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Municipal Revenue Generation

A Short Guidebook for Libyan Municipalities

Asia and the Middle East Economic Growth Best Practices (AMEG) Project
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MUNICIPAL REVENUE GENERATION

A SHORT GUIDEBOOK FOR LIBYAN MUNICIPALITIES

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Implemented by:

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The author's views in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

EXECUTIVE SUMMARY.....	4
CHAPTER One: Legal Review of Law 59.....	5
CHAPTER Two: Regional Best Practices in Municipal Revenue Generation	13
CHAPTER Three: Pre-requisites for Municipal Revenue Generation.....	19

EXECUTIVE SUMMARY

AMEG is designed to support USAID missions in developing effective and efficient economic growth programs that address technical and strategic challenges that are specific to countries in which USAID operates in Asia and the Middle East. Through AMEG, USAID is able to conduct rapid and strategic economic growth assessments, pilot innovative approaches in economic growth programming, and consolidate and disseminate best practices in economic growth projects learned from USAID implementation throughout the world.

Specifically, the Libya PFM activity aims to support select Libyan municipalities to build better financial management systems to ensure a more efficient and transparent local government. This short guidebook includes a review of Law 59 and how it is currently being interpreted and implemented in Libya, as well as regional revenue generation models that can be potentially applicable to the context. In addition, the guidebook includes a short summary of pre-requisites that need to be in place in Libyan municipalities to ensure proper financial management systems and operations.

This information will be presented at the Libyan Municipal Revenue Generation workshop/conference which was hosted in joint collaboration with the International Republican Institute (IRI) and the American Bar Association (ABA) on January 28-30, 2016. Feedback from the conference has been reflected in the document and has been taken into account in designing future steps and PFM activities in Libya.

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REVIEW OF LAW 59

Introduction

On July 18, 2012, Libya's Interim National Transitional Council ("NTC") adopted Law No. 59 of 2012 concerning the Local Administration System ("the Law" or "Law No. 59"). The Law's main goal was to lay the foundation of a local government system in Libya. The purpose of this Section is to analyze Libyan legislation pertaining to municipal revenue generation power, and assess current practices. The discussion is based on legislation currently in force, and it does not evaluate potential shortcomings, inconsistencies or ambiguities in the existing legal framework.

Legal Framework for Municipal Revenue Generation

Constitutional Declaration

Constitutional provisions supersede all other legislation. Primary laws adopted by the legislative branch cannot contradict a constitutional provision but supersede implementing regulations adopted by the executive branch. The Libyan Constitutional Declaration includes provisions on the special role played by local government in the new Libya post the February 17, 2011 Revolution. Article 8 of the Constitutional Declaration guarantees "*the fair distribution of national wealth among citizens, and among the different cities and districts thereof.*"

Law No. 59 of 2012 concerning the Local Administration System

Formation of Local Administration Units

Local administration is composed of governorates, municipalities, and localities (Art. 3). The governorates are at the top of the local administration pyramid, and are established by law, while municipalities are founded by the Cabinet upon the recommendation of the Minister of Local Government ("the Minister"), and localities are created by the Minister upon the proposal of the governor (Art. 4).

Jurisdiction of Local Administration Units

Local administration units have competence to establish and manage public services within their respective boundaries, and exercise oversight over their employees in accordance with the Ministry of Local Government's ("the Ministry") guidelines. In addition, local administration units perform the functions of public ministries inside their respective jurisdictions, except in regards to national and special facilities designated as such by the Cabinet. Facilities that do not belong to a specific local administration unit, belong by default to the governorate (Art. 6 of the Law, and Article 4 of the Regulations).

Governorates

In addition to exercising its general powers to direct and supervise all administrative and financial activities at the governorate's level, the governorate approves its budget following the Cabinet's endorsement of budgetary allocations for local administration units. The governorate is also authorized to partner with other local administration units to perform joint projects, supervise cultural activities, and perform any other function assigned to it by law or regulations issued by the Cabinet or the Minister (Art. 12). The governorate is required to facilitate the provision and operation of public health facilities, universities, lands needed for the ministries of defense and transportation, environmental and social services, and legal assistance to the private sector and job creating investments (Art. 13). The governor heads the governorate council, represents the government, and is responsible for reporting the council's resolutions to the High Council of Local Administration (Art. 14). In addition, the governor is authorized to take urgent actions in response to emergencies (Art. 15).

Municipalities

Article 24 provides that municipalities' goal is to provide direct services to the citizens.

Article 25 lists the following as falling within the competence of municipalities:

1. Enforcement of municipal regulations.
2. Establishment and management of public utilities related to:
 - a) Urban planning, zoning, and building
 - b) Health and social affairs
 - c) Water utilities
 - d) Lighting
 - e) Sanitation (sewer system)
 - f) Roads, squares, bridges
 - g) Local transportation
 - h) Public hygiene
 - i) Gardens, public recreation areas
 - j) Shelters
 - k) Graveyards
 - l) Public spaces and markets
 - m) Approval of tourist and investment projects within the boundaries of the municipality

The above may be directly established and managed by the municipality, or through institutions created by it in accordance with the Regulations. Furthermore, municipalities are specifically authorized to carry out the following functions:

- a) Civil Registry affairs
- b) Regulation of municipal guard, local markets and slaughterhouses
- c) Construction and management of local roads and bridges
- d) Issuing local permits
- e) Monitoring the environment and public health
- f) Establishment and management of small business incubators in cooperation with competent authorities

The municipal council is responsible for regulating and developing municipal services, including proposing municipal regulations, the budget, and the imposition of municipal fees

and its collection (Art. 27, (4) and (7)). The council is also required to form an advisory council from experts and advisors (Art. 28). Municipal branches are created to provide services to the local population residing in a specific area (Art. 37, 38). The mayor is the chief executive officer of the municipality, and assumes the Minister's financial and administrative responsibilities in relation to the municipal organization, its budget and services (utilities) (Art. 33, 34). The municipal bureau (office) is responsible for implementing the council's resolutions and the mayor's directives in accordance with the Regulations. It is headed by the deputy mayor (Art. 35).

Governorate-Municipality Relationship

The governorate council has the authority to generally supervise the activities of the municipalities. In addition, the governorate council may partner with other governorates and local administration units to perform joint projects, and even perform the functions of municipal councils in relation to projects inside the governorate's territory that the municipality is unable to carry out (Art. 12). Article 23 provides that the relationship between the governorate and the municipalities are determined by the Law and its Regulations. It also provides that the governorate has the right to approve or oppose the resolutions adopted by the municipality *within the limits of the Regulations*, and approve the recommendations of the municipalities to create, cancel or merge localities or change their names.

The Financial Resources of Local Administration Units

Governorates

According to Article 49, the financial resources of governorates are:

1. 10% of central taxes collected in the governorate
2. 10% of all customs, transit, port and airport fees collected in the governorate
3. 50% from the sale of state owned buildings and lands located within the governorate
4. Revenues from the governorate's assets and utilities
5. Central government subsidies in accordance with Article 58
6. Local fees and charges
7. Donations, grants, and trusts accepted by the council. Cabinet consent is required if these are received from foreign entities.

Governorate councils are responsible for distributing their financial resources among the municipalities based on the needs of the municipalities under the circumstances.

Municipalities

The financial resources of municipalities are defined in Article 51 of the Law as follows:

- a) Fees for municipal services
- b) Proceeds of museums, exhibitions, parks and amusement parks and so forth
- c) Rents of properties leased by the municipality
- d) Revenue from fairs, libraries and playgrounds owned by the municipality
- e) The municipality's share of the central taxes allocated to the governorate
- f) The municipality's share of customs, transit, airport, and port fees within the governorate
- g) Municipal investment yield
- h) 50% from the sales of buildings and properties sold by municipalities
- i) Fines, and settlement amounts

- j) Loans, donations and trusts approved by the governorate council
- k) Sales of advertising and tourism products, and of publications issued by the municipality
- l) Proceeds of public open markets, slaughterhouses, baths, and public transportation operated by the municipality
- m) 10% of any ore found within municipal boundaries, in lands not owned by the State and on beaches that are located within the municipal boundaries, in accordance with the legislation in force
- n) Sales of goods confiscated by the municipal guard
- o) Government subsidies and grants
- p) Other resources prescribed by a decision of the council

Article 52 authorizes the enactment of special rules in the Regulations concerning the types of municipal fees, the conditions for their imposition, challenge and reduction. Municipal fees, revenue, royalties and rents are collected in the same manner for collecting state revenues (Art. 53). The governorate municipal council puts together its estimated budget based on the estimated budgets of the municipalities within its jurisdiction, and sends it to the High Local Administration Council for study and incorporation in the budget of the Ministry (Art. 55). Budget for development projects are prepared by the governorate council and sent to the Regional Planning Council for study and incorporation in the development budget of the Ministry (Art. 56). In addition, the High Local Administration Council is responsible for allocating government subsidies, which are decided by the Minister (Art. 57). In the event the budget is not adopted on time, local councils continue to operate under the previous year's budget (Art. 59).

Another limitation is found in Article 61, which does not allow local councils to commit to multiyear projects unless done in accordance with the Financial System Law and its regulations. As for loans, governorate and municipal councils may obtain local loans for no more than 25% of their projected income, and the loan must be paid by the end of the fiscal year (Art. 62). The governorate council has to approve loans taken by municipalities (Art. 51 (j)).

The Minister is authorized to issue a uniform organizational system for governorates and municipalities, procedures guidebook, and job descriptions (Art. 75). Decisions of governorate and municipal councils are wholly approved or rejected (Art. 77). Municipal regulations continue to be in effect until amended or replaced in accordance with the Law (Art. 79). In addition, local councils continue to operate until the new governorate and municipal councils are formed (Art. 80).

Law No. 9 of 2013 concerning amending Law No. 59 of 2012 concerning the Local Administration System

In practice, municipalities became the center of local governance in Libya following the temporary transfer of governorates' responsibilities to them by Law No. 9 of 2013. Municipalities have original jurisdiction in the area of local government after getting all governorates' responsibilities, except those related to approving the governorate budget, founding universities, colleges and higher education institutions.

The Ministry of Local Government has established The High Committee for Local Government Strategy in order to transfer the responsibilities of the ministries and other public institutions to the municipalities (Minister of Local Government Decision No. 555 of 2014). The main task of this Committee is to implement the Local Administration Law and transfer of some responsibilities of the central government to the municipal council.

Cabinet Decree No. 130 of 2013 issuing Executive Regulations of Law No. 59 of 2012 concerning the Local Administration System

On April 1, 2013, and in accordance with Article 74 of Law, the Cabinet issued the Executive Regulations of Law No. 59 of 2012 concerning the Local Administration System (“the Regulations”). The Regulations entrust the municipalities with the provision of services to citizens residing within their boundaries, including, *inter alia*, in the following areas: municipal guard, local permit, small business incubators, public health; environmental sanitation, quarries, cemeteries, parks and resorts, water and sewer, household gas, public lighting in squares and public roads, public transportation and road traffic, civil registry, public properties and urban planning, and building and demolitions (Art. 9). Joint projects between local administration units require the approval of the Regional Planning Council in coordination with the Minister of Planning (Art. 13). Municipalities are required to designate areas for their headquarters, municipal square, hotel, mosque, stadium, theatre, park, clinics and hospital, guard and police stations, reform and rehabilitation, shelters, cemeteries, day care, temporary housing for the needy, public markets, slaughterhouses, industrial zones, special areas for defense and transportation ministries, parking lots, museums, central libraries, antiquities, and public squares (Art. 17).

Article 76 provides that all citizens have equal rights to benefit from municipal services, whether provided free of charge or for a fee, and that the fees remain in the local administration unit’s account in accordance with the financial law of the state. The Regulations create special departments in municipalities responsible for recreational activities and entertainment (Art. 79), and civil registries (Art. 80). In addition, municipal departments for health and local environment are mandated to:

- bid out trash removal services
- regulate and supervise the production and sale of food products
- regulate restaurants, hotels, cafes, bakeries, and grocery stores
- regulate industries that may impact public health
- establish and manage municipal slaughterhouses, and inspect and license privately-owned ones
- regulate beaches and resorts
- inspect public swimming pools and bath houses
- regulate public parks and zoos
- supervise the management of cemeteries, transfer of dead bodies, and issue burial permits
- take precautions against diseases transmitted by animals
- pursue vaccinations and issue vaccination certificates
- coordinate with competent authorities the issuance of specifications and building permits for residential, industrial, trade structures and utilities, and inspect for compliance, and

- impose partial quarantine within municipal limits (Art. 81).
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*Municipalities are also responsible for planning and zoning within their limits (Art. 82).

Local administration units are encouraged to undertake development projects to generate revenue and create employment in the areas under their jurisdiction (Art. 93), on the conditions that feasibility studies are conducted, that the local unit and its partners are technically and financially capable, and a contract is concluded in accordance with relevant legislation in force (Art. 94).

The Minister has the power to decide on the types of municipal fees, returns and royalties, as well as the basis for their imposition and reduction after coordinating with the Minister of Finance (Art. 103). Local administration units are not allowed to spend on projects that are not included in the budget without the approval of the Cabinet (Art. 105).

Minister of Local Government's Regulations

In accordance with Article 131 of the Regulations, the Minister of Local Government issued the following regulations that authorize municipalities to charge service fees:

1. Minister of Local Government's Regulation No. 437 of 2014 concerning Public Markets: Article 2 empowers the municipality to charge fees for using designated stores or spaces in public markets. The usage fees are determined by the municipal council (Art. 14). Article 16 (1) obliges the licensee to pay the fees, and Article 23 (1) allows the municipality to revoke the license for non-payment of the fees. The Regulation also imposes fines and penalties for its violation, which is another source of municipal revenue (Art. 24).
2. Minister of Local Government's Regulation No. 438 of 2014 concerning Banners, Commercials and Advertising. Municipalities determine the fees for displaying commercial or advertising banners on public property (Art. 6), and collect and license their placement (Art. 7). The licensee is responsible for paying the cost for connecting the banners to electricity (Art. 8). The Regulation imposes fines for its violation (Art. 12), and grants the municipality enforcement powers (Art. 13).
3. Minister of Local Government's Regulation No. 439 of 2014 concerning Resorts and Swimming Pools. Article 4 allows the municipality to charge admission fees to beaches and summer resorts. The municipality is also permitted to invest in resorts.
4. Minister of Local Government's Regulation No. 442 of 2014 concerning Public Spaces. Article 3 provides that license and use fees for economic activities in public spaces are sources of municipal revenue (see also Art. 10 (1) and 14).
5. Minister of Local Government's Regulation No. 443 of 2014 concerning Slaughterhouses. Municipalities can charge fees for temporarily keeping animals in slaughterhouses (Art 6 and 7). The Regulation also imposes fines for its violation (Art. 29).

6. Minister of Local Government's Regulation No. 444 of 2014 concerning Water and Sewer Systems. Connections to public utilities, including to water and sewer systems require approval of the municipal council (Art. 2). The municipality charges a fee for submitting an application to connect to the public water system (Art. 4), and the applicant has to cover the cost of the meters, pipes, and valves in advance, as well as provide a security deposit (Art. 5). There is also a stamp fee of 250 dirhams for executing the use contract (Art. 6). In addition, applicants have to pay a fixed fee for connecting their house to the sewer system, and cover all associated costs (Art. 7). The municipality is allowed to charge fees for building the required infrastructure and conducting the inspection (Art. 8). The Ministry determines the fees for water consumption (Art. 9). Late fees are also added to any late payments (Art. 10).
7. Minister of Local Government's Regulation No. 448 of 2014 concerning the Organizational Chart of the Municipality. Section 2 (5) authorizes the Administrative System of the Municipality to collect fees of local nature in accordance with current legislation. According to Article 3, the Municipal Council may propose municipal fees for municipal services and permits, cleaning and environmental services, health services, fees and fines collected by the justice sector, and transportation. It may also propose that a portion of trade-related taxes be allocated to the municipality, propose new local taxes on nightclubs, fines imposed for violations of local regulations, traffic violations, and returns on municipal investments (Art. 4).

Current Municipal Revenue Mechanisms and Practices

By virtue of Law No. 9 of 2013, municipalities currently assume most of the responsibilities assigned to the governorates until these are established. The financial resources of municipalities come from the central government. Municipalities are not currently generating sufficient financial resources to fund their operations. Their financial resources are controlled by the central government that has not allowed municipalities to even open bank accounts to collect and administer financial resources until August of 2015 (Circular of Local Government Ministry No. 3 of 2015).

Furthermore, the Ministry of Local Government has frozen the implementation of 3 of the above-mentioned regulations that were issued by the Minister, namely the Regulations concerning Public Markets, Advertising Banners, and Public Spaces, and on March 15, 2015 issued Circular No. G.M./H137 to ban municipalities from demanding the Tax Authority to implement Articles 49 and 51 of Law No. 59 of 2012, which together with Law No. 9 of 2013 entitles the municipalities to 10% of all taxes and customs collected by the central government in the areas under their jurisdiction. Therefore, the only municipal financial resources currently available are those provided by the central government. It should also be noted that public servants of municipalities receive their salaries from the Ministry of Local Government. Other employees working in areas that used to belong to other ministries and public institutions continue to receive their salaries from these institutions despite becoming municipal employees.

To overcome the said restrictions, municipalities either ignore them altogether and directly collect fees to fund their services, such as in the case of the Zliten Municipality that is

collecting local fees on packaged or liquid cement in local plants, and which has set up a committee to look into the mechanism for spending revenue that is generated independently. There are some municipalities that indirectly collect revenue through partnerships with the private sector and civil society but without depositing the fees in their accounts, such as in the cases of the Tarhona Municipality, which has agreed with the local hospital to open a charity account that allowed the opening of a health department for women, and the Janzur Municipality, which partnered with civil society and the private sector to open an account for donations in order to open a hospital.

Public-Private Partnerships are important means for municipalities to use in order to implement and fund local projects and services. Tobruk Municipality, for instance, has facilitated the purchase of water pumps with the help of the Youth Association. Article 50 of Law No. 59 of 2012 authorizes governorates to establish charity funds, including from “donations, grants, and trusts offered ... with the consent of the governorate council.”. Since municipalities have been granted most of the governorates’ powers by Law No. 9 of 2013, this is something which municipalities can pursue without any need for central government approval. However, and since this was originally subject to Minister’s approval under Article 18 (h) of Law No. 59 of 2012, there is a chance that the Minister might be able to use his veto power to prevent municipalities from establishing charity funds. Moreover, acceptance of donations from foreign entities requires Cabinet approval (Art. 49 (g)).

Governorates and municipalities may allow societies and private institutions that work for the common good to use public property for free or at a discounted rent (art. 63 of law no. 59). this article is especially important for public-private partnerships because it allows the municipality to provide private institutions with public space free of charge or for discounted rent without having to seek cabinet approval. article 92 of the regulations encourages municipalities to promote civil society institutions, including by forming partnerships with them to activate the performance and services of the local units (section 92(5)).

BEST REGIONAL PRACTICES IN MUNICIPAL REVENUE GENERATION

1. Solid Waste Fees

In Addis Ababa, **Ethiopia**, 80% of solid waste is collected. In order to achieve such a benchmark, decentralization of Sewage Water Management (SWM) services to the lower tier of administration was required. Primary collection from each household is done by micro and small enterprises while the municipality is responsible for transportation of solid waste to the landfills. A number of activities to improve SWM in the city were conducted. They included: community participation, sanitation campaigns, supply of dust bins, willingness to pay for the service, activities undertaken by different associations under the ‘Addis Ababa Clean Initiative’, and development of transfer stations and new sanitary landfills by the municipality. Additional benefits included creating employment opportunities for micro and small enterprises (generated income), successful public private partnerships, improved relationship between the citizens and the government, improved services to the users, and increased cash flow for the municipality.

In the city of Bahir Dar in northwestern **Ethiopia**, after two years of outsourcing its SWM services to a private company, complaints arose from the users as well as the contractor about the service. In response, the municipality sponsored a study on solid waste management and adopted the following recommendations:

- Continued to outsource municipal waste services to a private waste company
- Monitored the private company to ensure cost reduction and improved cost-effectiveness i.e. type, size and efficient use of vehicles (dump trucks, carts), and hiring of capable staff
- Maintained good roads from the city to landfill
- Continued to review the cost recovery analysis of solid waste financial data
- Involved citizens to gather their feedback when there was a need to increase collection fees
- Improved fee collection efficiency by linking the fees of solid waste collection to water supply
- Improved the value chain by sales of organic waste recycling products
- Used different tariffs for residential, commercial and institutional entities

In 1994 the city council of Dar es Salaam, **Tanzania** outsourced the solid waste collection and disposal to a private contractor. Besides collecting the waste, the contractor was also empowered to charge customers directly for refuse collection. To enable the contractor to perform as required, the city council was required to enforce the by-laws, relevant legislation

and regulations. A working group on privatization, which comprised experts from different stakeholders including the contractor discussed and deliberated on issues relevant to: the outsourcing process, the functions of the council and the contractor and on what further actions and alterations were required. The collection tariffs were set after a detailed study by the working group and approved by the council. For commercial premises, the collection charges were linked to the issuing of trade licenses to facilitate collection on an annual basis while the residential charges were collected on a three-monthly basis. After six months, such practices yielded good results. Many streets were clean and large volumes of waste were disposed of. On the other hand, the revenue collection earned from refuse collection charges was promising as users paid immediately. Waste collection increased from 2% before privatization to 75%.

The major achievements realized from privatization included:

1. Establishment of a partnership between all stakeholders in solid waste management
2. Significant improvement in solid waste collection to 75%
3. Increased efficiency in service provision and revenue collection
4. Creation of a number of jobs through privatization of services
5. Management of the first contract by the working group who gained experience in privatization

Challenges of outsourcing of the public services:

- 1) Failure of the council and the contractor to fulfil their obligations
- 2) Inadequate public awareness-raising campaigns for residents benefiting from the privatized service
- 3) Weak enforcement of by-laws pertaining to prosecuting the defaulters
- 4) Lack of competition – a single source contractor doesn't have the necessary market incentives to increase efficiency
- 5) Unfamiliarity with the idea and practice of service privatization for both the council and the contractor staff
- 6) Lack of well-functioning Management Information System (MIS) with updated user information
- 7) Ambiguous contract agreement: i.e., no clear indication on the period when the service charges would be reviewed, how to deal with complaints by service users, how to monitor the daily operation of the contractors, and methods of arbitration.

The best option for Libyan municipalities is to outsource their garbage collection service to a private company similar to the city of Bahir Dar and closely monitor the performance of the company. They can also adopt Addis Ababa's model that allows primary collection from households by small contractors as this will enhance competition and provide jobs. Additionally, Libyan councils can benefit from learning from the challenges and opportunities associated with the outsourcing of public services.

2. Rental of Public Properties

Leasing of government-owned properties to a private business is a common practice across the globe. In **Sri Lanka**, for example, local governments have often rented municipal markets to private merchants. In **Malaysia**, the Municipal Council of Petaling Jaya, turned to the private sector during the 1980's when it experienced declining revenues, mismanagement,

and rising costs in the collection of parking fees. The council leased parking areas to private management firms and was thus able to retain control over parking services while relieving itself of management and financial responsibilities and earning steady rental income. This form of PPPs can increase demand for public properties and reduce management costs. The municipality maintains the ownership of the facility while the lessee is responsible for all non-capital expenditures throughout the duration of the lease. Payments are made on a quarterly basis to the municipality bank accounts by certified checks or direct transfers. The lease contracts must be signed by the municipality and the lessee and must be notarized by an authorized notary public or a lawyer. As proven in Sri Lanka and Malaysia, leasing of publicly owned parking areas to private companies provides a clean and low-maintenance revenue stream for Libyan municipalities.

3. Admission Fees (museums, exhibitions, parks and amusement parks and fair)

In many countries, public entities have been innovative in applying revenue management techniques by diversifying and maximizing the usage of space, utilizing and extending the hours of operation, offer services and more flexible pricing structures. For example, **Kenya National Park** in Nairobi offers different ticket rates for citizens, residents and non-resident visitors, and also special-rates for children, seniors, and people with disabilities. To maximize revenue, the park offers other services such as group tours and hotel accommodation at additional costs. The national museum of Kenya offers annual tickets that are valid for seven municipal museums. It also rents space for performances and special events.

In **Turkey**, the Antalya's museums and ancient sites, including the Saint Nicholas Museum in Demre and the Alanya Castle (which generates the highest income) received more than 3 million visitors in 2013. These sites generate 10,600 Turkish Liras annually. The municipality of Jeresh in **Jordan** was able improve revenue from the tourism sector by focusing on two objectives: 1) to develop the capacity of human resources in the tourism sector and 2) to improve tourism services to meet international services standards. Advertising and promotions are major priorities in the entities' budgets. Tickets for these entities are usually sold online or at the ticketing desks of the entity, where baffle gates monitored by security guards are installed to prevent violators. Additionally, the admission fees are used for operations to protect and preserve the facility.

Tourism is not a major economic activity in Libya at this time. However, internal tourism could be a good source of revenue for many municipalities if developed in the future.

4. Usage of Public Space Fee

In many countries, the use of municipal public spaces is regulated by a by-law enacted by the municipal council. For example, in **South Africa**, the municipal council of the city of Johannesburg has enacted a by-law, which designates certain areas as public spaces and displays a prominent notice to this effect at every entrance to the designated area. In some public open spaces such as recreational facilities, the council prominently displays a notice at each entrance, indicating the operating hours of the facility. Open public spaces must be managed, and where appropriate, developed in the interest of the whole community and taking into account environmental sustainability.

The council assesses varying fees for different spaces. For example, there are designated entrance fees for recreational facilities, any open public space that is significantly more expensive to maintain than others (i.e. botanical gardens), and fees for exclusive use of special event open spaces (i.e. festivals and trade fairs). Additionally, fees are assessed for exclusive use of municipal property for a specific period, with an annual or monthly fee for the right to use urban agricultural public space. Finally, there is a prescribed fee for processing applications for permits to use municipal open spaces. Fees are paid at the entrance gate and permits are paid for at municipal office.

Furthermore, the council determines the authorized use of fees collected from open public spaces. The council prohibits waste, vehicles, vegetation, animals, solicitation or the sale of goods without permission from the council. Any community service requires a permit whose approval is subject to the decision of the council. The council may enter into a written agreement with any state, local community or organization looking to provide for the cooperative development or management of any open public space as well as the regulation of public activities within it. The council monitors the effectiveness of any agreement entered into in terms of achieving its goals. This model represents a comprehensive system for the usage of public space that can and should be implemented in various municipalities in Libya.

5. Slaughterhouses Fee

To encourage the use of slaughterhouses in **Pakistan**, several steps were recommended including:

- Conducting public campaigns informing citizens that street butchers sell meat of poor quality and hygiene
- Enforcing a regulation that prohibits street slaughtering by charging violators and establishing municipal abattoirs, aiming to provide quality and clean meat, following health standards.

Slaughterhouses should be situated at a distance from the residential areas, preferably in industrial areas where all required utilities are easily available like sanitation, water, electricity and suitable transportation infrastructure. They should use modern processing machines and storage facilities in addition to hiring appropriate consultants for meat inspection and certification. Quality standards and strong linkages with animal suppliers should be maintained by the slaughterhouse' operations department. Small, medium, and large animals should be priced at different and appropriate service rates, paid upon delivery to the slaughterhouse. Discounts should be allotted to valued customers who utilize the facility on a regular basis. Municipalities endowed with livestock should encourage farmers to utilize municipality slaughterhouses and help them supply urban areas with meat.

The Keekenyoike slaughterhouse in the Massailand in **Kenya** has established a successful community slaughterhouse, which supplies Nairobi markets with beef. Their slaughterhouse has modest facilities, yet offers services at a fee. Such services include flaying, evisceration, meat cutting, offal cleaning and processing. They employ slaughter attendants either fulltime or based on production demand.

For better service and revenue, Libyan municipalities can upgrade their slaughterhouses through assistance from the international organizations concerned with health and

environment. Additionally, slaughterhouse services can be shared between two or more municipalities.

6. Collection of Tickets and Fines

In many countries, traffic and road violation tickets are good sources of revenue for municipalities. The municipality of the city of Cape Town in **South Africa** provides the best practice for traffic ticket fines in Africa. All traffic violations that take place within the city's boundaries are dealt with by the city's Traffic Department. Citizens who want to find out if they have outstanding fines can call the traffic inquiries section during office hours. There are two types of fines, regardless of the traffic violation:

- 1) Traffic notice: is given to the violator by a traffic officer, usually for a moving violation. It includes a court date.
- 2) Traffic Ticket: is issued when a motorist is caught violating a traffic regulation (for example, when speeding) or when a traffic officer issues a ticket when the motorist is not present (tickets issued for parking violations, expired license, etc.).

A violator can contest a ticket by sending a letter to the Traffic Department or by contacting the Public Prosecutor before the court due date. A violator who is paying before the due date, can pay the traffic fine by check, cash, or money order. A violator who doesn't want to pay must appear in court, in person, on the due date. Failure to appear in court denotes an immediate issuance of a warrant for arrest.

7. Road and Bridge Fee

Road pricing is an economic concept that supports direct charges or user fees applied to the use of roads. Road pricing tax generates revenue, usually for the financing and maintenance of road infrastructure and addresses the demand for transportation management. It reduces congestion, provides clearer price signals to users for the costs they incur, and generates revenue for transportation improvement projects. Developed countries have embraced tolls as a means of financing major road infrastructure projects. The concept is widely adopted by many countries in the developing world. For example, in **Sudan** the government installed tolls in highways and is successfully collecting fees from road users. Ticket collectors attend each toll and there are security guards and/or police officers at each toll point to monitor violators. Toll payment is made in cash and receipt is issued upon payment.

8. Advertising on Municipal-Owned Properties Fee

Advertising on public properties could be a good source of revenue for municipalities. **Qatar's** Municipal Advertising Law is very broad and defines advertisement as any means of communication aimed at informing the public or a specific sector of the public about certain industrial or commercial goods or products, devices, machinery, activities, commercial, industrial, or professional acts whether through writings, drawings, images, sound, lights, or other means of expression and whether the advertisement appears on wood, metal, paper, cloth, plastic, or other material.

Managing advertising revenue requires advertising policy or by-laws to be established by the council. For example, the advertising by-laws for the city Tshwane Metropolitan Municipality in **South Africa** was enacted to ensure that there is a consistent approach to advertisement on public properties and to ensure that ads and signs are safely posted or erected, maintained and do not detract from the visual amenity of the facility on which they are posted. The policy should detail criteria for advertising such as obtaining written permission to post ads, what are prohibited ads, ad size, and the space and position it can be posted. The policy should describe installation conditions for specific types of signs. The policy should also state the types of advertisement that may be displayed without needing to obtain a permit. Advertisers should seek permits from the municipality planning department and in some cases from multiple departments. For example, road ads permits must be obtained from the planning department and roads authorities. The policy also sets violation rules and fees for different types of ads.

The municipal council may issue a license for long term use of public land for advertising purposes. For example, the council of West Lothian, **Scotland** offers a standard license that gives the applicant the right to use the land for a year with an annual rent of £150 with no refunds if the sign is removed before the expiration date. Applicants will also be required to pay an administration fee of a further £150 and a deposit of £250 refundable at the end of the agreement if the sign has been removed and the land reinstated to the council's satisfaction.

PRE-REQUISITES FOR MUNICIPAL REVENUE GENERATION

1. Public Participation

Public participation should be inclusive of ordinary citizens. Public participation for revenue generation is the responsibility of the municipal public affairs unit and service departments in order to provide the public with balanced and objective information. This approach helps citizens in better understanding the problem, alternatives, opportunities, and solutions. The information can be disseminated to the community through notifications, publications, meetings, and community education where the public learns about revenue generation. After educating the public on the issue, the city consults with its citizens to gather their feedback on the information presented, alternatives, and/or decisions. It is important to keep the public informed as it is a tool for the local government to receive input and acknowledge public concerns and objectives which influence budgetary decisions. Consultations can be conducted through meetings, committees, written feedback mechanisms, and formal hearings where citizens provide their ideas and thoughts.

This step is conducted to ensure that the public is a participant in the process of reaching a decision on the municipal budget. This step can also be accomplished through committees, written feedback mechanism such as surveys, community representatives, and by using mass media. Additionally, the municipality can make available a phone number where citizens can call or an office space that citizens can visit to express their views. The municipality/city can include the public in each aspect of the decision-making process, even in the development of budget alternatives and the identification of preferred solutions that address citizens' needs. In this way, citizens become active partners in the decision-making process and final decision-making is in the hands of the public while the local government executes public decisions. The decision can be communicated to the community through the mechanisms mentioned above or any other available venues. *Throughout the process, the municipality should involve CSOs who advocate on issues of financial transparency, anti-corruption and government accountability.

2. Revenue Collection Office

The revenue collection office is an essential component of the municipality's financial management system. It is responsible for collecting, processing, and depositing revenues. Revenue collection should be centralized in this office and satellite offices can be established in remote areas. A Revenue Collecting Administrator must be appointed by the council to lead the office and be tasked with the development of written policies and procedures covering collection, training staff, public relations and prudent and ethical handling of

public's money. In some countries, to support the collection office, the council creates a revenue generation sub-committee. The office must be staffed with qualified and skillful supervisors, collectors and accountants to avoid corruption. Collectors must be given commission to motivate them and the council should establish annual revenue performance awards for collectors. Collection must occur at the convenience of the taxpayer and within a reasonable timeframe. In order to enhance efficiency in the collection of local revenues, local governments in **Kenya** and **Uganda** have contracted-out some of the local revenue collection functions to the private sector. The office of revenue collection should maintain up-to-date records of rates, taxes, licenses and fees, rents, and any other sources of revenue, including all relevant information for billing, payment status, and arrears. A system of issuing receipts and recording money received in a register, with details of the receipt number and date should work reasonably well, enabling cash received to be checked against receipts. Non-payers can easily be identified.

A common challenge of local revenue generation in developing countries is that some of the taxpayers do not pay their taxes with the reason that the money they pay is not spent on development projects. Also, sanctions exist for tax defaulters, but are not enforced by the councils. To avoid these problems, the council should involve taxpayers in decisions related to revenue generation and how the money will be spent. The council should institute measures to ensure proper accountability in terms of daily collections. Specifically, the council should put in place strong and adequate monitoring teams to constantly check the revenue collectors and if sanctions for defaulting collectors are being carried out. Citizens must be active participants in monitoring and evaluating public services and projects delivered by the municipality.

3. Cost Recovery Unit

A cost recovery unit must be established and temporary placed within the revenue collection office until the municipality establishes a tax assessment office in the future. Cost recovery is concerned with recouping a portion of or all costs associated with a particular service, provided by the municipality related to fees. The unit will be tasked with three key issues concerning cost recovery:

- (a) Setting cost recovery policy and principles
- (b) Capturing, monitoring and reviewing the cost of services: this requires sufficient information for cost attribution, establishing an annual cost recovery reporting system for the council and senior management to review the high cost recovery fees.
- (c) Fee and charge collection and enforcement: periodical analysis of fee collection ensures that incentives and sanctions for fee collection are in place, as well as periodic scrutiny of payment methods options and collection enforcement mechanisms.

4. A Team Management Approach

Most of the issues facing municipalities today cross the traditional boundaries and responsibilities of any one department or unit. For example, issues such as local revenue generation or managing growth can be addressed only through the coordinated effort of several different municipal departments. Similarly, good municipal financial management requires coordinating the expertise and individual efforts of numerous departments,

committees and officials. This also includes the sharing of information and resources so joint solutions can be developed and implemented successfully.

5. A Thorough Budgeting Process

A thorough budgeting process should clearly identify the municipality's service priorities, funding for each service, how the money will be used, and how it will meet the goals and objectives of each municipal department. Preparing and executing the budget is the responsibility of the planning and budget department. Identifying and setting the priorities of the community is the first step in developing a municipal budget. Obtaining community input in setting priorities can be achieved through citizen surveys, community forums or other public participation processes. After setting community priorities, it is important to draft budget goals by the planning department staff and present them to the public. Once the planning department has received sufficient public input and made appropriate changes to the draft goals, it should then adopt final goals for the ensuing fiscal year. These final goals become the roadmap for the municipality and each municipal department prepares its budget accordingly, following guidance and format provided by the budget department. The budget department staff will then prepare the draft budget tying it to the adopted goals.

Public hearings of the draft budget must be held and public input should be taken into consideration. Hearings must be inclusive of all stakeholders including council members, service departments' staff, CSOs, and citizens at large. The municipal council will have the opportunity to determine if the goals are achievable given revenue and/or time constraints and to address any other issues related to the goals. The budget document will include operating and capital costs. The operating budget includes expenditures for personnel services, materials and supplies, contractual services, utilities, etc. The capital budget includes long term capital improvements, facilities and equipment. The budget is not a legal document until approved by the council. Once approved, the budget will be executed to achieve the goals set by the community. An information brochure on the approved budget should be published and disseminated among citizens in a simple and accessible format.

CSOs can play a crucial role in disseminating budget brochures to the public. The budget department should provide the council with monthly updates of the budget based on analysis of projected vs. actual (expenditures and revenues). Budget updates must be accessible to the public. Public hearings on the budget at the end the fiscal year must be held in order for the citizens to compare target vs. implementation achievements.

6. Financial Reporting

Timely financial reports are valuable tools for monitoring and evaluating the municipality's financial health. They provide information that shows how the municipality's funds were collected and expended and allow the community to compare the actual financial performance with the projections of the municipality's budget as originally voted. A good accounting system is the basis for meaningful financial reports. It consists of a general ledger, general journal and detailed subsidiary ledgers for revenues and expenditures. It is very important that these records be maintained and kept up to date, because it is from these records that appropriations and revenues are monitored and various financial reports prepared. Many local governments in the region are utilizing IFMS or EPICOR accounting systems. In the future, Libyan municipalities can use either system based on what works best for them.

7. Auditing

Internal and external audits must be performed regularly, and serious management efforts must be made to remedy possible irregularities found during audits. The external audit is a function that determines the reasonableness and completeness of the municipality's financial reports. The audit report usually indicates that the Financial Statements have been prepared using the directives and regulations set by Libya's Auditor General as Generally Accepted Accounting Principles might not be in use in Libya at this stage. The financial statements should comply with relevant statutory requirements and regulations. There must be adequate disclosure of all material matters relevant to the proper presentation of the financial information subject to statutory requirements. Any changes in the accounting principles or in the method of their application and the effects thereof, have been properly determined and disclosed in the financial statements. The audit findings and measures planned on such basis must be reported to the council. Audit reports must be made available to the public.

8. Sound Procurement System

Procurement is the most important function of a municipality's financial management system. The goal of procurement is to ensure that quality goods and services are purchased at the lowest possible price. Procurement steps include: setting standards and specifications for the procurement of goods and services, soliciting quotations and assessing them, awarding bids, receiving goods and services, and payments for such purchases. Procurement can be decentralized or centralized. Decentralized procurement occurs when each department purchases goods and services allowed in its budget. Centralized procurement occurs when the responsibility for purchasing for all departments is vested in one department.

One of the primary advantages of centralized procurement is that it reduces the paperwork and time involved, attains volume discounts, and facilitates budgetary control. Any requests for the purchase of supplies and materials are submitted to the purchasing agent on a purchase order form. The purchasing agent can then make sure that a departmental request for particular goods or services is authorized by the budget and that sufficient funds are available for its purchase. Cities/municipalities can also take advantage of bulk rate discounts available under blanket vendor contracts with the state. Blanket contracts allow purchasing agents to buy specific goods and services at a pre-determined price. This is the current practice in Libya, but the primary complaint is that the municipality is not fully engaged in the procurement process which is handled by central government staff within the municipality. The procurement unit should be part of the municipal system/organizational structure, and it should be equipped with trained staff, facilities, and means of reporting. The municipal council should maintain oversight over the procurement process.

9. Promote Public Private Partnerships (PPPs)

The private sector plays an important role in local economic development. The municipality's strategy should be to generate revenue by engaging the private sector. The private sector is the source of tax revenue, and its engagement in PPPs can serve to ensure that proper procurement, auditing and monitoring procedures are being followed, as they have a vested interest in the matter. The private sector is more efficient in providing certain municipal services such as solid waste collection, transportation, water, energy, and revenue collection. Therefore, when establishing PPPs, the central government can serve as the regulator, and the private sector can be the guarantor and provider of seed money.

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