Internal Sources of Funding
Lebanon’s Experience
Internal Sources of Funding

- The internal sources of funding constitute the financial sources that are raised from within the country itself.

- In the new financing approach adopted by donors, governments will be expected to raise a significant amount of financial resources domestically, before being supplemented by donor funds.

- Internal sources of funding should be the 'first door of financing' for any program or project in combating desertification and sustainable land management.
Identifying Internal Financial Sources

- Financing sources should be identified through an analysis of the decision-making process for resource allocation
  - Actors / Institutions
  - Legislation
  - Execution schedule

- In Lebanon:
  - Ministry of Finance
  - Public Accounting Law
  - Program laws
  - Budget preparation process
Entry points in the Budget cycle

1. Feasibility study, budget planning, program laws
2. First stage of negotiations between MoF & line ministry
3. Second stage of negotiations through political lobbying by ministers
4. Third stage of negotiations through ministers and ministers’ representatives
5. Lobbying from Environment Committee. NGOs, MPs
6. Lobbying through MPs
Analysis of the Budget of Administrations Related to SLM

- Detailed analysis of budget preparation processes was conducted

- Budget is divided into two parts:
  - Part I = expenditure budget
  - Part II = investment budget

- Analysis of 5-year budget of key administrations was conducted (MoA, MoE, DGUP, MoEW and MoSA)
## Example: MoA budget and cutoff

<table>
<thead>
<tr>
<th>Description (LBP M)</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Allocation Part 1</td>
<td>32,453</td>
<td>54,016</td>
<td>30,998</td>
<td>31,956</td>
<td>37,759</td>
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<tr>
<td>Budget Allocation Part 2</td>
<td>1,158</td>
<td>6,116</td>
<td>3,850</td>
<td>2,319</td>
<td>3,513</td>
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<tr>
<td>Total Budget Allocation Part I &amp; II</td>
<td>33,611</td>
<td>60,132</td>
<td>34,849</td>
<td>34,275</td>
<td>41,272</td>
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<tr>
<td>Total Government Budget</td>
<td>9,683,97</td>
<td>9,900,00</td>
<td>9,375,00</td>
<td>8,600,00</td>
<td>9,400,000</td>
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<tr>
<td></td>
<td>0.3%</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.4%</td>
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</tbody>
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<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Allocation Part 1</td>
<td>20,142</td>
<td>22,064</td>
<td>25,953</td>
<td>21,690</td>
<td>34,879</td>
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<tr>
<td>Budget Allocation Part 2</td>
<td>2,071</td>
<td>1,058</td>
<td>5,930</td>
<td>1,422</td>
<td>1,100</td>
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<tr>
<td>Total Budget Allocation Part I &amp; II</td>
<td>22,212</td>
<td>23,122</td>
<td>31,883</td>
<td>23,111</td>
<td>35,979</td>
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<tr>
<td>Total Government Budget</td>
<td>8,906,69</td>
<td>8,211,88</td>
<td>9,234,45</td>
<td>9,434,28</td>
<td>9,182,827</td>
</tr>
<tr>
<td></td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0.2%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
Lebanon Example – MoA budget

MOA Allocated Budget Vs. Cut Off Part 1

Budget Allocation Part 1 (LBP M) – Budget Cut Off Part 1 (LBP M)

MOA Allocated Budget Vs. Cut Off Part 2

Budget Allocation Part 1 (LBP M) – Budget Cut Off Part 1 (LBP M)
Lebanon Budget Analysis Results

- Problems with the budget
  - Investment budget is very modest (e.g. 10% of MoA budget; the rest is expenditure)
  - Inability to spend the allocated budget within specified period: budgets are never spent within the term of the program law
  - Budget allocation is not based on well defined priorities
  - Budget allocation is rigid

- Program laws can be used as entry points to a public source of funding if they are targeted by ministers and backed up by a well developed plan
Budget analysis should include:

- Total allocated budget including yearly variation
- Division of budget into
  - expenditure and
  - investment
- Trends in expenditure and investment budgets (over time)
- Variation and/or predominance in allocation to certain sectors / activities
- Magnitude of disparity between allocated and disbursed budget
- Fate of allocated but unspent funds
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Analysis of Budgets of Local Governments in Lebanon

- Municipalities enjoy financial sovereignty within their jurisdictions
- Municipal budgets are independent from state budgets
- Municipalities possess full independence over the management of their funds and need not report to the Ministry of Finance to approve allocations or disbursements
- Municipal budgets are administered without supervision from a central authority
- Preparation of budget has no legally-binding time frame
- Municipalities may accept international donations directly
Analysis of National Funds

- Identify funds
- Assess fund organization, coverage, and management
- Assess level of financial contribution to combating desertification and sustainable land management
- Assess problems
- Determine means for increasing financing from national funds
The creation of the National Environment Fund (NEF) is stipulated by Law 444/2002. The NEF represents an independent and direct source of funding for environment related activities. The NEF is currently inactive. Legislation has been prepared for its activation but has yet to be endorsed. Once activated, the NEF can be used as a direct source of funding for SLM activities.
Analysis of Other Domestic Sources

- Commercial enterprises
- Commercial banks
- Credit unions
- NGOs
- Philanthropic organizations
- Professional organizations
- Cooperatives
- Individuals / investors
Entry points for increasing mobilization of internal sources of funding: Lebanon case

- Program laws
  - **Actors**: relevant public administrations
  - Develop plan or program to be included in the Program law
  - The plan/program thereby becomes officially part of the budget
  - The plan/program is ensured financing in the amount that was pre-determined and allocated over the duration of the plan/program
Entry points for increasing mobilization of internal sources of funding: Lebanon case

Budget requests

- **Actors**: relevant public administrations
- Assess capacity to implement planned activities
- Prepare budgets and justify in as much detail as possible the budget requests in order to be granted the full amounts requested
Entry points for increasing mobilization of internal sources of funding: Lebanon case

Comprehensive budget law
- Actors: Ministry of Finance
- Enact a comprehensive budget law system (BLS)
- The BLS regulates the budgeting process
- It follows the principles and adopts the same building blocks as a typical Organic Budget Law
Entry points for increasing mobilization of internal sources of funding: Lebanon case

Municipal budgets

- Actors: municipalities (local administration), Ministry of Agriculture
- Train municipalities on budget preparation processes
- Train municipalities on fund management
- Advise municipalities on the inclusion of SLM-related activities within requested budgets
Entry points for increasing mobilization of internal sources of funding: Lebanon case

National Environment Fund

- **Actors:** Ministry of Agriculture, Ministry of Environment, Council of Ministers
- **MoA & MoE** to lobby for endorsement of National Environment Fund
- **MoA** to lobby for increasing funds allocated to SLM Train municipalities on budget preparation processes
- **CoM** to endorse legislation for creation of the Fund
Entry points for increasing mobilization of internal sources of funding: Lebanon case

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Entry points for increasing mobilization of internal sources of funding: Lebanon case

Political lobby

- Actors: Members of Parliament, Green Party, NGOs & CSO, general public, etc.
- Pro-environment MPs should lobby at level of Parliamentary committees to assign higher importance to environmental issued on national agenda

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Stage</th>
<th>Entry Point</th>
</tr>
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<tbody>
<tr>
<td>End of May</td>
<td>Line ministry sends proposed budget to MoF</td>
<td>1st stage of negotiations between line ministries and MoF</td>
</tr>
<tr>
<td>Before September 1</td>
<td>CoM reviews the proposed Budget Law Project</td>
<td>2nd stage of negotiations through political lobbying by ministers</td>
</tr>
<tr>
<td>Before 1st of November</td>
<td>The proposed Budget Law Project is reviewed by the Finance &amp; Budget Parliamentary Committee</td>
<td>3rd stage of negotiations through ministers and ministries' representatives</td>
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<tr>
<td>-</td>
<td>General Assembly</td>
<td>Lobbying through MPs</td>
</tr>
</tbody>
</table>