

# Lebanon's Trade Facilitation: A Key to Competitiveness

Preliminary findings and recommendations of  
the World Bank's trade facilitation audit.



# The trade facilitation audit finds trade facilitation too slow and too costly...

- Unofficial costs add **1.1%** to total import value, **1.9%** to total export value.
- Together with ineffectiveness in trucking, container handling and high port fees, Lebanese trade suffers serious **disadvantage** in comparison with its regional and Mediterranean competitors.



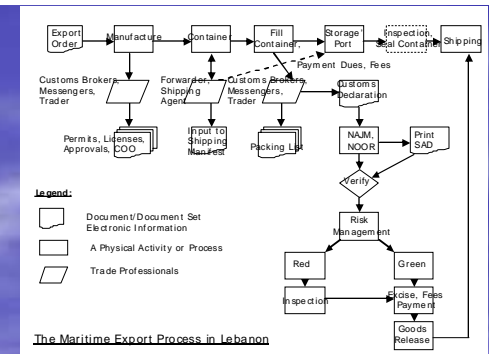
# Customs, Inspections Problems



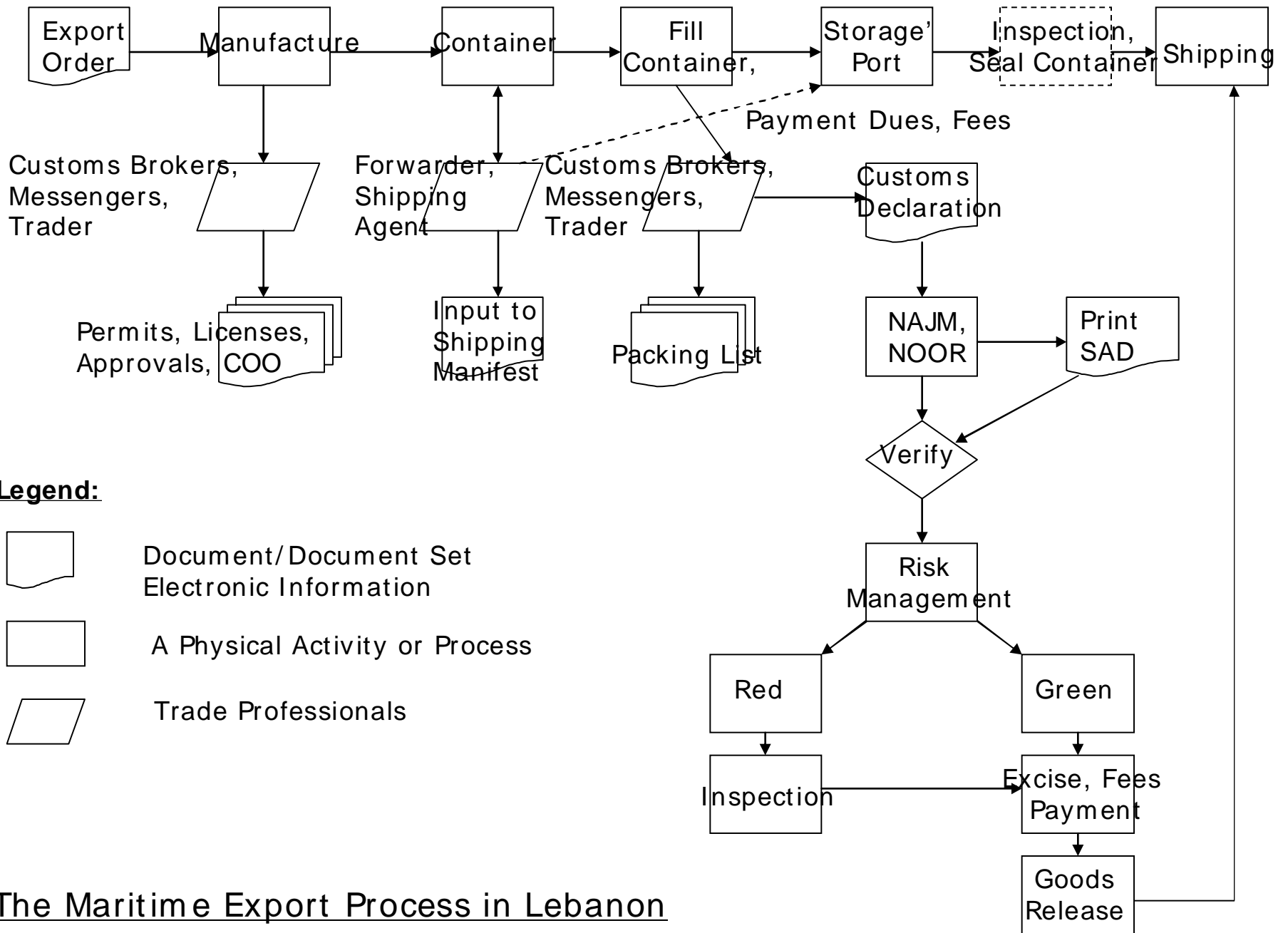
- The Customs Law does not allow container sealing until all formalities have been completed, at the last minute. The law makes port inspection effectively universal and compulsory.
- Customs clearance is slow and complex.
  - International best practice for exports: 18 steps, 7 days from placing order to shipment
  - Lebanese clearance procedure for exports: 27 processes, taking an average of 12 days.
- The Industrial Research Institute (IRI) inspections of imports are arbitrary and add two extra days to clearance.



# Complex Trade Transactions Processes



- Many documents
- Many players and interactions
  - A typical trade transaction involves 27 steps
    - Raw material and component supplier
    - Manufacturer/assembler
    - Customs agents/brokers
    - Customs authorities
    - Government authorities
    - Local transport and warehousing companies
    - Container handlers
    - Port and harbor authorities
    - Shippers (sea, air, road)
    - Bank and insurance companies
- Each have own set of paper forms and interactions with other organizations



## The Maritime Export Process in Lebanon

# Excessive paper work: Permit Issuing Agencies

## PIA Cost per Approval Process (US \$)

|  | IMPORT | EXPORT |
|--|--------|--------|
| Three(3) original application forms  | 50     | 50     |
| Fiscal Stamps  | 8      | 8      |
| Ad valorem, 0.1% on average import (US \$48,420) or export (US \$ 28,624)  | 48     | 28     |
| Trade Professional costs, including un-receipted payments to PIA ( <i>Includes estimated minimum official discretionary costs: corruption of approx. US \$25</i> ) | 50     | 50     |
| Typical Total PIA costs  | 156    | 136    |

# By Sea

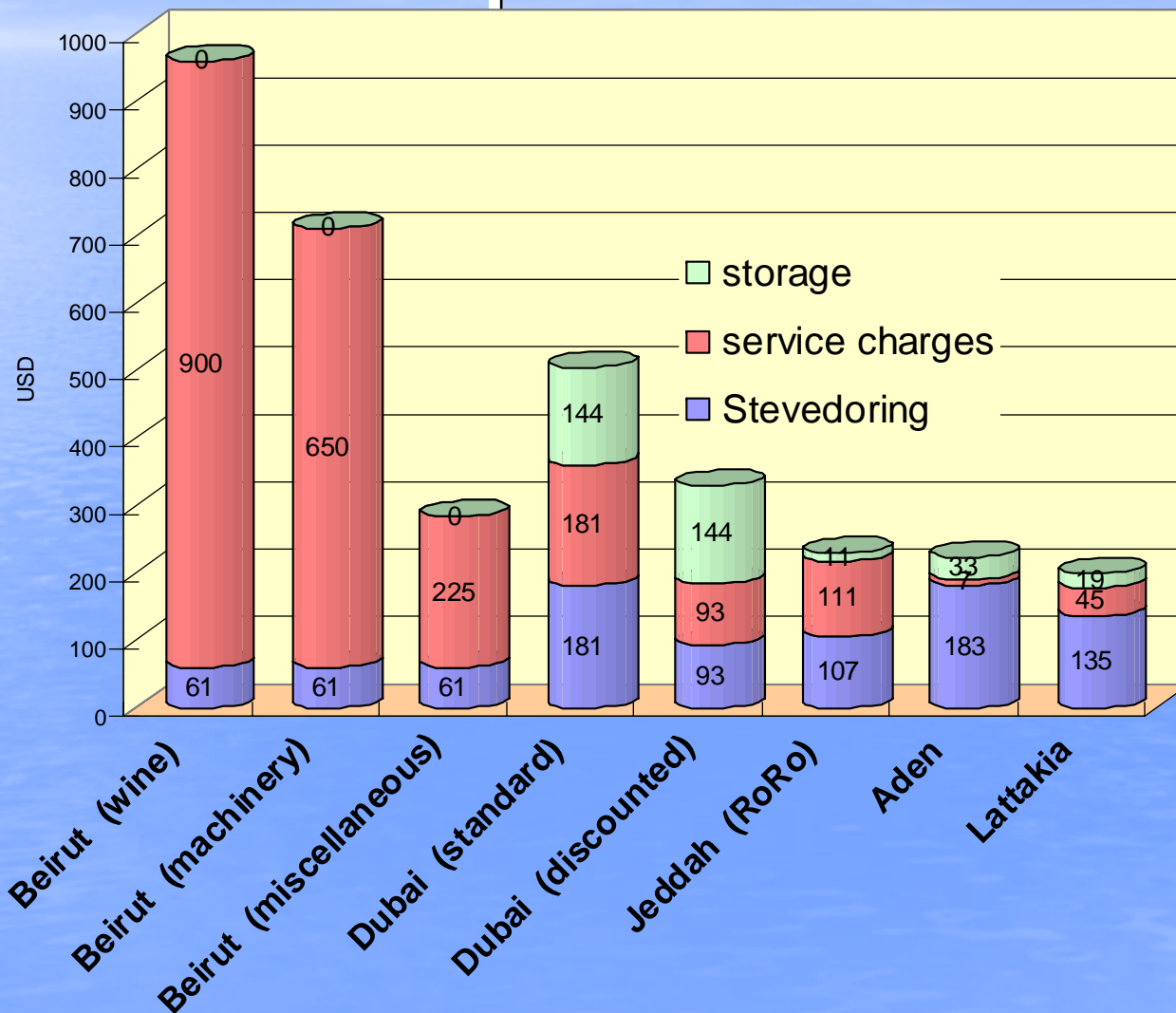


In spite of new, modern container port...

- The Port of Beirut charges higher service charges than other regional seaports. A hefty tax is built in.
- Other regional ports charge between US\$ 100 and 200 for handling a fully-loaded 40 foot container
- At Port of Beirut the charge for the same container is 650-900 USD. 60% of this goes directly to the Government.



# Comparison of Port Dues for 40ft Container Handling within Regional Seaports





By air...



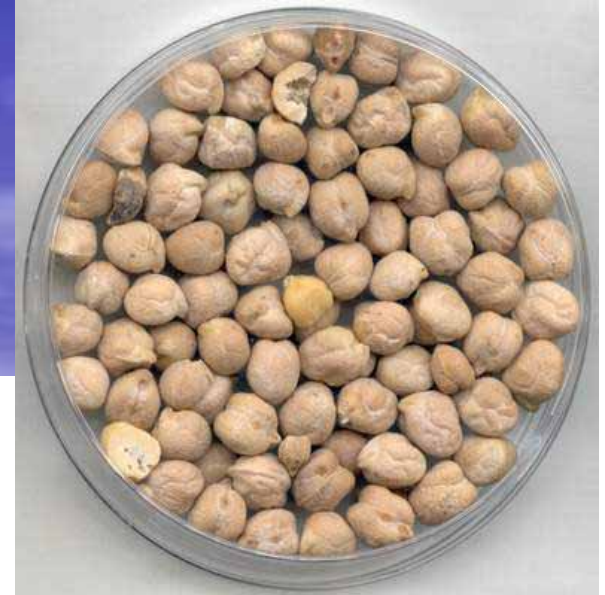
- The customs clearance cost at Beirut International Airport is five times the cost of international best practices.

# By Land...

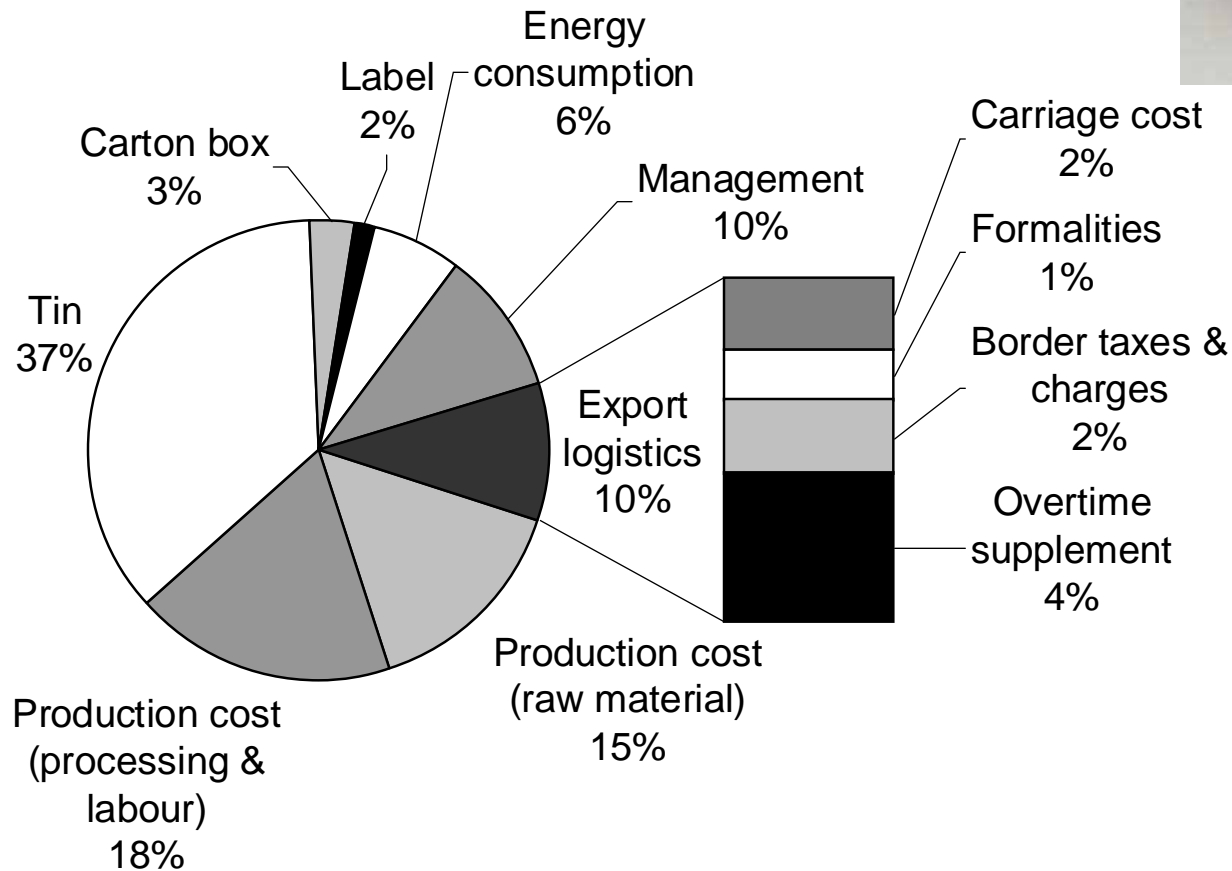


- Border crossing delays reduces trade profitability.
- Syria exercises its discretion about what border crossings will be open, when, and under what conditions, resulting in long waiting times at the Syrian border
- Israel, Saudi Arabia impose their own constraints.
- Shortage of capacity in the trucking fleet

# Canned Hummus



**Fig. 1 Breakdown of the Costs of a Carton of Canned Hummus**



Effect of trade facilitation costs and added import cost of packaging are decisive disadvantages.



# How have countries reformed?

## Tunisia Trade Facilitation Reform

1998

- In 1998, import processing took 8 days, 19 steps to 4 days.
- Payment of customs and port charges: one full day
- Completing customs declarations: up to 3 days.
- 50-80 percent of goods were physically inspected

2003

- Streamlining, computerization, other reforms reduced time to process imported goods to an average of 3 days.
- Electronic processing of manifests: 1–2 days
- Paying customs, port duties, storage charges: 1 day
- Time to prepare, process customs declarations: 1 day
- Physical inspection of goods reduced to 15 minutes

FIGURE 1 TRADE DOCUMENT PROCESSING IN TUNISIA, 1999

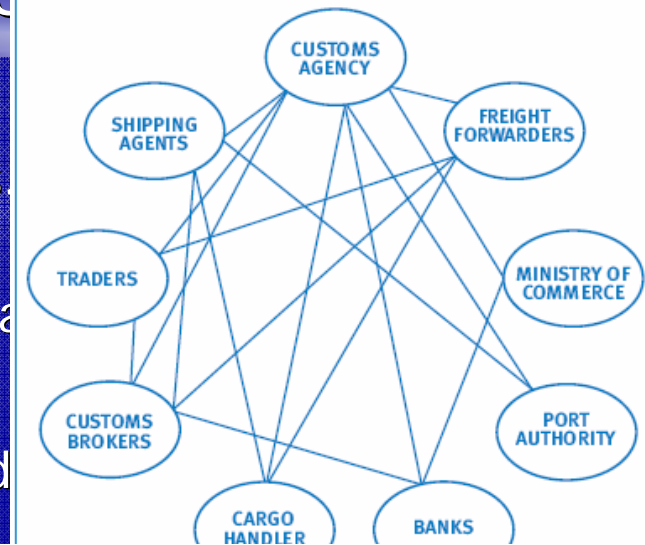
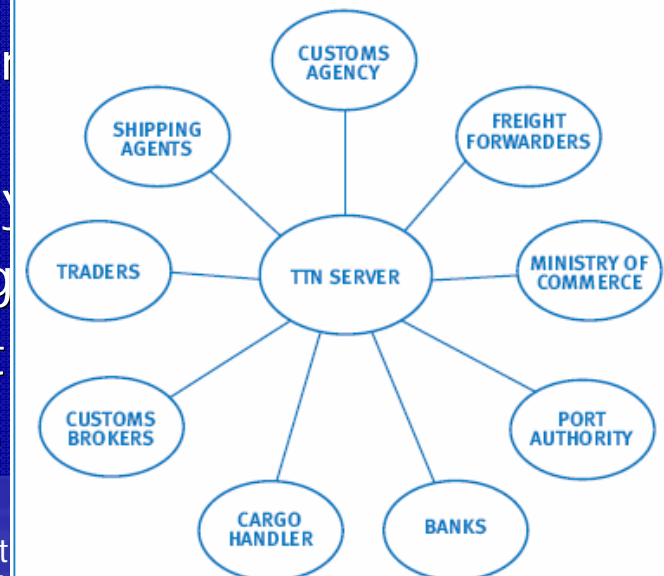


FIGURE 2 TRADE DOCUMENT PROCESSING IN TUNISIA AFTER IMPLEMENTATION OF TUNISIE TRADE NET (TTN)



Source: Alavi, Hamid, and Donald Lim Fat. 2003. "An Initial Impact Evaluation of the Tunisia Trade Facilitation Reform: Support under Tunisia Export Development Project." World Bank, Washington, DC.



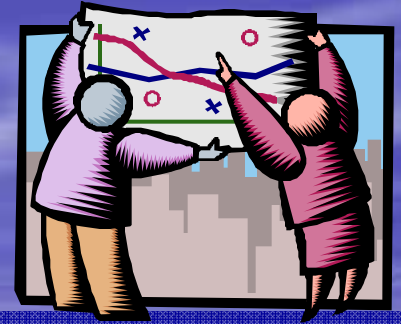
# Tunisia Export Development Project



- Reinforces major progress in addressing trade policy issues (adherence to WTO, EU Association Agreement)
- Tunisian firms lacked knowledge of export markets and export finance, and faced high trade transactions costs.
- Project components addressed each constraints:
  - Matching grants helped to obtain relevant know-how
  - Pre-shipment export finance guarantee (PEFG) facility encouraged commercial banks to lend.
  - Customs streamlined, yet security and detection improved.
  - Manifest processing time cut (through Tunisia TradeNet (TTN), a Single Window mechanism).
  - Overall clearance time reduced from 8 days to 3.



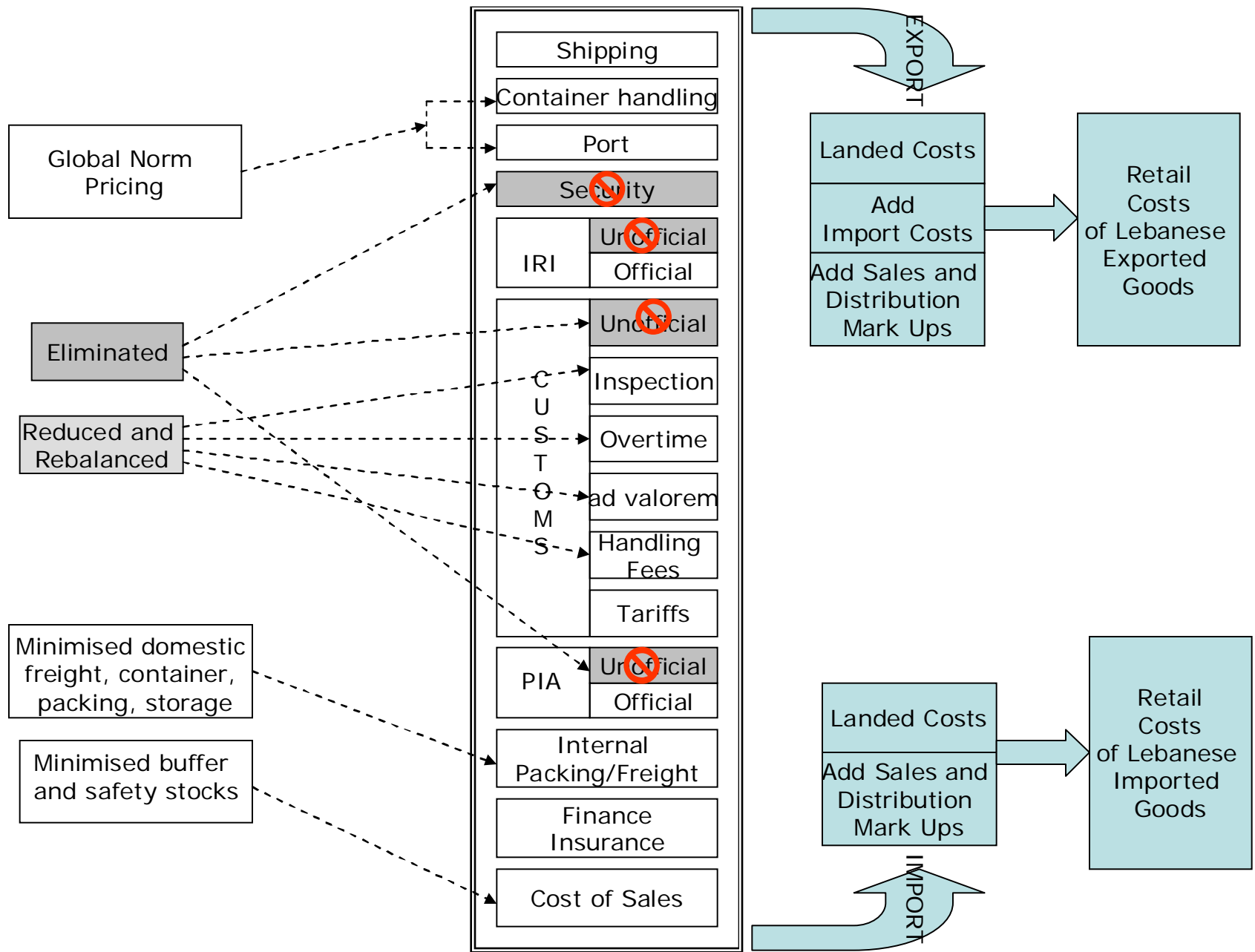
# An action plan for reforming Lebanese trade facilitation.



## Actions:

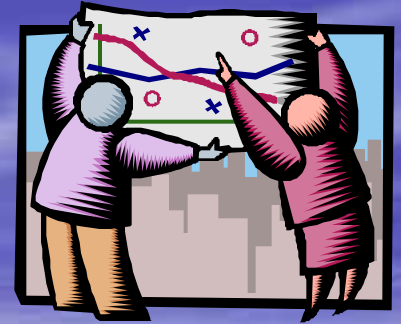
- Reorganize Industrial Research Institute (IRI) inspections to relieve unnecessary burden for traders, amend IRI procedures
- Introduce efficient risk management system in Customs Inspections: Customs' physical inspections should be placed under the control of the ASYCUDA (NAJM) risk management module.
- Improve NAJM to accept Electronic Data Interchange (EDI) formats: upgrade NAJM to accept electronically submitted documents in non-ASCUDA, standard EDI formats.
- Support Port of Beirut in developing Develop Port Community Information System to enable more efficient use of the port facilities and the trucks. This will lead to lower port dues, quicker processing time and a better business environment for truck operators.
- Implement a trade facilitation electronic single window.
- Rationalize official and unofficial charges: streamline procedures as shown (next slide) by reducing or eliminating certain processes.





***Lebanon's Rebalanced Costs of Trade***

# An action plan for reforming Lebanese trade facilitation.



## Implementation:

- Strengthen National Committee for Trade, Transport and Logistics Facilitation (NCTTLF) to become the focal point of reforms.
  - Begin with broad stakeholder consultations, consensus building.
  - NCTTLF to establish national priorities, obtain and manage resources and oversee and monitor progress of programs to rehabilitate merchandise trade through an efficient and transparent trade regime.
  - The CEO and the secretariat will initially appoint a small number of action groups, whose work will be supported by the secretariat. These groups might comprise of a legal group, a process re-engineering group, an ICT group, and a trade transparency group.
- Reduce number of agencies and organizations involved in import and export processes.