that public planning projects generate increases in property value that are reaped by private landholders. The law consequently seeks to equalize citizens by recovering some of the profits generated by public investment since the property owner did not generate the profit.

3. The betterment tax is incorporated as part of the expropriation law (Expropriation Law 58/1991, modified on Dec. 8, 2006), and is therefore limited in the current practice to public projects requiring expropriation. The contribution can take two forms: uncompensated land taking (up to 25% of the surface of a lot) or financial fees.

4. The typical procedure of implementing Betterment Contributions consists of recording a mark on the property title of the land affected by the project at the beginning of the works to notify property owners of a potential tax which is eventually computed and imposed once works are implemented. Property owners are then given a defined period to pay the tax. The contribution fee

[20] Sewer networks and sidewalks are excluded.

goes back to the authority implementing the project, be it local or central. It is collected through the Ministry of Finance who collects a percentage of this tax.

5. The Betterment Contributions mechanism appears in two places in the Law: [1] Land pooling/subdivisions and [2] expropriation. It takes three forms:
   In cases of partial expropriation of lots for public projects implementation: 25 per cent of a lot can be seized with no compensation, since the accrued land value for the remaining sections of the lot will compensate for the cost of expropriation (*al-rub' al-majjani*).
   For properties near those expropriated since betterment contributions further extend to properties adjacent to the expropriated land, where value increases are noted within the influence perimeter of the public project.
   For land pooling, considering that the reorganization of a territory improves land value, planning authorities are legally empowered to take 25 per cent of the property value and add it to the public domain without compensation.

3.2.2. What are the Limitations in the Current Application of the Law?

Based on their extensive experience with the application of Betterment Tax in Lebanon, participants from the public sector highlighted the challenges they had encountered in the application of this taxation and the ambiguities and limits of the current regulatory framework. The recurrent modifications of the BC framework, its tedious implementation mechanisms, and the dysfunctional land valuation system in Lebanon have weakened its application. We summarize here some of the crucial issues that were discussed as limiting the BC application in the current framework:

1. The Limited Scope of Betterment Contributions: In their current form, betterment contributions are limited to projects requiring expropriation while other public interventions that raise land value such as upgrading a park and/or improving a seafront area, for example, are untaxed although profits from these projects may be considerable.

> ***The "public" lost a lot of money during the period of growth because many potential taxes were not collected at the moment of growth. One of the "missing" taxes was the betterment tax: With all the infrastructure that was developed, betterment was never collected, and it is a lost opportunity for the public treasury.***
> ***[Wafa Charafeddine, Council for Reconstruction and Development, Session 01]***

> ***Take the example of Horsh Beirut (Beirut's largest park), no expropriation was done. Consequently, although the value of land increased because of a public project, betterment taxation was not imposed. Developers benefited enormously, they sold the view over the Park untaxed. This is a weakness in the law.***
> ***[Wafa Charafeddine, Council for Reconstruction and Development, Session 03]***

2. The Absence of Objective Criteria: There are no objective criteria to delineate the geographic zone where property values are affected by the implementation of the public project, the decision is largely left to the expropriation committee and/or to the bureaucrats defining the area.
3. Valuation is Skewed: There are substantial concerns about the validity of the adopted valuation schemes. First, there is no transparent valuation system for land in Lebanon, which introduces substantial inequities and leaves a large leeway for bureaucrats evaluating the tax value. Second, the betterment taxation scale is skewed: It is pegged to the income-tax scales, and the value of the tax is estimated according to the same parameters.

> ***The Valuation committee for the Betterment Tax is an independent committee. They conduct valuations without a clear criteria that is unified with other sectors. This often creates problems and disputes.***
> ***[Georges Maarawi,, Land Registry, Session 05]***

4. Critical Socio-Economic Considerations are Missing: The betterment taxation scheme doesn't account for the socio-economic profile of the landowner. Tax is determined in relation to property values, irrespective of the profile/portfolio of the property owner.

> ***"Article 47 of the expropriation law states that the betterment tax is imposed regardless of the financial and social status of the property owner. The incidence of this tax on low-income property owners is definitely more severe than on that of large scale property owners."***
> ***[Abir Zaatari, Beirut Urban Lab, Session 05]***

5. The Regulatory Framework is Rife with Contradictions: Legal contradictions introduced in the 2006 law have paved the way for property owners to contest the validity of the imposed betterment contribution, undermining its application. Consequently, public agencies have been faced with lawsuits where landowners demand to be compensated when the value of BC is lower than the cost of the land 25 per cent expropriated for free by the public authority.

> ***The amendments to articles 37 and 53 of the Expropriation Law (1991-58) was issued in 2006 are comprised of a huge contradiction that hinders its implementation, as it counts the increase resulting from the "betterment contribution value" on the area remaining from the expropriated land rather than the increase in "betterment value". This massively reduces the taxation value enforced on landowners who benefitted from nearby projects by 2 or 3 folds. [Wafaa Charafeddine, Council for Development and Reconstruction, session 5]***

6. The Collection Process is Weak: The collection process is slow, limited, and inequitable. It consequently leads to a major imbalance between public investments and public collection. Procedural delays in the implementation of betterment contribution taxes include delays in (i) the cost estimates for affected properties, (ii) assignment schedules, (iii) informing taxpayers, and

(iv) reporting the completion of works. Consequently, betterment taxes typically, translate into a mark in the land registry instead of a collected tax, and the latter drags over decades, undermining the possibility of using betterment to its declared ends.

> ***"There is no party that holds property owners accountable for paying betterment. So there is no enforcement mechanism, except for property transfer. Even is property owners benefited from infrastructure. The weakness of the law is that it is tied to the concept of expropriation and that it is not tied to specific projects."***
> ***[Wafa Charafedine, Council for Reconstruction and Development, Session 03]***

7. Public Authorities are delegitimized: The weak link between the betterment taxes and public works projects means that taxpayers do not connect the tax to any benefit, exacerbating resistance to paying taxes in an environment where corruption is perceived as rampant.

> ***The fact that in in Lebanon the tax is not linked necessarily to public works is not a small detail. [...] One of the things we find out over and over again, at least in Latin American, is that the legitimacy and the strength of the tool is clearly tied to the capacity of demonstrating the link between what's being taxed and what's being constructed for the benefit of either the property or the community. [...] So the less transparent the process is, the weaker the nexus between the investment and the betterment contribution, the less likely it will inspire or have the needed support.***
> ***[Enrique Silva, Lincoln Institute for Land Policy, Session 03]***

> ***The whole fiscal policy in Lebanon is dysfunctional. This is apparent because even the betterment contribution in Lebanon is not directly channeled to specific funds. The payment of the tax has become irrelevant. The taxes should be directed towards the function that it was allocated to in order to strengthen the legitimacy of the tax.***
> ***[Nabil Itani, Former IDAL, Session 03]***

3.2.3. How Do We Assess the Effectiveness of Betterment Contributions in Lebanon Now?

Based on data provided by the Ministry of Finance and Council of Reconstruction and Development, the Beirut Urban Lab presented an analysis of the performance of the Betterment Tax in Lebanon that helped foster a collective assessment of the effectiveness of the existing tool. Given the points raised in the above section, it is not surprising that the analysis showed revenues collected from the betterment contributions in Lebanon to be extremely limited. This is particularly the case if the collected funds are measured against the potential contributions that could have been collected, given the sizable expropriation costs for public projects during the post-civil war period (Figure 8).[21]

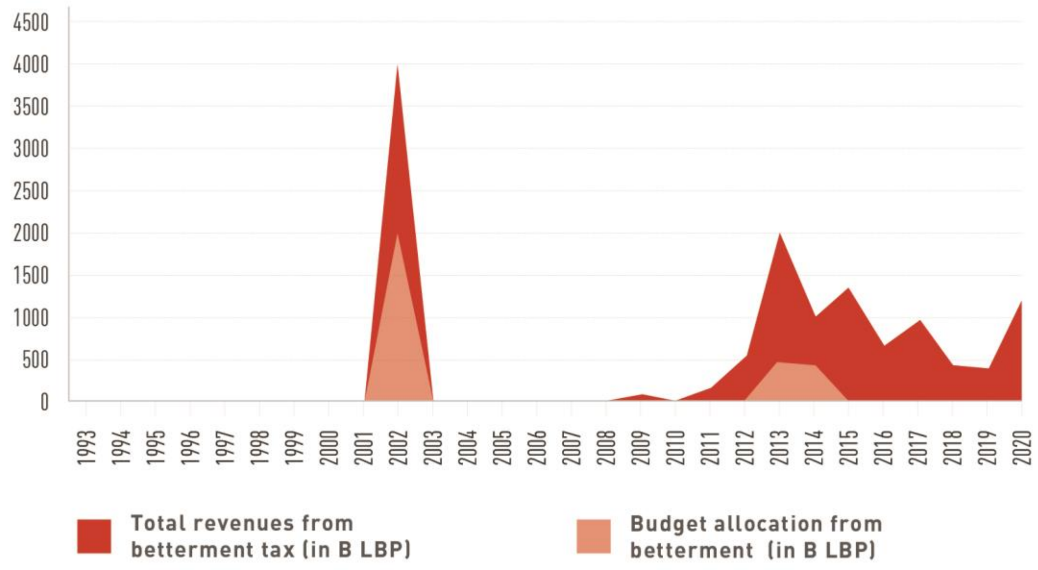

Figure 8: Budget Allocations and Actual Revenues from Betterment Tax, Source: Data collected from Betterment Unit and Al Zein, G. (2017)

The analysis further showed that despite decreasing public investment since 1997, tax collection had fallen way below the millions of dollars spent on public works (Figure 10). Worse, even when limited revenues were collected, public authorities did not allocate them in the annual state budget. For example, *figure 6* shows that between 2015 and 2020, no budget allocations were made by the government from the betterment revenues, despite a reported generated revenues from the betterment unit.

Since the tax is not directly collected from landowners, with procedural delays in its implementation, revenues from BC have rarely exceeded a couple of billions of LBP. The number of incomplete applications is also considerable (Figure 11).

[21] The cost of expropriation was typically the heaviest ticket for public agencies when implementing public projects. The total land expropriation cost within the CEDRE program for Lebanon in 2018 amounted to 2.6 billion USD, 23 per cent of the value of the whole investment plan. The largest share of expropriation is for transportation/road projects.

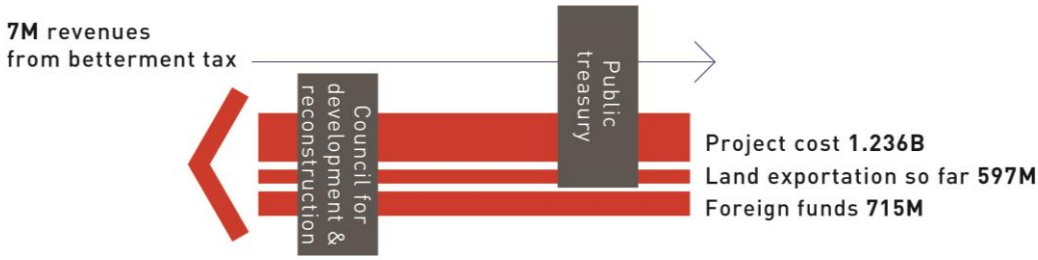

Figure 10: Expenditures on public infrastructure and amount of betterment tax revenues between 2002 and 2020

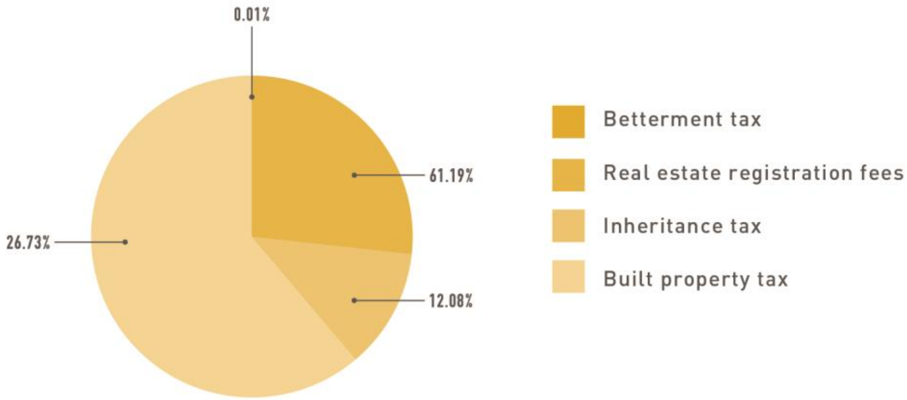

Figure 9 Total tax revenues on property in 2019 amounting to 858,331 million LBP

At the local level, similar discrepancies between spending and tax collection were noted. Records of spending on infrastructure and expropriation in the two large municipalities Zahle and Beirut in 2017 showed that the Beirut municipality spent 20 billion LBP on expropriation cost for roads, 201.75 billion LBP on infrastructure and roads, and 97.5 billion LBP on maintenance (Figure 12). The municipality of Zahle spent 10 billion LBP on expropriation, 5 billion LBP on infrastructure and roads and 4.5 billion LBP on maintenance (Figure 13). For these same years, betterment taxes collected were estimated in the budget at 50 million LBP for Zahle and zero for Beirut.

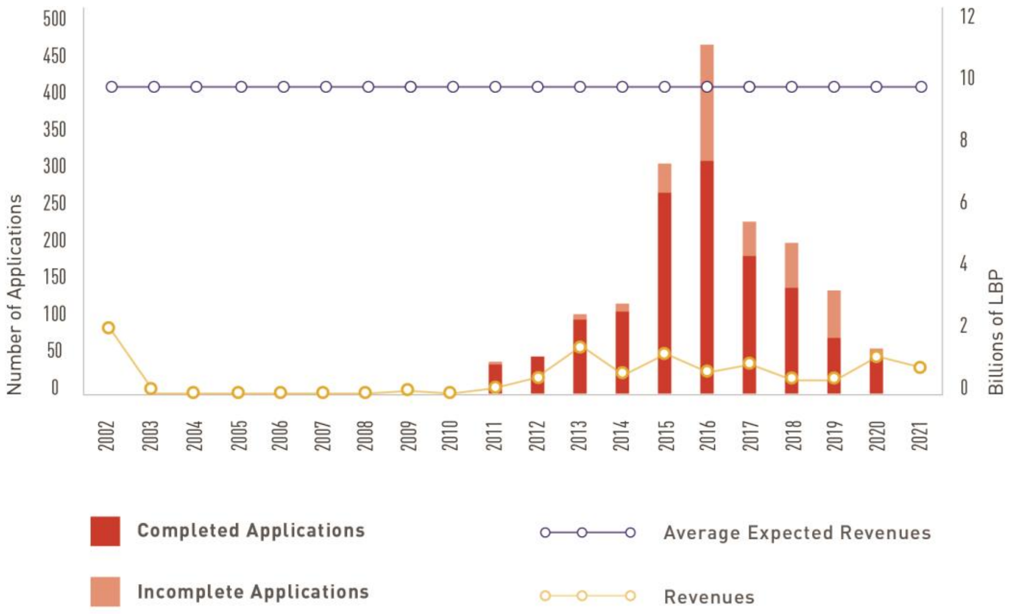

Figure 11: Number of Applications and revenues from betterment (Billions LBP) – Data from Betterment Unit and complemented by Abou Zein, 2017

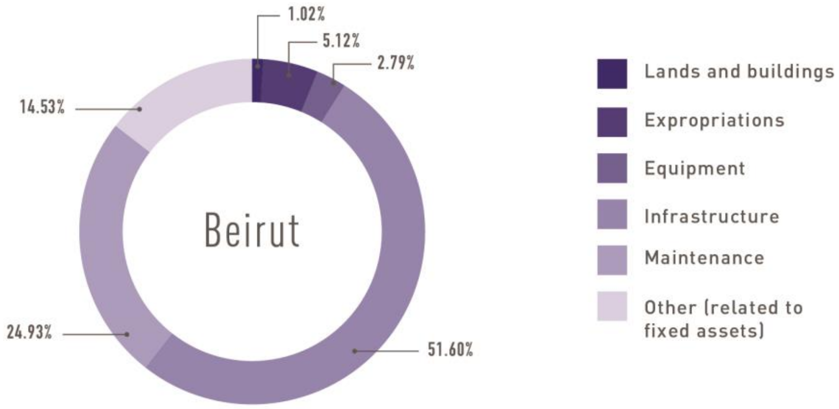

Figure 12: Percentage distribution of expenditures on fixed assets in Beirut in year 2017

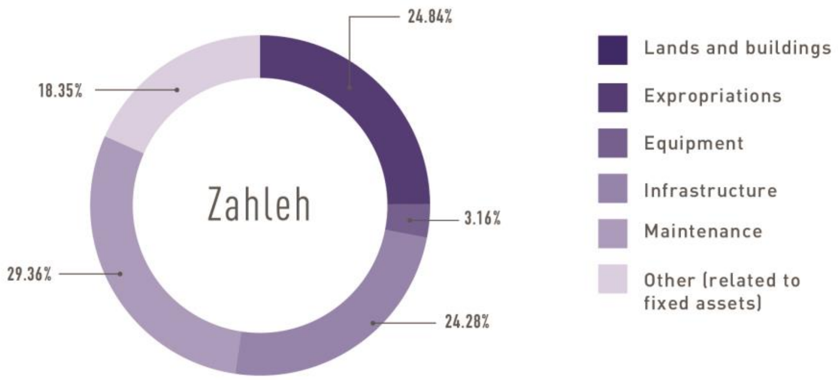

Figure 13: Percentage distribution of expenditures on fixed assets in Zahle in year 2017

3.2.4. Possibilities: Expanding Betterment Contribution in Lebanon

Participants agreed that both the current framework of BC and its application need to be reviewed. Aside from the cost of public works, the urbanization they have engendered have increased the burden on the public treasury. Consequently, the current fiscal framework (BC included) curtails the ability of public agencies to recover the needed revenues to service the city appropriately. In these times of crisis, BC offers an important possibility for improving public investments.
The main arenas of improving the application of BC identified in the Land Dialogue sessions are:

1. Expand BC beyond the expropriation framework to cover other type of public interventions (e.g., parks) and possibly zoning regulations.
2. Widen the definition of projects to be listed under the "public interest" banner,
3. Unify valuation committees and revisit the processes for valuating property and value increments
4. Eliminate all legal contradictions, particularly those related to Article 37 of the 2006 Expropriation Law.
5. Account for wealth and real estate values of property owners, rather than wages when evaluating the property owners' betterment contribution;
6. Transform BC into a direct levy on the taxpayer in what would resemble a tax on wealth rather than a mark on the real estate record of the lot

Improve the bureaucratic management and collection processes in the application of the law.

These avenues might require a code for betterment contribution in Lebanon detailing valuation, implementation process, and collection in a more holistic and equitable manner.

4. CONCLUSION

The first five sessions of the *Beirut Land Dialogues* should be considered as a probe in the possibilities of deliberative planning. As such, the convergence among participants on the need to expand Betterment Contributions and improve their performance provides the first seed of hope for wider collaborations. In pursuing the *Dialogues*, participants also identified the improvement of valuation as a critical next step. As we look forward to the next round of deliberative *Dialogues*, and remain committed to the methodology, we believe that this process can only succeed as part of a set of wider strategies that include more rigorous advocacy.

ANNEX 1

LIST OF PARTICIPANTS

IN ALPHABETICAL ORDER

ANNEX 01: LIST OF PARTICIPANTS

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Co-founder, Public Works Studio

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George Maarawi
Director General of Land Registry

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Tala Kammourieh
Housing Policy Analyst, UN-Habitat Lebanon

Walid Moussa
President of REAL

ANNEX 2

SUMMARY OF LAND RELATED TAXES AND FEES

A STUDY BY ALDIC

The Lebanese Association for Taxpayers' Rights

ANNEX 02: SUMMARY OF LAND RELATED TAXES AND FEES

Sr.	Tax/Free	Type of Tax	Legistlative Source	Tax/Value Percentage	Tax Incidence On	Beneficiary	Exemptions/Exceptions
1	رسم فراغ وانتقال حق عيني عقاري ورسم تسجيل رسم تسجيل المادة 45 من القرار 189 ل-ر تاريخ 1926/3/15 والملحق (2) منه الملحق (2) من المرسوم الاشتراعي رقم 148 تاريخ 1959/6/12			5% من قيمة العقار أو الحق (يصل فعلياً الى 5,8% بعد اضافة رسم مقطوع لمصلحة الخزينة لدى الكاتب العدل، رسم الطابع المالي، طابع محاماة، عدل، قضاة...) 2% من قيمة العقار أو الحق	مالك العقار الجديد (المتفرغ له) عندما يكون شخص حقيقي الشركات التي تتملك العقار في صلب رأسمالها (التقديمات العينية)	خزينة الدولة	بعض الاعفاءات المنصوص عنها في القانون: كتصحيح خطأ مادي، ترقين الحقوق العائدة للدولة، تسجيل الحقوق العائدة للبلديات والتي تدخل في استخدامها العام. - اعفاءات يستفيد منها المستفيدون من قروض مؤسسة الاسكان وصندوق تعاضد القضاة و جهاز اسكان العسكريين. - استثناء بموجب موازنة 2019: امكانية تسجيل العقود ووكالات البيع المعقودة قبل 2019/7/31 على أساس رسم 2% (للوحدات السكنية التي يتملكها لبنانيون عن الجزء من قيمتها الذي لا يزيد عن 375 مليون ليرة) و 3% عن الجزء من قيمتها الذي يزيد عن ذلك ولسائر العقارات الأخرى).
	Waiver and transfer of property rights and registration fees	Registration Fee	Article 45 of Decision 189 L/R, dated 15/03/1926 Annex 2 of Decision 189 L/R Annex 2 of Legislative Decree 148 dated 12/06/1959	2% of the property or share value	Companies that own properties as part of its capital (assets, in-kind contributions)	Public Treasury	Some of the exemptions stipulated in the law: such as correcting an calculation error, specifying state rights and properties, registering municipal property rights allocated for public use. - Exemptions for those benefiting from Public Corporation for Housing loans, the Judges Mutual Fund and the Military Housing Authority. - An exception under the 2019 budget: the possibility of registering contracts and sales agencies held before 7/31/2019 on the basis of a fee of 2% instead of 5% (for residential units owned by Lebanese for the part of its value that does not exceed 375 million pounds) and 3% for the part of its value that exceeds that and for all other properties).
2	رسوم عقارية ورسوم على الافادات والبيانات الفنية	رسم مقطوع	الملحق (1) من القرار 189 ل-ر الملحق (1) من المرسوم الاشتراعي رقم 1959/148 قانون العلاوات البلدية رقم 88/60	رسوم مقطوعة	صاحب الطلب	الخزينة/ البلدية	
	Property fees and fees on certificates and technical data sheets	Flat Fee	Annex 1 of Decision 189 L/R dated 15/03/1926 Annex 1 of Legistlative Decree 148/1959 Municipal Fees Law 60/88	Flat Fees	The Applicant	Public Treasury/ Municipality	

Sr.	Tax/Free	Type of Tax	Legistlative Source	Tax/Value Percentage	Tax Incidence On	Beneficiary	Exemptions/Exceptions
3	ضريبة الاملاك المبنية	تعتبر ضريبة تكميلية لضريبة الدخل	قانون ضريبة الاملاك المبنية تاريخ 1962/9/17	ضريبة تصاعدية تتراوح بين 4% و14% من القيمة التأجيرية تطبق فقط على الوحدات السكنية المشغولة .	المالك أو الشريك في الملك (عن حصته) أو من هو بحكم المالك (المستفيد)	خزينة الدولة	يتزل مبلغ 20 مليون ليرة من الايرادات الصافية الخاضعة للضريبة لكل وحدة سكنية يشغلها شخص طبيعي، عن وحدتين سكنيتين فقط (المادة 52) . - اذا كان العقار يدخل ضمن الأصول التجارية للشركة، تندرج عائداته تحت اطار ضريبة الدخل ولا تخضع لضريبة الأملاك المبنية. - يعفى المالك من لبضريبة بحال شغور الوحدة السكنية
	Built Property Tax	Considered complementary tax to the income tax	Built Property Tax Law dated 17/09/1962	Progressive tax ranging between 4%-14% of the Rental Value Applicable when the residential unit is occupied	The owner, property shareholder (proportionately) or the owner by virtue (beneficiary)	Public Treasury	A deduction of 20 million Lebanese pounds of net taxable revenues is applied for each occupied housing unit for up to two housing units per person (Article 52). - If the property is included in the company›s commercial assets, its proceeds fall under the income tax framework and are not subject to the built property tax. -the property owner is exempted from the tax in case it was vacant
4	رسوم البلدية	رسم بلدي	قانون الرسوم والعلاوات البلدية رقم 60 تاريخ 1988/8/12	5% من القيمة التأجيرية للوحدات السكنية - 7% من القيمة التأجيرية للوحدات غير السكنية + 1.5% من القيمة التأجيرية عن المجارير والأرصفة	الشاغل: المالك أو من هو بحكم المالك (المستثمر، المستأجر، المستفيد...)	البلدية	تفرض الضريبة فقط في حال الاشغال.
	Municipal Fees	Municipal Fee	Municipal Fees Law 60/88 dated 12/08/1988	5% of the rental value for residential units 7% of the rental value for non-residential units +1.5% of the rental value for sewers and sidewalks	The occupant: the property owner of the owner in virtue (tenant, beneficiary, etc.)	Municipality	The fee is only applicable when the unit is occupied.

Sr.	Tax/Free	Type of Tax	Legistlative Source	Tax/Value Percentage	Tax Incidence On	Beneficiary	Exemptions/Exceptions
			رسوم رخص البناء (6 & 5)				
			Building Permit Fees (Points 5 & 6)				
5	رسم طابع مالي	رسم طابع مالي	قانون رسم الطابع المالي رقم 67 تاريخ 1967/8/5 (مادة 20)	2,000 ل.ل./م2/ للطابق الواحد على ألا تتعدى نسبتها 250,000 ل.ل. للطابق الواحد.	طالب الترخيص	خزينة الدولة	
	Stamp Fees	Stamp Fees	Article 20 of Stamp Law 67 dated 05/08/1967	2,000 lbp/sqm/floor, with a cap of 250,000 lbp for each floor	The applicant	Public Treasury	-
6	رسم بلدي	رسم بلدي	قانون الرسوم والعلاوات البلدية رقم 60 تاريخ 1988/8/12	رسم تصاعدي يتراوح بين 1 و 2% بحسب القيمة البيعية للعقار للمتر المربع الواحد. يضاف الى هذا الرسم 10% من قيمته تخصص: في بيروت: 5% منها لمتحف بيروت و5% لمتحف نيقولا سرسق خارج بيروت: تنفيذ أعمال ومشاريع تتعلق بمدارس ومساكن شعبية وحمامات عمومية ومنشآت ومتاحف ومكتبات وحدائق عامة وسواها.	طالب الترخيص	البلدية	
	Municipal Fees	Municipal Fees	Municipal Fees Law 60/88 dated 12/08/1988	A progressive fee ranging from 1% - 2% depending on the property›s selling value per square meter. In addition to this fee, 10% of the property value is allocated to: **In Beirut**: 5% is allocated to the Beirut Museum and 5% to the Nicolas Sursock Museum **Outside Beirut:** Execution works and projects related to schools, public housing, public baths, facilities, museums, libraries, public parks, and others.	The applicant	Municipality	-

Sr.	Tax/Free	Type of Tax	Legistlative Source	Tax/Value Percentage	Tax Incidence On	Beneficiary	Exemptions/Exceptions
7	ربح التحسين	ضريبة على دخل رؤوس الاموال	المادة 45 من قانون ضريبة الدخل رقم 1959/144	15% من الأرباح الناتجة عن تفرغ كلي او جزئي عن الاصول ثابتة	الأشخاص المعنويون الخاضعين للتصريح على أساس الربح الحقيقي	خزينة الدولة	تنزّل الضريبة المفروضة بقدر ما اعيد توظيفه منه في بناء مساكن دائمة لإيواء المستخدمين والاجراء العاملين في المؤسسة. - يعفى ربح التحسين الناتج عن التفرغ بقدر ما يستعمل منه في اطفاء الخسائر اللاحقة بالمؤسسة.
				15% عن ارباح التفرغ عن الاصول الثابتة بما فيها العقارات	اشخاص طبيعين ومعنويين خاضعين للضريبة على الدخل على اساس الربح المقطوع او المقدر.		-
				15% عن ارباح التفرغ عن العقارات	أشخاص طبيعين ومعنويين غير خاضعين للضريبة على الدخل، أو كانوا يتمتعون باعفاءات دائمة أو خاصة أو استثنائية من تلك الضريبة، أو تعود لأشخاص طبيعيين خاضعين للضريبة على الدخل ولا تشكل هذه العقارات اصلا من اصول ممارسة المهنة.		تستثنى من هذه الضريبة ارباح التفرغ عن امكنة السكن الاساسية للشخص الطبيعي على ان لا تتجاوز المسكنين. تنزّل عن كل سنة كاملة تفصل بين تاريخ حيازة العقار وتاريخ التفرغ عنه، نسبة 8% من قيمة ربح التفرغ. يعفى من الضريبة ربح التفرغ عن العقار اذا كان المتفرغ قد استمر في حيازته لمدة 12 سنة كاملة وما فوق.
				10% من الأرباح الناتجة عن اعادة تخمين الاصول الثابتة	المؤسسات الخاضعة لطريقة التكليف بالربح الحقيقي وشركات الاموال المكلفة على أساس الربح المقطوع		لا يخضع هذا الربح لضريبة الدخل: -1 اذا بقي مستقلا في حساب خاص في كل من جانبي الاصول والخصوم من الميزانية. -2 اذا استعمل في تغطية خسائر ما تزال ظاهرة ومحددة في الميزانية وذلك ضمن حدود ما يستعمل منه في تغطية هذه الخسائر.

Sr.	Tax/Free	Type of Tax	Legistlative Source	Tax/Value Percentage	Tax Incidence On	Beneficiary	Exemptions/Exceptions
7	Capital Gains Tax	Capital gain tax	Article 45 of Income Tax law 144/1959	15% on revenues as a result of partial or full transfer of fixed assets	Real individuals subject to declaration based on real profit	Public Treasury	A deduction is applied proportionate to the area used for the construction of permanent housing for the accommodation of workers and employees working in the institution. - Capital gain tax resulting from the transfer of properties that is used to reduce the subsequent losses of the company are exempted proportionately.
				15% on revenues generated from transfer on fixed assets including propertie	Natural and legal persons subject to income tax on the basis of lump-sum or estimated profit.		-
				15% on the revenues resulting from property transfers	Natural and legal individuals not subject to income tax, or those who benefit from permenants or temporary exemptions from the income tax, or in the cases where the property owned by a natural person and is not part of the fixed assets of their companies		Revenues generated from the transfer of primary residential units for natural persons are exempted from this tax, provided that they do not exceed two units. A yearly 8% deduction on the profit is applicable on every year of acquisition until the date of property transfer Capital gain tax is exempted after 12 years or more of continued acquisition of the property.
				10% on the revenues generated from re-evaluation of fixed assets	Companies subject to declaration by real profit and the financial institutions subject to declaration by lump sum profit		Revenues are not subject to income tax: 1- If it remains in a special account independent from the assets and liabilities balance sheet. 2- If it is used to make up for specific losses that are still visible in the budget, within the limits of what is used to cover these losses.

Sr.	Tax/Free	Type of Tax	Legistlative Source	Tax/Value Percentage	Tax Incidence On	Beneficiary	Exemptions/Exceptions
8	التفرغ عن الأسهم في الشركات	ضريبة على دخل رؤوس الاموال	المواد 69 و70 من قانون ضريبة الدخل رقم 1959/144	10% من دخل رؤوس الأموال المنقولة و تتناول مختلف ايرادات هذه الاموال وأرباحها وفوائدها وعائداتها	صاحب السهم (أو المتفرغ له)	خزينة الدولة	تعفى منها الشركات المغفلة (المساهمة) بموجب القانون رقم 282 تاريخ 1993/12/30
	Waiver of shares in company	Tax on the capital gains	Articles 68 and 70 of Income Tax 144/1959	10% of the income of movable capital and it involves various incomes, profits, interests and returns on these amounts	Shareholder (or the new beneficiary in case of transfer of shares)	Public Treasury	Joint stock companies are exempted from it according to Law No. 282 dated December 30, 1993
9	الضريبة على الدخل	ضريبة على الدخل	قانون ضريبة الدخل رقم 144/ 1959 سيما منه المواد 4،11 و32	تختلف بحسب صفة المكلف وبحسب نظام التصريح الخاضع له		خزينة الدولة	تطبق التنزيلات المنصوص عنها في القانون بحسب نظام التصريح المعتمد
				17 % من مجمل أرباحها الحقيقية	شركات الأموال (الشركات المغفلة - الشركات المحدودة المسؤولية- شركات التوصية بالأسهم بالنسبة للشركاء الموصين)		
				4% عن القسم الخاضع للضريبة الذي لا يتجاوز 9 ملايين ليرة. 7% عن القسم الخاضع للضريبة الذي يزيد عن 9 ملايين ليرة ولا يتجاوز 24 مليون ليرة. 12% عن القسم الخاضع للضريبة الذي يزيد عن 24 مليون ليرة ولا يتجاوز 54 مليون ليرة. 16% عن القسم الخاضع للضريبة الذي يزيد عن 54 مليون ليرة ولا يتجاوز 104 ملايين ليرة. 21% عن القسم الخاضع للضريبة الذي يزيد عن 104 ملايين ليرة ولا يتجاوز 225 مليون ليرة. 25% عن القسم الخاضع للضريبة الذي يزيد عن 225 مليون ليرة.	المهن التجارية والصناعية وغير التجارية		

Sr.	Tax/Free	Type of Tax	Legistlative Source	Tax/Value Percentage	Tax Incidence On	Beneficiary	Exemptions/Exceptions
9	Income Tax	Tax on income	Income Tax law 144/1959 particularly Articles 04, 11, & 32	**May vary depending on the profile of the tax payer and according to the selected declaration system**		Public Treasury	The deductions stipulated in the law are applied according to the approved declaration system
				17% of the total real revenues	Financial companies and intermediaries (joint companies - limited liability companies - partnerships limited by shares for limited partners		
				4% for the taxable portion that does not exceed 9 million Lebanese pounds. 7% for the taxable portion that exceeds 9 million Lebanese pounds and does not exceed 24 million pounds. 12% for the taxable portion that exceeds 24 million Lebanese pounds and does not exceed 54 million Lebanese pounds. 16% for the taxable portion that exceeds 54 million pounds and does not exceed 104 million pounds. 21% of the taxable section that exceeds 104 million pounds and does not exceed 225 million pounds. 25% of the taxable portion of more than 225 million Lebanese pounds.	Commercial, industrial, and non-commercial professions		
10	الضريبة على القيمة المضافة		المادة 25 من القانون 379 تاريخ 2001/12/14	11% على الاستهلاك	رقم الأعمال يتجاوز الحد الأدنى للخضوع (حالياً 100 مليون ل.ل.) خلال أربعة فصول متتالية.	خزينة الدولة	-
	Value Added Tax		Article 25 of Law 279 dated 14/12/2001	11% of the consumed material	If the turnover exceeds the minimum threshold (currently 100 million LBP) during four consecutive quarters.	Public Treasury	-

ANNEX 3

HISTORICAL EVOLUTION OF THE BETTERMENT FRAMEWORK

A STUDY BY THE BEIRUT URBAN LAB

ANNEX 03: HISTORICAL EVOLUTION OF THE BETTERMENT FRAMEWORK

BC appears in the early urban planning regulations first introduced in Lebanon during the late Ottoman period. The first regulation can thus be traced back to 1912 and is integrated within the Ottoman expropriation law, which empowers municipal authorities to take land for the "public good" through unequivocal decisions (Abou Zein, 2017). Through its different applications, BC evolved from being a fee, a tax then a contribution.[22] Until the early 1990s, it is possible to trace a widening scope of betterment that reflects an intention to use these regulations to facilitate planning and secure a somewhat equitable redistribution of its benefits. This is visible through the widening scope of the betterment contributions, their adoption as an independent regulation from expropriation in 1977, the introduction of the same principle for land pooling and re-subdivision projects in 1983, and the implementation of roads and highways reliant on these principles for decades. Since the early 1990s, however, the regulatory framework has shifted as the betterment law passed in 1977 was folded back under expropriation law and the expropriation law itself was severely limited in 2006.

[22] Daher (2017) distinguishes within Lebanese law between taxes, fees and contributions. The tax is a cash payment imposed on individuals by public authorities on permanent basis and without counterpart. This form of taxation is a permanent levy with no defined counterpart and responding to social and economic priorities set by public authorities. The contribution is a participation to finance a public project and/or public work that brings an added value to the taxpayers' asset (e.g., inhabitance tax, municipal tax). As for the fee, it is an amount paid by the user of a public service for a specific and clearly determined service. For more, see Daher, Karim (2017), Les Impots au Liban, Beirut: Hachette Antoine.

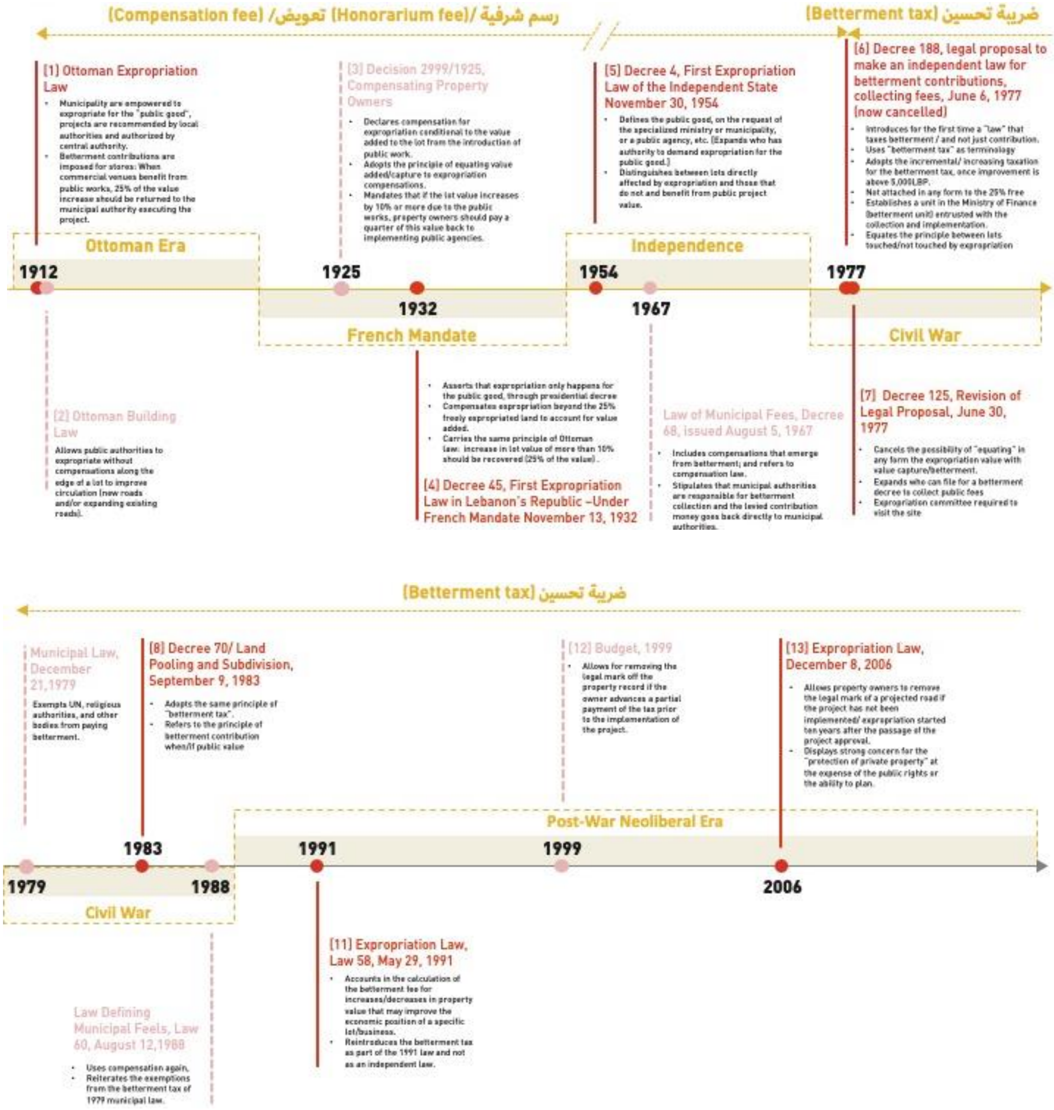

Figure 14: The historical evolution of betterment contribution in Lebanon

ANNEX 4

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ANNEX 04: REFERENCES

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